

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**JUNE 30, 2020**

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**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**JUNE 30, 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Northeastern School District  
Manchester, PA 17368

### **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 Northeastern School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Summary of Opinions**

<b><u>Opinion Unit</u></b>	<b><u>Type of Opinion</u></b>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

## **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 Northeastern School District, as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the district's proportionate share of the net pension liability, schedule of district pension contributions, schedule of the district's proportionate share of the net other postemployment benefits liability, schedule of district's other postemployment benefit contributions, and schedule of changes in the district's total OPEB liability and related ratios on pages 4 through 17 and 61 through 67 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 Northeastern School District's basic financial statements. The combining fund financial statements and other supplementary statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund financial statements and other supplementary statements listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and other supplementary statements listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeastern School District's internal control over financial reporting and compliance.

*Sager, Swisher and Company, LLP*

Columbia, Pennsylvania  
January 11, 2021

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

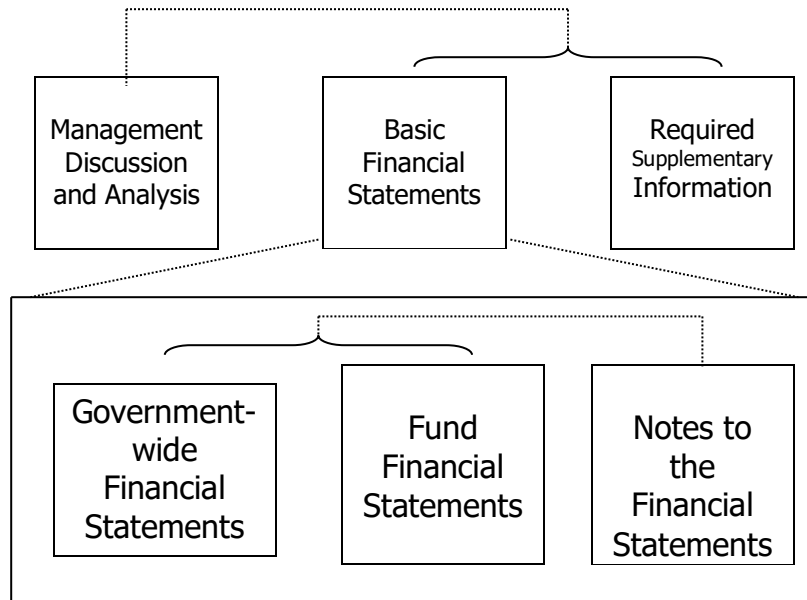
The Management Discussion and Analysis of Northeastern School District provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2020. The intent of the discussion and analysis is to look at the school district's financial performance as a whole. Readers 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 government-wide and individual fund statements. The government-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.

Figure A-1 demonstrates how the required components of the financial section are arranged and correspond to one another:

Figure A-1  
Required Components of  
Northeastern York School District's  
Financial Report



**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

## **Government-wide Statements**

### *Statement of Net Position and Statement of Activities*

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

In the Statement of Net Position and Statement of Activities, the school district is divided into two categories of activity:

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 Activity – 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 Northeastern School District include:

- ✚ Major Governmental Funds
  - General Fund
  - Capital Projects Fund
- ✚ Non-major Governmental Funds
  - Football Athletic Fund
  - Student Activity Fund
- ✚ Proprietary Funds
  - Enterprise Fund – Child Nutrition Services
- ✚ Fiduciary Funds
  - Glatfelter Scholarship
  - James P. Dietz Music Scholarship
  - Zions View Trust Fund

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

**Financial Highlights**

- ✚ Total governmental net position increased by \$5,170,380 or 7.55%, when compared to the 2019 figures.
- ✚ Total governmental current assets increased by approximately \$5.5 million as a result of an increase in cash and cash equivalents.
- ✚ Net Pension Liability totaled \$96,327,209 while Other Post-Employment Benefits totaled \$8,549,990, which continued to have an adverse effect on the district's net position.
- ✚ Total governmental capital assets decreased by \$1,620,611. This was primarily due to depreciation expense that was offset by building improvements, equipment, vehicles and technology infrastructure acquisitions.
- ✚ Actual governmental program revenues increased by 7.76% while governmental program expenditures increased by 2.67%.
- ✚ Total outstanding debt decreased by \$3,598,000 due to the repayment of principal on existing bonds.
- ✚ Total governmental fund balances equaled \$24,204,080. The following shows the breakdown by fund:
  - General Fund Balance of \$13,076,358 (\$2,000,000 committed, \$6,050,000 assigned and \$5,026,358 unassigned). The committed and assigned fund balances are comprised of \$3,000,000 to cover future increases in the PSERS retirement rate for the employer, \$4,500,000 for future capital needs and \$550,000 for the 2020-2021 budget.
  - Capital Projects Fund Balance of \$10,982,709.
  - Football Athletic Fund Balance of \$19,480.
  - Student Activity Fund Balance of \$125,533.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

**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 compared to 2019.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total		% of Change
	2019	2020	2019	2020	2019	2020	
<b>Assets:</b>							
Current and Other Assets	24,914,348	30,378,497	1,001,644	918,642	25,915,992	31,297,139	
Noncurrent Assets, Net	63,015,193	61,394,582	223,258	200,740	63,238,451	61,595,322	
<i>Total Assets</i>	87,929,541	91,773,079	1,224,902	1,119,382	89,154,443	92,892,461	4.19%
<b>Deferred Outflow of Resources:</b>							
Bond Refinancing Charges	2,582,496	2,350,026	-	-	2,582,496	2,350,026	
Deferred Outflows for Pensions	14,370,958	12,066,177	368,582	291,792	14,739,540	12,357,969	
Deferred Outflows for OPB	560,594	572,101	-	-	560,594	572,101	
<i>Total Deferred Outflow of Resources</i>	17,514,048	14,988,304	368,582	291,792	17,882,630	15,280,096	-14.55%
<b>Liabilities:</b>							
Current and Other Liabilities	9,343,417	9,721,302	150,268	231,174	9,493,685	9,952,476	
Net Pension Liability	96,513,356	94,052,764	2,474,701	2,274,445	98,988,057	96,327,209	
Net Bonds & Notes Payable	55,754,489	51,739,020	-	-	55,754,489	51,739,020	
Other Post-Employment Benefits	8,265,175	8,549,990	-	-	8,265,175	8,549,990	
Other Long-Term Liabilities	1,076,396	1,216,825	-	-	1,076,396	1,216,825	
<i>Total Liabilities</i>	170,952,833	165,279,901	2,624,969	2,505,619	173,577,802	167,785,520	-3.34%
<b>Deferred Inflow of Resources:</b>							
Deferred Inflows for Pensions	1,493,841	3,386,678	38,304	81,899	1,532,145	3,468,577	
Deferred Inflows for OPEB	1,470,423	1,397,932	-	-	1,470,423	1,397,932	
<i>Total Deferred Inflow of Resources</i>	2,964,264	4,784,610	38,304	81,899	3,002,568	4,866,509	62.08%
<b>Net Position:</b>							
Net Investment in Capital Assets	6,260,600	8,319,588	223,258	200,740	6,483,858	8,520,328	
Restricted:							
Capital Projects	10,443,688	10,982,709	-	-	10,443,688	10,982,709	
Debt Service	-	-	-	-	-	-	
Unrestricted	(85,177,796)	(82,605,425)	(1,293,047)	(1,377,084)	(86,470,843)	(83,982,509)	
<i>Total Net Position</i>	(68,473,508)	(63,303,128)	(1,069,789)	(1,176,344)	(69,543,297)	(64,479,472)	-7.28%

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

*Governmental Activities*

On June 30, 2020, the school district had a total negative net position from governmental activities of \$63,303,128; which was an increase of \$5,170,380 or 7.55% during the fiscal year. Total governmental assets increased by \$3,843,538 while deferred outflows decreased by \$2,525,744. Governmental liabilities decreased by \$5,672,932. Factors that significantly affected net position in the 2019-2020 fiscal year were:

- ✚ Net Pension Liability decreased by \$2,460,592, totaling \$94,052,764 for the year ending June 30, 2020.
- ✚ Other Post-Employment Benefits increased by \$284,815, totaling \$8,549,990 for the year ending June 30, 2020.
- ✚ General fund cash and investments increased by \$4,072,723 from the prior year, capital reserve cash increased by \$622,445 and non-major governmental funds increased by \$134,278; totaling a governmental-wide increase of \$4,829,446.
- ✚ Total governmental assets increased by 4.37% or \$3,843,538 from last year's figures. The growth in cash and investments was offset by the change in capital assets, primarily due to depreciation expense.
- ✚ Total current liabilities increased by \$413,287 or 4.63%. This increase was due to additional year-end accounts payable, the current portion of long-term debt and unearned revenues.
- ✚ Total non-current liabilities decreased by \$6,050,817 or 3.74%. This decrease was largely due to the decline in Bonds & Notes Payable of \$4,015,469.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

Table 2 reflects the Change in Net Position for fiscal year 2020 compared to fiscal year 2019.

Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
<b>Revenues</b>						
Program Revenues:						
Charges for Services	293,146	418,475	1,064,418	796,548	1,357,564	1,215,023
Operating Grants and Contributions	12,430,836	13,093,332	1,513,835	1,403,965	13,944,671	14,497,297
Capital Grants and Contributions	731,702	730,807	-	-	731,702	730,807
<b>Total Program Revenue</b>	<b>13,455,684</b>	<b>14,242,614</b>	<b>2,578,253</b>	<b>2,200,513</b>	<b>16,033,937</b>	<b>16,443,127</b>
General Revenues:						
Property Taxes	39,946,186	42,095,711	-	-	39,946,186	42,095,711
Other Taxes Levied	4,152,367	6,282,067	-	-	4,152,367	6,282,067
Grants & Subsidies not restricted	12,714,985	13,174,695	-	-	12,714,985	13,174,695
Investments	489,122	460,220	15,295	11,314	504,417	471,534
Other	96,244	95,236	-	4,178	96,244	99,414
<b>Total General Program</b>	<b>57,398,904</b>	<b>62,107,929</b>	<b>15,295</b>	<b>15,492</b>	<b>57,414,199</b>	<b>62,123,421</b>
<b>Total Revenues</b>	<b>70,854,588</b>	<b>76,350,543</b>	<b>2,593,548</b>	<b>2,216,005</b>	<b>73,448,136</b>	<b>78,566,548</b>
Program Expenses:						
Instruction	46,161,578	48,202,670	-	-	46,161,578	48,202,670
Support Services:						
Pupil and Instruction Staff	7,244,697	7,031,971	-	-	7,244,697	7,031,971
Board of Education, Administration, and Fiscal	5,038,603	5,481,438	-	-	5,038,603	5,481,438
Operation & Maintenance of Plant	4,549,383	4,541,572	-	-	4,549,383	4,541,572
Pupil Transportation	2,762,283	2,466,242	-	-	2,762,283	2,466,242
Extracurricular Activities	1,129,707	1,188,833	-	-	1,129,707	1,188,833
Community	64,301	7,840	-	-	64,301	7,840
Refund of Prior Year Receipts	-	-	-	-	-	-
Interest on Long-Term Debt	2,484,087	2,367,767	-	-	2,484,087	2,367,767
Unallocated Depreciation	-	-	-	-	-	-
Food Service	-	-	2,521,631	2,322,980	2,521,631	2,322,980
<b>Total Expenses</b>	<b>69,434,639</b>	<b>71,288,333</b>	<b>2,521,631</b>	<b>2,322,980</b>	<b>71,956,270</b>	<b>73,611,313</b>
<b>Transfers</b>	<b>(1,118)</b>	<b>(420)</b>	<b>1,118</b>	<b>420</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>1,418,831</b>	<b>5,061,790</b>	<b>73,035</b>	<b>(106,555)</b>	<b>1,491,866</b>	<b>4,955,235</b>

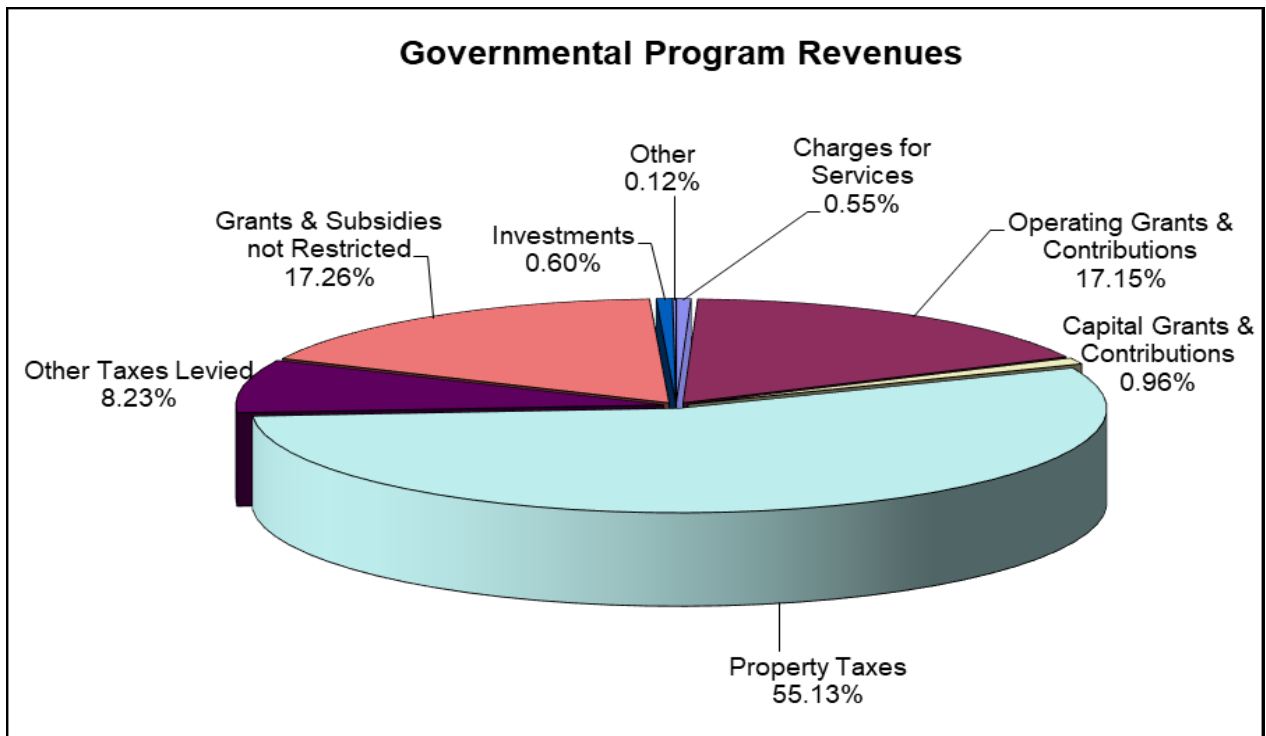
Governmental program revenues increased by 7.76% from \$70.8 million to approximately \$76.3 million.

- ✚ Charges for services increased by \$125,529 or 42.75%. This category includes extracurricular/co-curricular fees, building rental fees, tuition and transportation charges. The student activity funds at the high school, middle school and intermediate schools were classified and included in the governmental funds, beginning in the 2019-2020 school year. The reporting change contributed to the increase in this revenue category.
- ✚ Operating grants, capital grants and contributions increased by 5.33%. The majority of the increase was attributed to the State portion of the retirement reimbursement, which represented \$248,247. As the employer's share of

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

employee retirement contributions increase, so will the reimbursement from the State. The district received reimbursement for 50% or 60.99% of retirement expenses, depending on the employee's classification. Other increases include an additional \$131,545 in the transportation subsidy and \$216,827 in CARES Act funding.

- ✚ Property tax revenue increased by 5.38% or \$2,149,525. This category includes current real estate, delinquent real estate and interim real estate taxes. Current real estate taxes increased by 0.50% due to some growth in assessment value, there was no increase in the millage rate. Interim real estate revenue increased by 142.24% or \$725,529 as a result of commercial and industrial growth.
- ✚ Other taxes levied revenue experienced an increase of 51.29%. This category includes earned income, per capita, occupation, real estate transfer, and other delinquent taxes. Real estate transfer tax revenue increased by \$1,903,794 or 315.22% because of the sale on commercial and industrial properties.
- ✚ Investment interest decreased by \$28,902 or 5.91%.



Property taxes contributed to 55.13% of total revenues for governmental activities at Northeastern School District in the 2020 fiscal year. Other major contributors to revenue included grants and subsidies not restricted at 17.26%, operating grants and contributions at 17.15% and other taxes levied at 8.23%.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

Governmental program expenditures increased by 2.67% from \$69.4 million to approximately \$71.2 million. Major changes in expenditures can be primarily attributed to the following:

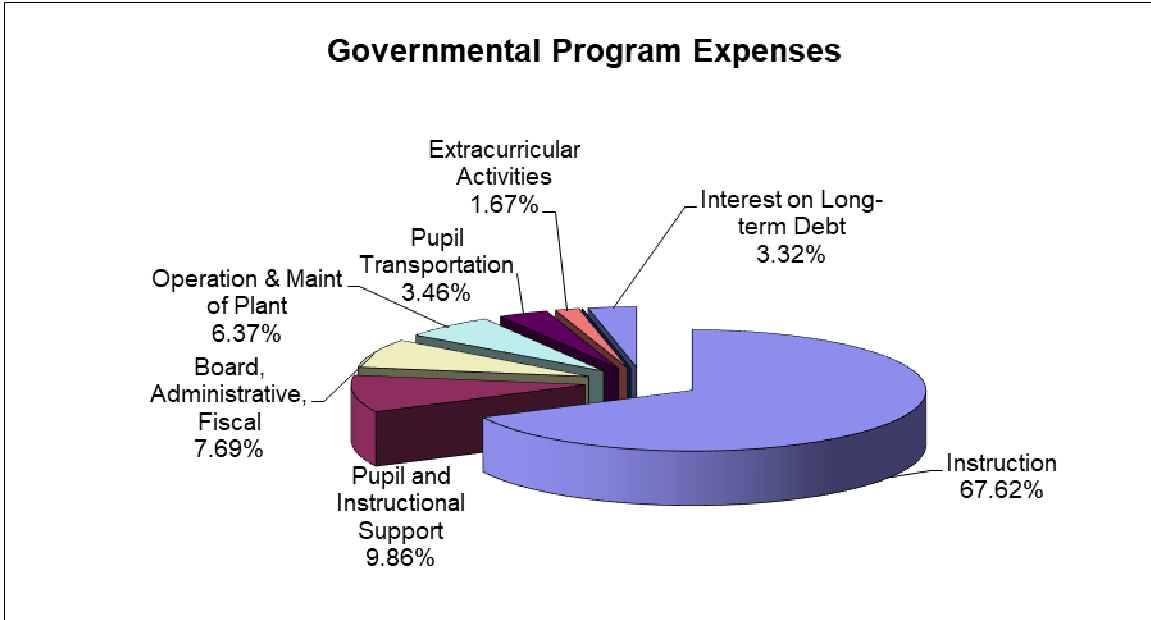
- ✚ Total wages increased by 1.40% or \$397,422.
- ✚ Total employer benefits increased by 3.32% or \$610,998.
  - Employer contribution rate for employee retirement increased from 33.43% to 34.29%. This rate increase resulted in a \$371,523 increase in retirement expense.
  - Social security expense experienced an increase of 1.51% due to the 1.40% increase in wages.
  - Employee tuition reimbursement increased by \$39,011 or 10.43%.
  - Unemployment costs increased by \$46,526 or 96.93%.
  - Medical, prescription and dental insurance increased by \$118,747 or 1.97% collectively.
- ✚ Total student tuition costs increased by 13.41%. Table 3 compares tuition expenses from the 2019 to the 2020 fiscal year.

Table 3  
Tuition Costs

<u>Description</u>	<u>2019</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percent of Change</u>
Other Public Schools	140,445.14	134,568.69	(5,876.45)	-4.37%
Charter Schools	1,912,826.55	2,104,566.14	191,739.59	9.11%
Vocational Tech Schools	1,360,454.66	1,564,140.17	203,685.51	13.02%
Private Schools/PRRIs	385,878.89	584,972.30	199,093.41	34.03%
Totals	3,799,605.24	4,388,247.30	588,642.06	13.41%

- ✚ Total debt service principal payments increased by \$122,000 while interest payments decreased by \$112,090.
- ✚ Transfers to the Capital Reserve Fund totaled \$2,034,000 for the 2020 fiscal year.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*



Instructional costs contributed to 67.62% of total program expenses for governmental activities for Northeastern School District in fiscal year 2020.

The Statement of Activities reflects the cost of program services and the charges for services, sales, grants, and contributions offsetting those services. Table 4, for governmental activities, indicates the total cost of services and net cost of services.

Table 4  
 Governmental Activities

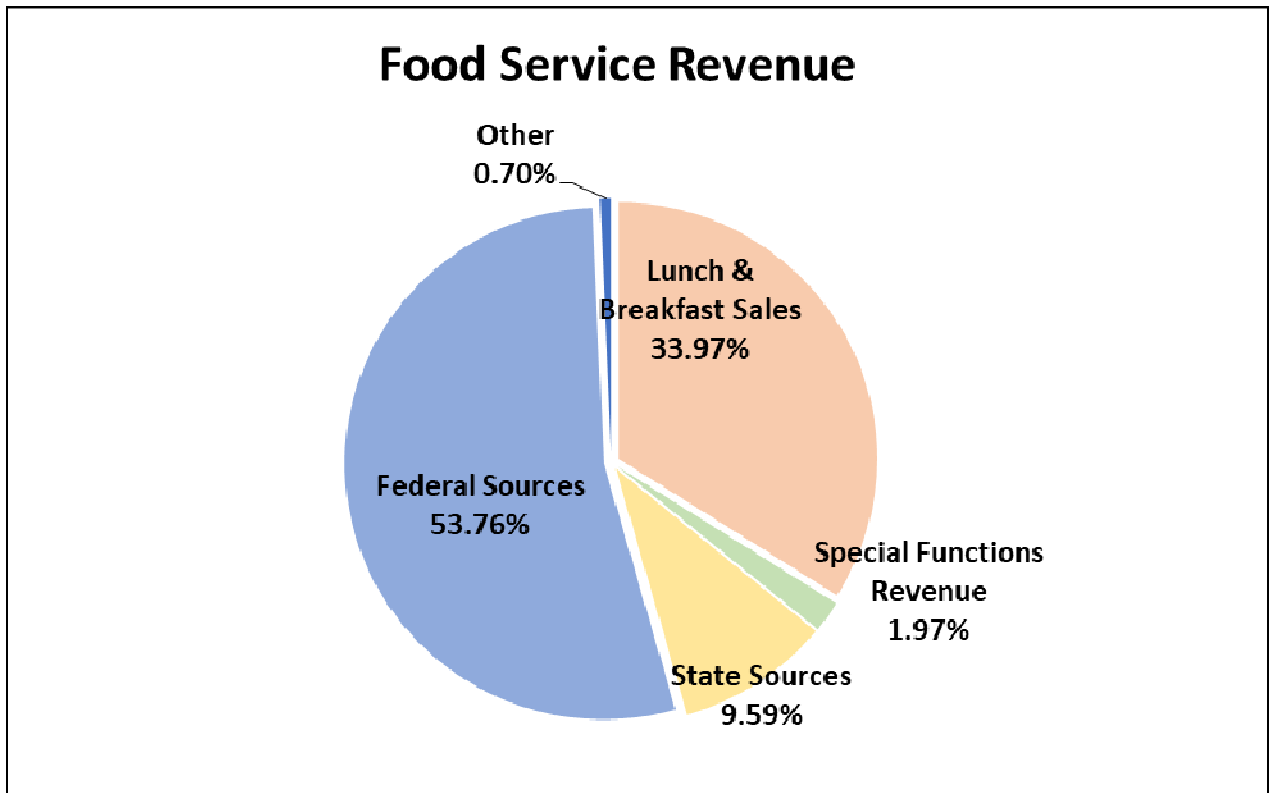
	Gross Expenses		Net Expenses	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Instruction	46,161,578	48,202,670	36,868,555	38,410,599
Support Services:				
Pupil and Instruction Staff	7,244,697	7,031,971	6,335,730	6,121,150
Board of Education, Administration, and Fiscal	5,038,603	5,481,438	4,381,748	4,799,033
Operation & Maintenance of Plant	4,549,383	4,541,572	4,206,492	4,201,292
Pupil Transportation	2,762,283	2,466,242	1,596,577	1,116,491
Extracurricular Activities	1,129,707	1,188,833	833,428	759,695
Community	64,301	7,840	4,040	499
Refund of Prior Year Receipts	-	-	-	-
Interest on Long-Term Debt	2,484,087	2,367,767	1,752,385	1,636,960
Unallocated Depreciation	-	-	-	-
<i>Total Expenses</i>	<u>69,434,639</u>	<u>71,288,333</u>	<u>55,978,955</u>	<u>57,045,719</u>

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

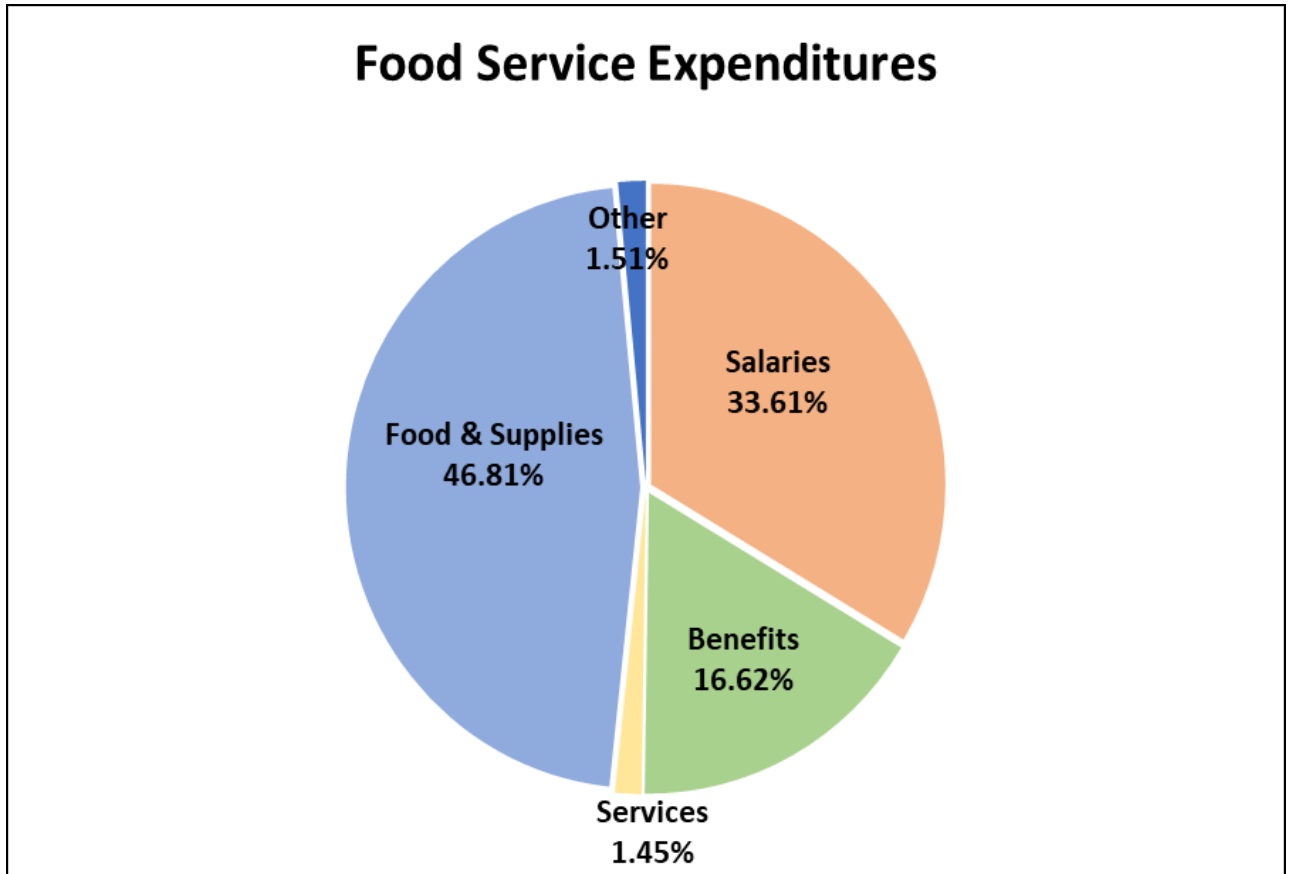
Of the 2019-2020 total cost of services for the governmental activities, 19.98% was funded by charges for services, grants, and contributions. The remaining costs were primarily funded by tax revenues and the basic instructional subsidy.

*Business-Type Activity*

The business-type activity at Northeastern School District is the food service operation. The school district provides both breakfast and lunch programs for grades K through 12. This program had revenues of \$2,216,005 and expenses of \$2,322,980 for the 2019-2020 fiscal year. The school district received 63.35% of its revenue from the federal and state reimbursable breakfast and lunch programs. Revenue from state and federal grants decreased by 7.26% or \$109,870. Total revenue decreased by 17.09% or \$378,661 while expenditures decreased by 7.88% or \$198,651. The decrease in expenses was mainly due to a reduction of \$181,645 in food and supply costs. Revenues and expenses were mutually effected by the district closure because of COVID19, significantly impacting the number of meals distributed to students. Total negative net position at June 30, 2020 was \$1,176,344 a decrease of \$106,555 from the prior year net position. The negative net position was the result of the Net Pension Liability of \$2,274,445.



**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*



#### **General Fund Budgeting Highlights**

For the 2019-2020 fiscal year, general fund revenues exceeded the budget while expenditures were lower than the budget. Total revenues were above the budget by \$4,138,659 or 5.76%. Total expenditures were below the original budget by \$1,023,973 or 1.45%. In addition, a transfer of \$2,034,000 was made to the Capital Reserve fund for future building and land improvement projects. The actual change in fund balance was an increase of \$4,626,569 resulting in a fund balance of \$13,076,358 on June 30, 2020.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

Table 5  
Final Budget Versus Actual Comparison

<u>Category</u>	<u>Final Budget</u>	<u>Actual</u>	Difference \$	%
Revenues:				
Local	46,854,511	49,812,726	2,958,215	6.31%
State	24,310,831	25,247,843	937,012	3.85%
Federal	718,000	961,432	243,432	33.90%
Total Revenues	71,883,342	76,022,001	4,138,659	5.76%
Expenditures:				
Instruction	44,304,865	43,625,060	(679,805)	-1.53%
Support Services	19,291,960	19,041,005	(250,955)	-1.30%
Non-Instructional Services	936,374	935,576	(798)	-0.09%
Debt Service/Transfers	5,851,786	5,759,371	(92,415)	-1.58%
Total Expenditures	70,384,985	69,361,012	(1,023,973)	-1.45%
Other Financing Sources (Uses)	(1,498,357)	(2,034,420)	(536,063)	100.00%
Change in Fund Balance	-	4,626,569	4,626,569	100.00%

Considerable budget variances are noted below:

- + Local revenues exceeded the original budget by 6.31% or \$2,958,215 due to several areas including: Current earned income tax of \$514,652, real estate transfer tax of \$1,882,753 and delinquent real estate taxes of \$796,505.
- + State revenue exceeded the original budget by 3.85% or \$937,012. The district received additional funds for basic education, special education and retirement reimbursement.
- + Federal revenue exceeded the original budget by 33.90% or \$243,432. The district received \$216,827 in funds through the PCCD, COVID19 Health Supplies & Continuity of Education project.
- + Expenditures varied by 1.45% or \$1,023,973 under the final budget. Some noteworthy variances include the following:
  - Employee salaries and benefits were lower than the original budget by \$235,914. Contributing to this total are:
    - Salary favorable variance of \$159,024.
    - Tuition reimbursement surpassed the budget by \$123,982.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

- Social Security, Medicare and retirement savings of \$214,840.
- Favorable variance of \$198,655 in purchased services, mostly due to savings in professional education training and intermediate unit educational services. This savings was offset by the increase in technology support services due to online education for the last quarter of the school year.
- Utility expenses were \$178,654 lower than the original budget as a result of the district closure for the last quarter in the fiscal year.
- Tuition to other educational agencies for educational services exceeded the original budget by \$510,669 primarily due to an increase in enrollment at the York School of Technology.
- Budgetary reserve of \$1,050,000 was not fully utilized.
- District transferred \$2,034,000 to the Capital Reserve Fund.
- District succeeded in balancing revenue and expenses without the utilization of the fund balance.

**Capital Assets**

At the end of fiscal year 2020, the school district had \$61,595,322 invested in capital assets (net of accumulated depreciation), \$61,394,582 in governmental activities.

Table 6 reflects fiscal year 2020 capital asset balances compared to fiscal year 2019, excluding capitalized bond issue costs.

Table 6  
 Capital Assets at June 30, 2020  
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Land & Land Improvements	5,277,175	5,068,798	-	-	5,277,175	5,068,798
Construction in Progress	464,824	1,126,535	-	-	464,824	1,126,535
Vehicles	56,088	47,651	-	-	56,088	47,651
Buildings and Building Improvements	53,929,858	52,074,105	-	-	53,929,858	52,074,105
Machinery/Equipment/Books	<u>3,287,248</u>	<u>3,077,493</u>	<u>223,258</u>	<u>200,740</u>	<u>3,510,506</u>	<u>3,278,233</u>
<i>Total Assets (Net of Depreciation)</i>	63,015,193	61,394,582	223,258	200,740	63,238,451	61,595,322

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2020*

Total capital assets decreased by \$2,049,575 for the 2019-2020 fiscal year. This was primarily due to depreciation expense of \$3,643,135 that was offset by building and land improvements as well as equipment and technology acquisitions.

Business-type capital assets, net of accumulated depreciation, increased by \$11,820 during the 2019-2020 fiscal year. This increase was due to equipment purchases.

**Debt**

At June 30, 2020 the Northeastern School District had \$52,201,000 in bonds outstanding. Table 7 summarizes and compares bonds outstanding for the 2020 and 2019 fiscal years.

Table 7  
 Outstanding Debt at June 30, 2020

	Principal Outstanding		
	<u>2019</u>	<u>2020</u>	<u>Change</u>
Series of 2011	1,095,000	555,000	(540,000)
Series of 2014 (Note)	3,410,000	2,751,000	(659,000)
Series of 2014 (Bond)	1,829,000	925,000	(904,000)
Series B of 2015	17,685,000	17,685,000	-
Series A of 2015	27,360,000	26,565,000	(795,000)
Series of 2016	4,420,000	3,720,000	(700,000)
<i>Total Outstanding Debt</i>	55,799,000	52,201,000	(3,598,000)

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

The financial report is designed to provide our stakeholders with an overview of the District's finances for the fiscal year 2019-2020. If you have questions about this report, please contact Leah G. Pritchett, Business Manager, at Northeastern School District, Administrative Center, 41 Harding Street, Manchester, PA 17345 or at (717) 266-3667 extension 10248.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF NET POSITION  
JUNE 30, 2020**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 4,468,199	\$ 792,895	\$ 5,261,094
Investments	20,606,053	--	20,606,053
Taxes Receivable, Net	1,795,336	--	1,795,336
Due from Other Governments	3,379,261	36,025	3,415,286
Other Receivables	90,748	26,920	117,668
Inventories	--	62,802	62,802
Prepaid Expenses	38,900	--	38,900
<b>Total Current Assets</b>	<b>30,378,497</b>	<b>918,642</b>	<b>31,297,139</b>
<b>Noncurrent Assets</b>			
Land and Land Improvements (Net of Accumulated Depreciation)	5,068,798	--	5,068,798
Building and Building Improvements (Net of Accumulated Depreciation)	52,074,105	--	52,074,105
Furniture and Equipment (Net of Accumulated Depreciation)	2,453,390	200,740	2,654,130
Infrastructure (Net of Accumulated Depreciation)	610,767	--	610,767
Textbooks and Library Books (Net of Accumulated Depreciation)	13,336	--	13,336
Vehicles (Net of Accumulated Depreciation)	47,651	--	47,651
Construction Work in Progress	1,126,535	--	1,126,535
<b>Total Noncurrent Assets</b>	<b>61,394,582</b>	<b>200,740</b>	<b>61,595,322</b>
<b>TOTAL ASSETS</b>	<b>91,773,079</b>	<b>1,119,382</b>	<b>92,892,461</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Bond Refinancing Charges	2,350,026	--	2,350,026
Deferred Outflows for Pensions	12,066,177	291,792	12,357,969
Deferred Outflows for Other Postemployment Benefits	572,101	--	572,101
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>14,988,304</b>	<b>291,792</b>	<b>15,280,096</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 106,761,383</b>	<b>\$ 1,411,174</b>	<b>\$ 108,172,557</b>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF NET POSITION  
JUNE 30, 2020**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,091,391	\$ 7,177	\$ 1,098,568
Retainage Payable	1,581	--	1,581
Internal Balances	(149,634)	149,634	--
Current Portion of Long-Term Debt	3,686,000	--	3,686,000
Current Portion of Compensated Absences	152,337	--	152,337
Payroll Deductions and Withholdings	3,626,559	--	3,626,559
Unearned Revenues	636,582	74,363	710,945
Other Current Liabilities	676,486	--	676,486
<b>Total Current Liabilities</b>	<b>9,721,302</b>	<b>231,174</b>	<b>9,952,476</b>
<b>Noncurrent Liabilities</b>			
Bonds and Notes Payable, Net	51,739,020	--	51,739,020
Long-Term Portion of Compensated Absences	1,216,825	--	1,216,825
Other Post-Employment Benefits	8,549,990	--	8,549,990
Net Pension Liability	94,052,764	2,274,445	96,327,209
<b>Total Noncurrent Liabilities</b>	<b>155,558,599</b>	<b>2,274,445</b>	<b>157,833,044</b>
<b>TOTAL LIABILITIES</b>	<b>165,279,901</b>	<b>2,505,619</b>	<b>167,785,520</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows for Pensions	3,386,678	81,899	3,468,577
Deferred Inflows for Other Postemployment Benefits	1,397,932	--	1,397,932
<b>Total Deferred Inflows of Resources</b>	<b>4,784,610</b>	<b>81,899</b>	<b>4,866,509</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,319,588	200,740	8,520,328
Restricted for			
Capital Projects	10,982,709	--	10,982,709
Unrestricted	(82,605,425)	(1,377,084)	(83,982,509)
<b>TOTAL NET POSITION</b>	<b>(63,303,128)</b>	<b>(1,176,344)</b>	<b>(64,479,472)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 106,761,383</b>	<b>\$ 1,411,174</b>	<b>\$ 108,172,557</b>

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
Regular Instruction	\$ 32,775,105	\$ 64,615	\$ 5,804,101	\$ --	\$ (26,906,389)	\$ --	\$ (26,906,389)
Special Instruction	11,793,428	--	3,630,490	--	(8,162,938)	--	(8,162,938)
Vocational Education	3,256,328	--	240,800	--	(3,015,528)	--	(3,015,528)
Other Instructional Programs	373,463	--	47,719	--	(325,744)	--	(325,744)
Nonpublic School Programs	4,346	--	4,346	--	--	--	--
Student Services	2,954,766	--	410,383	--	(2,544,383)	--	(2,544,383)
Instructional Staff	3,046,673	--	332,794	--	(2,713,879)	--	(2,713,879)
Administration	4,872,264	--	619,476	--	(4,252,788)	--	(4,252,788)
Pupil Health	787,040	--	146,269	--	(640,771)	--	(640,771)
Business Services	609,174	--	62,929	--	(546,245)	--	(546,245)
Operation of Plant and Maintenance Services	4,541,572	43,626	296,654	--	(4,201,292)	--	(4,201,292)
Student Transportation Services	2,466,242	12,575	1,337,176	--	(1,116,491)	--	(1,116,491)
Central Support Services	220,737	--	21,375	--	(199,362)	--	(199,362)
Other Support Services	22,755	--	--	--	(22,755)	--	(22,755)
Student Activities	1,188,833	297,659	131,479	--	(759,695)	--	(759,695)
Community Services	7,840	--	7,341	--	(499)	--	(499)
Interest on Long-Term Debt	<u>2,367,767</u>	--	--	<u>730,807</u>	<u>(1,636,960)</u>	--	<u>(1,636,960)</u>
<b>Total Governmental Activities</b>	71,288,333	418,475	13,093,332	730,807	(57,045,719)	--	(57,045,719)
<b>Business-Type Activities</b>							
Child Nutrition Services	<u>2,322,980</u>	<u>796,548</u>	<u>1,403,965</u>	--	--	<u>(122,467)</u>	<u>(122,467)</u>
<b>Total Primary Government</b>	<u>\$ 73,611,313</u>	<u>\$1,215,023</u>	<u>\$14,497,297</u>	<u>\$ 730,807</u>	<u>(57,045,719)</u>	<u>(122,467)</u>	<u>(57,168,186)</u>
<b>General Revenues</b>							
Property Taxes, Levied for General Purposes, Net					42,095,711	--	42,095,711
Public Utility Realty and Earned Income Taxes Levied for Specific Purposes, Net					6,282,067	--	6,282,067
Grants, Subsidies, and Contributions Not Restricted					13,174,695	--	13,174,695
Investment Earnings					460,220	11,314	471,534
Contributions					66,192	--	66,192
Miscellaneous Income					<u>29,044</u>	<u>4,178</u>	<u>33,222</u>
<b>Total General Revenues</b>					<u>62,107,929</u>	<u>15,492</u>	<u>62,123,421</u>
<b>Transfers</b>					(420)	420	--
<b>Change in Net Position</b>					5,061,790	(106,555)	4,955,235
<b>Net Position – July 1, 2019 (Restated)</b>					<u>(68,364,918)</u>	<u>(1,069,789)</u>	<u>(69,434,707)</u>
<b>Net Position – June 30, 2020</b>					<u>\$ (63,303,128)</u>	<u>\$ (1,176,344)</u>	<u>\$ (64,479,472)</u>

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Funds</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,582,477	\$ 740,709	\$ 145,013	\$ 4,468,199
Investments	10,094,396	10,511,657	--	20,606,053
Taxes Receivable (Net)	1,795,336	--	--	1,795,336
Due from Other Governments	3,379,261	--	--	3,379,261
Due from Other Funds	149,634	--	--	149,634
Other Receivables	90,172	576	--	90,748
<b>TOTAL ASSETS</b>	<b>\$ 19,091,276</b>	<b>\$11,252,942</b>	<b>\$ 145,013</b>	<b>\$ 30,489,231</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 822,593	\$ 268,652	\$ --	\$ 1,091,245
Retainage Payable	--	1,581	--	1,581
Due to Other Funds	146	--	--	146
Payroll Deductions and Withholdings	3,626,559	--	--	3,626,559
Unearned Revenue - Other	636,582	--	--	636,582
<b>TOTAL LIABILITIES</b>	<b>5,085,880</b>	<b>270,233</b>	<b>--</b>	<b>5,356,113</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue – Property Taxes	929,038	--	--	929,038
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>929,038</b>	<b>--</b>	<b>--</b>	<b>929,038</b>
<b>FUND BALANCES</b>				
Restricted	--	10,982,709	--	10,982,709
Committed	2,000,000	--	--	2,000,000
Assigned	6,050,000	--	145,013	6,195,013
Unassigned	5,026,358	--	--	5,026,358
<b>TOTAL FUND BALANCES</b>	<b>13,076,358</b>	<b>10,982,709</b>	<b>145,013</b>	<b>24,204,080</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 19,091,276</b>	<b>\$11,252,942</b>	<b>\$ 145,013</b>	<b>\$ 30,489,231</b>

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

<b>Total Fund Balances – Governmental Funds</b>	<b>\$ 24,204,080</b>
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
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 <b>\$128,903,422</b> and the accumulated depreciation is <b>\$67,508,840</b> .	61,394,582
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 in the funds.	929,038
Bond discounts and deferred charges from advance refundings 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 the related debt. Bond discounts(premiums) totaled <b>(\$5,111,943)</b> with related accumulated amortization of <b>\$1,887,923</b> deferred charges-advanced refunding totaled <b>\$3,744,846</b> with accumulated amortization of <b>\$1,394,820</b> .	(873,994)
Bond insurance costs are reported as an expenditure in the governmental funds when debt is first issued. Bond insurance costs are reported as prepaid expenses on the statement on net position and are expensed in a rational systematic manner over the life of the related debt.	38,900
Long-term liabilities, including bonds payable, 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/notes payable	\$ (52,201,000)
Accrued interest on the bonds/notes	(676,486)
Compensated absences	(1,369,162)
Other Post-Employment Benefits (OPEB)	(8,549,990)
Net Pension Liability	<u>(94,052,764)</u>
	(156,849,402)
Deferred inflows and outflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to pensions and OPEB are as follows (see note disclosures for detail):	
Deferred outflows - pension	\$ 12,066,177
Deferred inflows – pension	(3,386,678)
Deferred outflows - OPEB	572,101
Deferred inflows - OPEB	<u>(1,397,932)</u>
	<u>7,853,668</u>
<b>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (63,303,128)</u></b>

The accompanying notes are an integral part of these financial statements

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Funds</b>	
<b>REVENUES</b>				
<b>Local Sources</b>				
Real Estate Taxes and Penalties	\$ 42,137,263	\$ --	\$ --	\$ 42,137,263
Other Taxes	6,282,067	--	--	6,282,067
Interest	311,490	148,678	52	460,220
Revenue from Intermediate Sources	763,844	--	--	763,844
Tuition	63,698	--	--	63,698
Revenue from Student Activities	90,261	--	207,398	297,659
Other Revenue	163,186	2,306	11,660	177,152
Refund of Prior Year's Expenditures	917	--	--	917
<b>Total Local Sources</b>	<b>49,812,726</b>	<b>150,984</b>	<b>219,110</b>	<b>50,182,820</b>
<b>State Sources</b>	25,247,843	--	--	25,247,843
<b>Federal Sources</b>	961,432	--	--	961,432
<b>TOTAL REVENUES</b>	<b>76,022,001</b>	<b>150,984</b>	<b>219,110</b>	<b>76,392,095</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	43,625,060	9,688	--	43,634,748
Support Services	19,041,005	4,482	--	19,045,487
Operation of Noninstructional Services	935,576	39,262	194,398	1,169,236
<b>Total Current</b>	<b>63,601,641</b>	<b>53,432</b>	<b>194,398</b>	<b>63,849,471</b>
<b>Capital Outlay</b>				
Facilities Acquisition, Construction and Improvement Services	--	1,592,531	--	1,592,531
<b>Total Capital Outlay</b>	<b>--</b>	<b>1,592,531</b>	<b>--</b>	<b>1,592,531</b>
<b>Debt Service</b>				
Principal	3,598,000	--	--	3,598,000
Interest and Fiscal Charges	2,161,371	--	--	2,161,371
<b>Total Debt Service</b>	<b>5,759,371</b>	<b>--</b>	<b>--</b>	<b>5,759,371</b>
<b>TOTAL EXPENDITURES</b>	<b>69,361,012</b>	<b>1,645,963</b>	<b>194,398</b>	<b>71,201,373</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>6,660,989</b>	<b>(1,494,979)</b>	<b>24,712</b>	<b>5,190,722</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	--	2,034,000	--	2,034,000
Transfer Out	(2,034,420)	--	--	(2,034,420)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,034,420)</b>	<b>2,034,000</b>	<b>--</b>	<b>(420)</b>
<b>Changes in Fund Balances</b>	<b>4,626,569</b>	<b>539,021</b>	<b>24,712</b>	<b>5,190,302</b>
<b>Fund Balances – July 1, 2019 (Restated)</b>	<b>8,449,789</b>	<b>10,443,688</b>	<b>120,301</b>	<b>19,013,778</b>
<b>Fund Balances – June 30, 2020</b>	<b>\$ 13,076,358</b>	<b>\$ 10,982,709</b>	<b>\$ 145,013</b>	<b>\$ 24,204,080</b>

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**RECONCILIATION OF THE GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

**Total change in fund balance – governmental funds** \$ 5,190,302

**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 cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (4,141,905)	
Capital outlays	<u>2,521,294</u>	(1,620,611)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unearned tax revenues decreased by this amount this year. (41,552)

Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,598,000

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:

Net increase in compensated absences	(233,592)
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The issuance of general obligation bonds provides current financial resources to governmental funds, but has no affect on net position. Also, governmental funds report bond discounts and similar items when debt is first issued; whereas, these items are deferred and amortized in the statement of activities.

Amortization of bond discounts (premiums)	\$ 318,469	
Amortization – deferred charges	<u>(232,470)</u>	85,999

Bond insurance costs are reported as a prepaid expense on the statement of net position and are expensed in a rational systematic method over the life of the debt. (4,987)

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

District pension contributions	\$ 9,358,785	
Cost of benefits earned net of employee contributions (pension expense)	<u>(11,095,811)</u>	(1,737,026)

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**RECONCILIATION OF THE GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

Governmental funds report other postemployment benefit (OPEB) contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.

District OPEB contributions	\$ 240,702	
Cost of benefits earned net of employee contributions (OPEB expense)	<u>(441,519)</u>	(200,817)

OTHER

Net change in accrued interest expense on bonds payable	<u>26,074</u>
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<b>Change in net position of governmental activities</b>	<b><u>\$ 5,061,790</u></b>
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The accompanying notes are an integral part of these financial statements.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020**

	<u><b>Child Nutrition Services</b></u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 792,895
Due from Other Governments	36,025
Other Receivables	26,920
Inventories	<u>62,802</u>
<b>Total Current Assets</b>	<u>918,642</u>
<b>Noncurrent Assets</b>	
Machinery and Equipment (Net of Accumulated Depreciation)	<u>200,740</u>
<b>Total Noncurrent Assets</b>	<u>200,740</u>
<b>TOTAL ASSETS</b>	<u>1,119,382</u>
<b>DEFERRED OUTFLOWS OF RESOURCES – PENSIONS</b>	<u>291,792</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 1,411,174</u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 7,177
Due to Other Funds	149,634
Unearned Revenue	<u>74,363</u>
<b>Total Current Liabilities</b>	<u>231,174</u>
<b>Noncurrent Liabilities</b>	
Net Pension Liability	<u>2,274,445</u>
<b>Total Noncurrent Liabilities</b>	<u>2,274,445</u>
<b>TOTAL LIABILITIES</b>	<u>2,505,619</u>
<b>DEFERRED INFLOWS OF RESOURCES – PENSIONS</b>	<u>81,899</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	200,740
Unrestricted	<u>(1,377,084)</u>
<b>TOTAL NET POSITION</b>	<u>(1,176,344)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 1,411,174</u></u>

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Child Nutrition Services</u>
<b>OPERATING REVENUES</b>	
Food Service Revenue	
Lunch and Breakfast Sales	\$ 752,860
Special Function Revenue	43,688
Miscellaneous Income	<u>4,178</u>
<b>TOTAL OPERATING REVENUES</b>	<u>800,726</u>
<b>OPERATING EXPENSES</b>	
Salaries	780,809
Employee Benefits	385,969
Purchased Professional and Technical Services	24,371
Purchased Property Services	3,190
Other Purchased Service	6,204
Supplies	1,087,281
Equipment	8,302
Dues and Fees	4,336
Depreciation	<u>22,518</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,322,980</u>
<b>OPERATING (LOSS)</b>	<u>(1,522,254)</u>
<b>NON-OPERATING REVENUES</b>	
State Sources	212,602
Federal Sources	1,191,363
Interest Income	<u>11,314</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<u>1,415,279</u>
<b>(LOSS) BEFORE TRANSFERS</b>	(106,975)
<b>TRANSFER IN</b>	<u>420</u>
<b>Changes in Net Position</b>	(106,555)
<b>Net Position – July 1, 2019</b>	<u>(1,069,789)</u>
<b>Net Position – June 30, 2020</b>	<u><u>\$ (1,176,344)</u></u>

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Child Nutrition Services</u>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Users	\$ 825,633
Cash Payments to Employees for Services	(1,246,649)
Cash Payments to Suppliers for Goods and Services	<u>(974,750)</u>
<b>Net Cash (Used for) Operating Activities</b>	<u>(1,395,766)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
State Sources	212,084
Federal Sources	1,035,596
Transfer In	<u>420</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>1,248,100</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	<u>—</u>
<b>Cash Flows from Investing Activities</b>	
Earnings on Investments	<u>11,314</u>
<b>Net Cash Provided by Investing Activities</b>	<u>11,314</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(136,352)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>929,247</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 792,895</u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities</b>	
<b>Operating (Loss)</b>	\$ (1,522,254)
<b>Adjustments to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities</b>	
Depreciation	22,518
USDA Donated Commodities	132,891
Change in Deferred Outflows for Pensions	76,790
Change in Deferred Inflows for Pensions	43,595
Change in Net Pension Liability	(200,256)
(Increase) Decrease in Accounts Receivable	(6,846)
(Increase) Decrease in Inventories	(23,110)
Increase (Decrease) in Accounts Payable	(35,650)
Increase (Decrease) in Due to/from Other Funds	84,803
Increase (Decrease) in Unearned Revenue	<u>31,753</u>
<b>Total Adjustments</b>	<u>126,488</u>
<b>Net Cash (Used for) Operating Activities</b>	<u>\$ (1,395,766)</u>
<b>Noncash Investing, Capital and Financing Activities</b>	
USDA Donated Commodities Received	<u>\$ 132,891</u>

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

	<u>Private Purpose Trust</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 25,777
Investments	1,622,847
Other Receivables	2
Due from Other Funds	<u>146</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,648,772</u>
 <b>LIABILITIES</b>	
	<u>\$ --</u>
 <b>NET POSITION</b>	
Held in Trust for Scholarships	209,623
Endowments	<u>1,439,149</u>
<b>TOTAL NET POSITION</b>	<u>1,648,772</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,648,772</u>

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2020**

	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Earnings on Investments	\$ 50,603
Contributions	<u>39,465</u>
<b>TOTAL ADDITIONS</b>	<u>90,068</u>
<b>DEDUCTIONS</b>	
Business Services	2,500
Scholarships	<u>11,636</u>
<b>TOTAL DEDUCTIONS</b>	<u>14,136</u>
<b>Changes in Net Position</b>	75,932
<b>Net Position – July 1, 2019</b>	<u>1,572,840</u>
<b>Net Position – June 30, 2020</b>	<u>\$ 1,648,772</u>

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Northeastern School District operates five elementary schools, one middle school, and one senior high school in York County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the Pennsylvania Public School Code of 1949, as amended. The School Code grants administrative authority to the District's nine board members who are elected locally.

The financial statements of Northeastern School District (the District) have been prepared in accordance with generally accepted accounting principles (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 school as a reporting entity, management has addressed all potential component units which may or may not fall within the school's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the school's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of Northeastern School District. The school district is not a component unit of another reporting entity.

The following joint ventures are not component units of Northeastern School District, and are not included in this report.

York County School of Technology (YCST) - is a separate legal entity. It was organized by the public school districts in York County to provide services in the county. Each of the public school districts appoints one board member to serve as a joint operating committee member for the YCST, and each has an ongoing financial responsibility to fund the YCST.

Lincoln Intermediate Unit #12 (LIU) - is a separate legal entity. It was organized by the school districts in York, Adams and Franklin counties to provide services to the districts. Each member school district appoints one member to serve on the Board of Directors of the LIU. Northeastern School District contracts with the LIU for special education services for its students.

York Adams Academy - is a separate legal entity. It was organized by ten public school districts in York County to provide services in the county. Each of the public school districts appoints one member to serve on the joint operating committee. As a member district, Northeastern School District has an ongoing financial responsibility to fund the operations of the York Adams Academy.

York Adams Tax Bureau (the Bureau) - is a separate legal entity. The District participates with fourteen other school districts for the collection of earned income taxes. Each participating school district appoints one member to serve on the joint operating committee. The Bureau's operating expenditures are deducted from the distributions that are made monthly to the District. Local municipalities also share the Bureau's expenditures on the same basis as the school districts.

The Northeastern Foundation - is a separate legal entity. It was established by the District in December 2007 to enhance and expand enrichment opportunities for all students of the Northeastern School District through community-wide participation and philanthropy. The Foundation is funded through gifts from individuals, area businesses, and other organizations. In May 2013, the Bobcat Foundation merged with the Scholarship Foundation, and the name was legally changed to The Northeastern Foundation.

Complete financial statements for each of the entities described above can be obtained from each respective administrative office.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The accounts of the school district are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

C. Basis of Presentation

**Government-wide financial statements** (i.e., the statement of net position and the statement of activities) report information on the governmental funds, while the business-type activities include the enterprise fund of the school district. Fiduciary funds are excluded from the government-wide financial statements. Interfund accounts receivable, accounts payable and transfers are eliminated in the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately in the government-wide financial statements from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include 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.

**Fund financial statements** are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the school district. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the school district's enterprise fund are food service charges. Operating expenses for the school district's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be in another fund.

The capital projects fund accounts for the financial resources used in the acquisition, construction and renovation of major capital facilities.

The District operates one enterprise fund, the child nutrition services fund. This fund accounts for the activities of the District's food service program.

The District accounts for assets held by the District in a trustee capacity in a private-purpose trust fund. These funds account for activities in the scholarship accounts. Scholarships are provided to particular students as prescribed by donor stipulations.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Additionally, the District reports the following nonmajor governmental funds:

The football athletic fund accounts for money raised to support a football program at the district.

The Student Activities Fund accounts for money raised by students that are held for various student activities and clubs.

D. Measurement Focus and Basis of Accounting

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

The 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 revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school district expenditures is 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, as well as expenditures related to compensated absences, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Budgets and Budgetary Accounting

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 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.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting (Continued)

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. Management may amend the budget at the sub-function/sub-object level without board approval. 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.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end are reported in the fund financial statements as assigned fund balances.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

F. Encumbrances

Encumbrances at year end are reported in the fund financial statements as assigned fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2020, the district had no encumbrances.

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

H. 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 child nutrition fund food and supplies was taken as of June 30, 2020. The inventory consisted of purchased supplies, valued at cost using the first-in, first-out (FIFO) method.

I. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses are recorded as expenses when consumed on the government-wide financial statements. Prepaid expenditures are recorded as expenditures on the fund financial statements if they will be consumed within three years. All other long-term prepaid expenditures are recorded as expenditures when purchased.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than \$4,000 and an estimated useful life in excess of one year. Certain groups of assets are also to be capitalized when the group's acquisition cost exceeds \$4,000 in a given year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	15 to 40
Land Improvements	15
Furniture	10 to 20
Vehicles	10
Equipment	5 to 10
Textbooks	6
Library/Workbooks	15

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis.

K. Long-Term Obligations

In the government-wide financial statements, and 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 activity columns in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Cash, Cash Equivalents and Investments

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

All investments are stated at cost including accrued interest, which approximates fair value.

N. Fund Balance Policy

The District implemented *GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions*, to address issues related to how fund balance was being reported. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable – amounts that are not in spendable form (such as inventory) or required to be legally or contractually maintained intact,

Restricted – amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed – amounts that can be used only for the specific purposes determined by a resolution of the District Board of Directors (the district's highest level of decision-making authority). The Board of Directors is required to adopt a resolution to modify or rescind the commitment,

Assigned – amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Assignments can be made by the governing body itself or by its designee,

Unassigned – residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications. Negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

Committed Fund Balance Policy

The District's committed fund balance are amounts required to be reported by the School Board, either because of School Board Policy or because of motions that passed at School Board meetings.

Assigned Fund Balance Policy

The District's assigned fund balances are amounts the District intends to use for a specific purpose as expressed by the School Board. The District adopted Policy Number 620, Fund Balance authorizing the Finance Committee or Director of Operations to assign fund balance.

Order of Fund Balance Spending Policy

The District's policy is to first apply restricted fund balance, then committed, assigned, and unassigned, respectively when an expenditure is incurred for purposes for which amounts in any of these classifications could be used.

Minimum Fund Balance Policy

The District has adopted a formal minimum fund balance policy. The District will strive to maintain an unassigned fund balance of not less than four percent (4%) of the budgeted expenditures for that fiscal year and not more than state guidelines. The total fund balance, consisting of several portions including committed, assigned and unassigned, may exceed eight percent (8%) of the budgeted expenditures for that fiscal year.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accumulated compensated absences recorded in the government-wide statements represent the District's commitment to fund those costs from future operations.

A liability for these amounts is reported in governmental funds only if they have matured (e.g. as a result of employee resignations and retirements). An eligible member of the bargaining unit will qualify for a retirement incentive when they meet 20 years of service with Northeastern School District and are eligible for superannuation retirement under PSERS. Reimbursement for unused sick days is paid out at a rate of \$110 for up to 175 days. If the total of unused sick days exceeds 175 days, an additional reimbursement of \$82.50 per each additional unused sick day beyond 175 days will be awarded.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

Q. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

R. 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 by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Other Postemployment Benefits (OPEB)

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 the Public School Employees' Retirement System (PSERS) and additions to/deductions from the 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.

T. Changes in Accounting Standards and Restatement of Net Position and Fund Balance

During the year ended June 30, 2020, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The primary objective of this statement is to establish criteria for identifying fiduciary activities of all state and local governments. As a result of implementing GASB 84, the District restated beginning net position for the governmental funds as of July 1, 2019 as part of these statements. The restatement of the net position is detailed below.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Changes in Accounting Standards and Restatement of Net Position and Fund Balance (Continued)

Restatement of Net Position

	Governmental Activities
Net Position, July 1, 2019	\$ (68,473,508)
Student Activities Fund, July 1, 2019	108,590
Restated Net Position, July 1, 2019	\$ (68,364,918)

The District also restated beginning fund balance in the student activity fund as of July 1, 2019 as part of these statements. The student activity fund was held as an agency fund prior to the implementation of GASB No. 84. The restatement of fund balance is detailed below.

Restatement of Fund Balance

	Student Activity Fund
Fund Balance, July 1, 2019	\$ --
Student Activities Fund, July 1, 2019	108,590
Restated Fund Balance, July 1, 2019	\$ 108,590

U. Date of Management's Review

Management has evaluated subsequent events through January 11, 2021, the date the financial statements were available to be issued.

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

An explanation of differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities are identified on page 24 of the report.

Capital related differences include non-facility related capital asset purchases that are recorded as an expenditure in the functional categories listed under current expenditures in the government fund statements and capitalization and recording of depreciation expense in the statement of activities.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

- Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. The deposit and investment policy of the School District adheres to state statutes.

There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions, investments in overnight repurchase agreements, money market fund investments in Pennsylvania Local Government Investment Trust (PLGIT), and cash on hand of \$700.

The District holds investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF). In accordance with the Government Accounting Standards Board, PSDLAF funds are valued at amortized cost. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investment. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. PSDLAF does not have any limitations or restrictions on withdrawals from the fund.

A portion of the District's investments is in the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

**Cash**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2020, \$3,931,107 of the District's bank balance of \$4,573,444 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ --
Collateralized with securities held by the pledging financial institution	--
Uninsured and collateral held by the pledging bank's trust department not in the District's name	<u>3,931,107</u>
	<u>\$ 3,931,107</u>

Reconciliation to Financial Statements

Uninsured Amount Above	\$ 3,931,107
Plus: Insured Amount	642,337
Add: Deposits in Transit	424
Less: Outstanding Checks	<u>(310,212)</u>
Carrying Amount – Bank Balances	4,263,656
Plus: Petty Cash	730
Pooled Cash Equivalents - PLGIT	<u>1,022,485</u>
<b>Total Cash per Financial Statements</b>	<b><u>\$ 5,286,871</u></b>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

All interest and noninterest bearing demand accounts are aggregated in total by financial institution and are fully insured up to \$250,000. Time and savings accounts also have FDIC insurance coverage up to \$250,000.

**Concentration of Credit Risk**

The District holds deposit accounts at various financial institutions. The total deposits of \$5,595,929 as of June 30, 2020 were invested in the various financial institutions as follows:

<u>Financial Institution</u>	<u>Deposit Amount</u>	<u>Concentration Percentage</u>
BB&T	\$ 4,431,107	79.18%
PLGIT	1,022,485	18.27%
Banks less than 5%	<u>142,337</u>	<u>2.55%</u>
	<u>\$ 5,595,929</u>	<u>100.00%</u>

The District's investment policy states that when district funds are invested in any one issuer other than designated depository accounts, the amount of the investment shall be limited to 75 percent of total funds available for investment. The total funds available for investment as of June 30, 2020 were \$27,824,829.

**Investments**

As of June 30, 2020, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Concentration Percentage</u>
PSDLAF MAX	Various	\$ 10,606,053	47.71%
Certificates of Deposit – PSDLAF	Various	10,000,000	44.99%
U.S. Treasury Obligations – M&T Securities	Various	1,621,847	7.30%
Certificates of Deposit – M&T Bank	60 Months	<u>1,000</u>	<u>.00%</u>
		<u>\$ 22,228,900</u>	<u>100.00%</u>

**Interest Rate Risk**

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. An illustrative calculation of weighted average maturity for the District's investments is as follows:

<u>Investment</u>	<u>Maturity Date</u>	<u>Time to Maturity (Years)</u>	<u>Maturity Amount</u>	<u>Calculation</u>
*Certificate of Deposit – M&T Bank	7/3/2020	0.00	\$ 1,000	<u>1.00</u>
			<u>\$ 1,000</u>	<u>1.00</u>

\*Calculated: 1.00 x (\$1,000/\$1,000)

**Credit Risk**

The District's investment policy provides that any district investments in authorized instruments that are not backed by the full faith and credit of the federal or state government shall be limited to those with the highest two credit ratings available for such instruments by a recognized organization. As of June 30, 2020, the District's investment in PSDLAF was rated AAAM by Standard & Poor's, and the Certificate of Deposit with M&T Bank was rated A2 by Moody's.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

**Investments (Continued)**

Concentration of Credit Risk

The District limits funds invested in any one issuer to no more than 75 percent of total investments outstanding.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of June 30, 2020, \$22,227,900 of the District's total investments of \$22,228,900 were exposed to custodial credit risk as:

Insured or Registered	\$ 11,621,847
Uninsured or unregistered with securities held by counterparty's trust department	--
Uninsured and collateral held by the counterparty or by its trust department not in the District's name	<u>10,606,053</u>
	<u>\$ 22,227,900</u>

NOTE 4 - REAL ESTATE, PER CAPITA TAXES AND OCCUPATION TAXES, AND UNEARNED REVENUE

Based upon assessments provided by the County, the district levies property taxes. The taxes are collected by the six elected tax collectors from the six municipalities, which make up the school district. The school district tax rate for the year ended June 30, 2020 was 26.47 mills (\$26.47 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The Board of School Directors also levied per capita and occupation taxes based on the census of residents in the school district. The per capita tax rate under Section 679 is \$5/person and under Act 511 is \$5/person. The occupation tax rate was \$10 per person. The schedule for real estate and per capita taxes levied for each fiscal year is as follows:

July 1	- Levy Date
July 1 – September 1	- 2% Discount Period
September 2 – November 2	- Face Payment Period
November 3 – December 31	- 10% Penalty Period
January 2	- Lien Date

The school district, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue, and the balance shown as a deferred inflow in the fund financial statements. The balances at June 30, 2020 are as follows:

	Allowance Gross Taxes Receivable	for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue - Taxes
Real Estate	\$ 1,861,498	\$ 100,000	\$ 1,761,498	\$ 866,298	\$ 895,200
Per Capita	<u>56,397</u>	<u>22,559</u>	<u>33,838</u>	<u>--</u>	<u>33,838</u>
	<u>\$ 1,917,895</u>	<u>\$ 122,559</u>	<u>\$ 1,795,336</u>	<u>\$ 866,298</u>	<u>\$ 929,038</u>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments represent receivables for revenues earned by the school district. At June 30, 2020, the following amounts are due from other governmental units:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Federal (through the state)	\$ 58,652	\$ 34,682	\$ 93,334
State	2,975,829	1,343	2,977,172
Local	<u>344,780</u>	<u>--</u>	<u>344,780</u>
	<u>\$ 3,379,261</u>	<u>\$ 36,025</u>	<u>\$ 3,415,286</u>

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 464,824	\$ 1,290,279	\$ 628,568	\$ 1,126,535
Total Capital Assets, Not Being Appreciated	<u>464,824</u>	<u>1,290,279</u>	<u>628,568</u>	<u>1,126,535</u>
Capital Assets Being Depreciated				
Land and Land Improvements	11,613,432	243,537	--	11,856,969
Buildings and Building Improvements	102,865,065	637,313	--	103,502,378
Furniture and Equipment	8,416,535	872,444	--	9,288,979
Infrastructure	1,112,483	106,289	--	1,218,772
Textbooks and Library Books	1,643,870	--	--	1,643,870
Vehicles	<u>265,919</u>	<u>--</u>	<u>--</u>	<u>265,919</u>
Total Capital Assets, Being Depreciated	<u>125,917,304</u>	<u>1,859,583</u>	<u>--</u>	<u>127,776,887</u>
Less Accumulated Depreciation for				
Land and Land Improvements	6,336,257	451,914	--	6,788,171
Buildings and Building Improvements	48,935,207	2,493,066	--	51,428,273
Furniture and Equipment	6,101,231	734,358	--	6,835,589
Infrastructure	159,089	448,916	--	608,005
Textbooks and Library Books	1,625,320	5,214	--	1,630,534
Vehicles	<u>209,831</u>	<u>8,437</u>	<u>--</u>	<u>218,268</u>
Total Accumulated Depreciation	<u>63,366,935</u>	<u>4,141,905</u>	<u>--</u>	<u>67,508,840</u>
Total Capital Assets, Being Depreciated, Net	<u>62,550,369</u>	<u>(2,282,322)</u>	<u>--</u>	<u>60,268,047</u>
Governmental Activities, Capital Assets, Net	<u>\$ 63,015,193</u>	<u>\$ (992,043)</u>	<u>\$ 628,568</u>	<u>\$ 61,394,582</u>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 - CHANGES IN CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets				
Equipment	\$ 548,787	\$ --	\$ --	\$ 548,787
Total Capital Assets	<u>548,787</u>	<u>--</u>	<u>--</u>	<u>548,787</u>
Less Accumulated Depreciation for				
Equipment	<u>325,529</u>	<u>22,518</u>	<u>--</u>	<u>348,047</u>
Total Accumulated Depreciation	<u>325,529</u>	<u>22,518</u>	<u>--</u>	<u>348,047</u>
Business-Type Activities Capital Assets, Net	<u>\$ 223,258</u>	<u>\$ 22,518</u>	<u>\$ --</u>	<u>\$ 200,740</u>

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

**Governmental Activities**

Instruction	
Regular	\$ 2,006,555
Special	733,735
Vocational	202,445
Other	23,143
Support Services	
Student Services	179,989
Instructional Staff	243,056
Administration	318,055
Pupil Health	48,555
Business	37,758
Operation and Maintenance of Plant Services	283,553
Other Support Services	1,449
Operation of Non-Instructional Services	
Student Activities	63,113
Community Services	<u>499</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 4,141,905</u>

**Business-Type Activities**

Child Nutrition Services	<u>\$ 22,518</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 22,518</u>

**NOTE 7 - DUE TO/FROM OTHER FUNDS**

Interfund receivable and payable balances as of June 30, 2020 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 149,634	\$ 146
Enterprise Fund	--	149,634
Private Purpose Trust Fund	<u>146</u>	<u>--</u>
	<u>\$ 149,650</u>	<u>\$ 149,650</u>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 - DUE TO/FROM OTHER FUNDS** (Continued)

The interfund balance between the general fund and the enterprise fund represents reimbursements of expenses. The balance between the general fund and the private purpose trust fund represents interest earned.

Interfund Transfers:

	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 2,034,420	\$ --
Capital Projects Fund	--	2,034,000
Enterprise Fund	<u>          --</u>	<u>          420</u>
	<u>\$ 2,034,420</u>	<u>\$ 2,034,420</u>

The purpose of the transfer from the general fund to the capital projects fund was to pay for capital projects. The General Fund also transferred funds to the Enterprise Fund to cover negative student accounts.

**NOTE 8 - FUND BALANCE**

The District's restricted fund balance consists of amounts held for capital purposes of \$10,982,709. As of June 30, 2020, the District's restricted fund balance was \$10,982,709.

As of June 30, 2020, the District's committed fund balance of \$2,000,000 consisted of amounts designated by the Board for potential appropriations in excess of anticipated revenues in future school years for retirement costs in the amount of \$2,000,000. The District set aside the \$2,000,000 amount in a stabilization arrangement for use to offset the anticipated increase in PSERS retirement contribution rates. These amounts may only be expended for these specific circumstances unless the commitment is rescinded by the School Board.

As of June 30, 2020, the District's assigned fund balance in the amount of \$6,195,013 consisted funds set aside for the following:

High School Renovation Project	\$ 3,500,000
Physical Plant Improvements	1,000,000
Future Retirement Costs (PSERS)	1,000,000
2020/2021 Budget Deficit	550,000
Student Activity Funds	125,533
Football Athletic Funds	<u>19,480</u>
 Total Assigned Fund Balance	 <u>\$ 6,195,013</u>

**NOTE 9 - LONG-TERM DEBT**

During the fiscal year ended June 30, 2020, long-term debt changed as follows:

	<u>Balance at July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2020</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 52,389,000	\$ --	\$ 2,939,000	\$ 49,450,000	\$ 3,020,000
Notes from Direct Borrowings and Direct Placements	3,410,000	--	659,000	2,751,000	666,000
Compensated Absences	<u>1,135,570</u>	<u>283,362</u>	<u>49,770</u>	<u>1,369,162</u>	<u>152,337</u>
	<u>\$ 56,934,570</u>	<u>\$ 283,362</u>	<u>\$ 3,647,770</u>	<u>\$ 53,570,162</u>	<u>\$ 3,838,337</u>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 - LONG-TERM DEBT (Continued)**

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$2,751,000 contain a provision that in the event of default, outstanding amounts become immediately due if the District is unable to make payment.

The payments of long-term debt are to be funded by the General Fund and Debt Service Fund. The school district does not currently have any long-term liabilities for business type activities. Payments for compensated absences are funded by the general fund.

The total Bonds and Notes Payable per the financial statements at June 30, 2020 was as follows:

Bonds/Notes Payable (Net of Current Portion)	\$ 48,515,000
Bond Discounts/Premiums (Net of Accumulated Amortization)	<u>3,224,020</u>
 Bonds and Notes Payable, Net	 <u>\$ 51,739,020</u>

The future annual payments required to amortize all outstanding bonds payable, as of June 30, 2020, including total interest payments are as follows:

<u>Year Ended June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 2,024,490	\$ 3,020,000	\$ 5,044,490
2022	1,960,571	3,040,000	5,000,571
2023	1,879,136	3,120,000	4,999,136
2024	1,748,236	3,245,000	4,993,236
2025	1,616,801	4,040,000	5,656,801
2026-2030	5,336,988	23,190,000	28,526,988
2031-2032	<u>719,000</u>	<u>9,795,000</u>	<u>10,514,000</u>
	<u>\$ 15,285,222</u>	<u>\$ 49,450,000</u>	<u>\$ 64,735,222</u>

The future annual payments required to amortize all outstanding notes payable, as of June 30, 2020, including total interest payments are as follows:

<u>Year Ended June 30,</u>	<u>General Obligation Notes</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 65,321	\$ 666,000	\$ 731,321
2022	49,570	683,000	732,570
2023	33,417	699,000	732,417
2024	<u>16,886</u>	<u>703,000</u>	<u>719,886</u>
	<u>\$ 165,194</u>	<u>\$ 2,751,000</u>	<u>\$ 2,916,194</u>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 9 - LONG-TERM DEBT (Continued)

General Obligation Bonds/Notes consisted of the following as of June 30, 2020:

<u>Title of Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Principal Balance Outstanding</u>
Series of 2016	\$ 6,785,000	2.0% to 3.0%	April 1, 2025	\$ 3,720,000
Series A of 2015	30,435,000	2.0% to 5.0%	March 1, 2029	26,565,000
Series B of 2015	17,900,000	.550% to 5.0%	March 1, 2032	17,685,000
Series of 2014 (Bond)	5,130,000	1.750%	September 1, 2020	925,000
Series of 2014 (Note)	6,324,000	Variable*	April 25, 2024	2,751,000
Series of 2011	3,515,000	1.0% to 3.0%	March 1, 2021	555,000

\*See Note 10.

Compensated Absences

The balance of accrued compensated absences at June 30, 2020 was composed of accrued vacation/paid leave in the amount of \$1,369,162.

NOTE 10 - DELVAL INTEREST RATE SWAP AGREEMENT

During the year ended June 30, 2014, the District issued its General Obligation Note, Series of 2014 (2014 Note) to the Delaware Valley Regional Finance Authority ("DelVal") and executed a Loan Agreement with DelVal. DelVal has entered into interest rate swap transactions related to the DelVal Bonds that fund the DelVal Loan Program to hedge against changes in long-term interest rates, and DelVal entered into an interest rate swap transaction related to the 2014 Note to provide a fixed interest rate to the District. In conjunction with the issuance of the 2014 Note, the Board of School Directors adopted an Interest Rate Swap Management Policy dated December 16, 2013.

The interest rate on the 2014 Note is determined by the Program Administrator to fund (i) payments for debt service on DelVal's bond issues, (ii) net payments on interest rate swap agreements allocable to the loans, and (iii) expense to operate the DelVal Loan Program. The average rate shown for variable rate loans is the average rate for the annual billing period.

DelVal has entered into interest rate swap agreements with Bank of America, N.A., Barclays Bank PLC, Citibank, N.A., PNC Bank, National Association, and Toronto-Dominion Bank (the Counterparties) related to DelVal's Bonds and fixed rate loans. The market value is the estimated price that DelVal would receive (pay) if the agreements were terminated as of June 30, 2020. If DelVal were obligated to make a payment and sufficient funds were not available, DelVal could assess each borrower its allocable share of the termination payment.

<u>Description</u>	<u>Average Loan Rate</u>	<u>Principal Outstanding 06/30/20</u>	<u>Market Value of Related Interest Rate Swap Agreements</u>	
			<u>Fixed Rate Loans</u>	<u>DelVal Bonds</u>
2014 Note	1.631%	\$ 2,751,000	\$ (67,479)	\$ 163,453

An interest rate swap agreement may be terminated under the following circumstances:

- a. DelVal and the Counterparty mutually consent to the termination,
- b. DelVal or the Counterparty default or their financial conditions deteriorate to make a default imminent,
- c. The borrower defaults on its loan, or
- d. The borrower prepays or terminates the fixed rate of a fixed rate loan before its scheduled termination date.

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NOTE 10 - DELVAL INTEREST RATE SWAP AGREEMENT (Continued)

DeIVal would seek to replace any terminated swap agreement related to DeIVal's bonds with a new agreement on similar terms and conditions. At market value, the loss or gain of the replacement swap should offset the gain or loss from the termination payment. DeIVal may not be able to secure a replacement interest rate swap if the swap market is not functioning normally or if DeIVal does not have access to the swap market. The long term, unsecured, senior debt ratings of DeIVal are currently A1 and A+ by Moody's Investors Service and Standard & Poor's, respectively.

As of June 30, 2020, DeIVal would have received a payment of approximately \$113 million if the swap agreements related to the DeIVal Series and borrowers' fixed rate loans were terminated.

DeIVal entered into interest rate swap transactions related to its Bonds to hedge its exposure to future changes in long-term interest rates. These transactions would only be terminated and not replaced with comparable transactions if the DeIVal Loan Program were being collapsed. The DeIVal swap transactions related to the DeIVal Bonds are effective under both the consistent critical terms and the quantitative methods standards of GASB 53.

NOTE 11 - OPERATING LEASES

The District signed a lease rental agreement with the York County School of Technology Authority in which the District agreed to make payments of their pro-rated share of the Authority's debt service. The District's pro-rated share is calculated annually based on assessed market value. During the year ended June 30, 2020, the District paid \$221,268 in operating lease payments for its pro-rated share of the Authority's debt service.

In October 2017, the District entered into a lease agreement with LEAF Capital Funding, LLC for the rental of copiers to be used throughout the District. The term of the lease is for 48 months. During the year ended June 30, 2020, the District paid \$112,928 in operating lease payments.

In October 2017, the District entered into a lease agreement with Subaru Motors Finance for the use of a 2018 Subaru Impreza to be used in the Driver's Education Program. The term of the lease is for 36 months with a monthly payment of \$215. During the year ended June 30, 2020, the District paid \$2,577 in operating lease payments for the vehicle.

The future annual lease payments for the District are as follows:

<u>Year Ended June 30,</u>	
2021	\$ 335,763
2022	213,206
2023	213,038
2024	213,146
2025	162,719
2026-2030	633,236
2031-2032	<u>179,870</u>
	<u>\$ 1,950,978</u>

NOTE 12 - PENSION PLAN

Plan Description

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

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NOTE 12 - PENSION PLAN (Continued)

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.

Participants are eligible for disability retirements 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.

Contributions

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 members' 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 Class 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 fiscal year ended June 30, 2020 was 33.45% 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 pension plan from the District were \$9,585,105 for the year ended June 30, 2020.

**NORTHEASTERN SCHOOL DISTRICT  
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JUNE 30, 2020**

NOTE 12 - PENSION PLAN (Continued)

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

At June 30, 2020, the District reported a liability of \$96,327,209 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was .2059 percent, which was a decrease of .0003 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$11,242,260. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ --	\$ 275,927
Net difference between projected and actual experience	530,442	3,192,650
Changes in Assumption	920,832	--
Changes in proportions	1,230,554	--
Contributions subsequent to the measurement date	9,585,105	--
Difference between employer contributions and proportionate share of total contributions	91,036	--
	<u>\$ 12,357,969</u>	<u>\$ 3,468,577</u>

\$9,585,105 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ 1,179,512
2022	(1,056,894)
2023	(988,341)
2024	170,010

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.25%, 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 Male and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results on an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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NOTE 12 - PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLP's	8.0%	5.5%
Real Estate	10.0%	4.1%
Alternative Investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	<u>(20.0)%</u>	0.7%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
District's proportionate share of the net pension liability	\$ 119,984,000	\$ 96,327,209	\$ 76,292,000

Pension Plan Fiduciary Net Position

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

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NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

The District's employees are provided other postemployment benefits (OPEB) through two defined benefit OPEB plans: The PSERS Health Insurance Premium Assistance Program and the Northeastern School District Postemployment Benefits Plan.

PSERS 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, 2019, 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.

Pension Plan Description

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

Benefits Provided

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, 2019, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% 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 \$240,702 for the year ended June 30, 2020.

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NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

PSERS Health Insurance Premium Assistance Program (Continued)

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

At June 30, 2020, the District reported a liability of \$4,379,181 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the District's proportion was .2059 percent, which was a decrease of .0003 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$231,362. At June 30, 2020, 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
Net difference between projected and actual investment earnings	\$ 7,380	\$ --
Changes in Assumption	14,958	--
Changes in proportions	83,083	5,437
Difference between expected and actual experience	24,622	--
Difference between employer contributions and proportionate share of total contributions	--	2,063
Contributions subsequent to the measurement date	240,702	--
	\$ 370,745	\$ 7,500

\$240,702 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2021	\$ 17,692
2022	17,694
2023	16,582
2024	15,600
2025	40,800
Thereafter	14,175

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

PSERS Health Insurance Premium Assistance Program (Continued)

Actuarial Assumptions (Continued)

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.79% - 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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- 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 and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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.

<u>OPEB - Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Expected Real Rate of Return</u>
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	<u>3.7%</u>	0.0%
	<u>100.0%</u>	

**NORTHEASTERN SCHOOL DISTRICT  
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NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

PSERS Health Insurance Premium Assistance Program (Continued)

Actuarial Assumptions (Continued)

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79%. 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 2.79% which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB liability	\$ 4,377,000	\$ 4,379,181	\$ 4,380,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1 percentage point higher (3.79%) than the current rate:

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's Proportionate Share of the Net OPEB liability	\$ 4,989,000	\$ 4,379,181	\$ 3,874,000

OPEB Plan Fiduciary Net Position

Detailed information about PSER's 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).

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NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Northeastern School District Postemployment Benefits Plan (District Plan)

Plan Description

The District's postemployment healthcare plan is a single-employee defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial reports and is not included in the report of any public employee retirement system or any other entity.

Benefits Provided

The District plan provides medical, prescription drug, and dental coverage under the group insurance program in force for employees retiring prior to Medicare eligibility. Coverage does not include life insurance or disability insurance. All coverage terminates upon eligibility of Medicare by the retiring employee, death of a retiree, or upon non-receipt of premium, with the exception of administrators who retired prior to June 30, 2008, in which the duration is a lifetime benefit. For eligible administrators the District will pay the single coverage premium for the administrator only. The member must pay 102% of any additional premium due to the coverage of a spouse or dependents. For administrators who retired prior to June 30, 2008, the member is responsible for 102% of the premium costs. For administrators who retired after July 1, 2008 and prior to June 30, 2012, coverage and premium sharing are in accordance with Act 110. For administrators who retire after June 30, 2012, the member must be eligible for one of the following: must have 15 years of District service (10 years as an administrator), 27 years of PSERS service and are eligible for PSERS retirement or must be Act 110 eligible. All remaining employees who retire per PSERS guidelines are eligible for the benefit.

Employees Covered By Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payments	--
Active Employees	<u>416</u>
	<u>424</u>

Total OPEB Liability

The District's total OPEB liability of \$4,170,809 was measured as of July 1, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.36 percent
Salary increases	2.5 percent cost of living adjustment, 1 percent real wage growth, and merit increases which varies from 2.75% to 0%
Withdrawal	Rates for new employees start at 22.9% and decrease with age and service
Retirement	Based on PSERS plan experience
Retiree Contributions	Increase at the same rate as the healthcare cost trend rate

**NORTHEASTERN SCHOOL DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
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NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Northeastern School District Postemployment Benefits Plan (District Plan) (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Healthcare Cost Trend Rates	6 percent in 2018, 5.5 percent in 2019-2021, rates gradually decrease from 5.4 in 2022 to 3.8 percent by 2075
Per Capita Claims Cost	Based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets
Actuarial Cost Method	Entry Age Normal

The District plan assumes that 100% of administrators eligible for subsidized coverage and 50% of Teachers, Support Staff and Administrators not eligible for subsidized coverage will elect coverage. The plan also assumes that 45% of employees will be married and have a spouse covered by the plan at retirement. Wives are assumed to be two years younger than their husbands.

Separate mortality rates are assumed for preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Changes in the Total OPEB Liability

Balance at July 1, 2018	\$ 3,965,997
Service Cost	295,853
Interest	125,634
Changes of Assumptions	(131,847)
Benefit Payments	<u>(84,828)</u>
Net Changes	<u>204,812</u>
Balance at July 1, 2019	<u>\$ 4,170,809</u>

Changes of assumptions reflect a change in the discount rate from 2.98% to 3.36%. Additionally, assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS assumptions.

For the year ended June 30, 2020, the District recognized OPEB expense of \$314,488. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumption	\$ 97,025	\$ 404,851
Differences Between Expected and Actual Experience	--	985,581
Contributions subsequent to the measurement date	<u>104,331</u>	<u>--</u>
	<u>\$ 201,356</u>	<u>\$ 1,390,432</u>

\$104,331 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, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Northeastern School District Postemployment Benefits Plan (District Plan) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Year Ended June 30:

2021	\$	(106,999)
2022		(106,999)
2023		(106,999)
2024		(106,999)
2025		(106,999)
Thereafter		(758,412)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.36 percent) or 1-percentage point higher (4.36 percent) than the current rate:

	<u>1% Decrease</u> 2.36%	<u>Current Discount Rate</u> 3.36%	<u>1 % Increase</u> 4.36%
Total OPEB Liability	\$ 4,523,431	\$ 4,170,809	\$ 3,837,413

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point or 1-percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1 % Increase</u>
Total OPEB Liability	\$ 3,602,069	\$ 4,170,809	\$ 4,850,266

Reconciliation to the Financial Statements

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>OPEB Payable</u>
PSERS Health Insurance Premium Assistance Program	\$ 370,745	\$ 7,500	\$ 4,379,181
Northeastern School District Postemployment Benefits Plan	<u>201,356</u>	<u>1,390,432</u>	<u>4,170,809</u>
	<u>\$ 572,101</u>	<u>\$1,397,932</u>	<u>\$ 8,549,990</u>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 14 - CONTINGENT LIABILITIES**

Litigation

Several claims are asserted against the District. The outcome of these claims is not presently determinable.

Grant Programs

The school district participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**NOTE 15 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2020 and the two previous fiscal years, no settlements exceeded insurance coverage.

**NOTE 16 - SELF INSURANCE**

The District is a member of Lincoln Benefit Trust, a claims servicing pool which pays claims for health benefits submitted by the employees of its twenty-two participating local education agencies. Each district contributes amounts to the trust to cover annual claim and operating costs, and to fund reserves for future benefits. Additionally, each participating district in the trust remains responsible for the economic risk of providing benefits to its employees. Claims incurred from \$300,000 and up to \$500,000 are paid from a stop-loss insurance policy purchased by the Trust through the PA Trust. Stop loss insurance is purchased by the Trust through an insurance carrier for \$500,000 and above per individual. During the year ended June 30, 2020, the accrued and incurred claims of the District did not exceed its cumulative contributions.

The changes in net position for the District's account in the Trust for the years ended June 30, 2020 and 2019 are detailed below:

	2020	2019
Net Position, Beginning	\$ 4,581,144	\$ 4,531,470
Contributions	7,120,941	6,989,020
Interest Allocation	87,881	103,593
Claims Paid	(6,522,026)	(6,305,617)
PA Trust Reimbursement/Refund	291,716	--
Stop-Loss Reimbursement	522,354	94,555
Stop-loss Insurance	(295,771)	(321,150)
Other deductions	(538,611)	(510,727)
Net Position, Ending	<b><u>\$ 5,247,628</u></b>	<b><u>\$ 4,581,144</u></b>

The Lincoln Benefit Trust had net position of \$99,063,582 at June 30, 2020, and an increase in net position of \$4,432,063 as of and for the year ended June 30, 2020. The financial statements for Lincoln Benefit Trust are available at the District.

**NOTE 17 - SERVICE AGREEMENT**

The District entered into a service agreement with Questeq, Inc. for educational technology management for a period of five years effective July 1, 2019 through June 30, 2024. Fees are to be paid in equal monthly payments. During the year ended June 30, 2020, the District paid \$1,089,089 to Questeq, Inc.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

NOTE 17 - SERVICE AGREEMENT (Continued)

The District is scheduled to remit the following to Questeq, Inc. over the remainder of the contract:

2021	\$ 768,643
2022	787,859
2023	807,555
2024	827,744

NOTE 18 - DEFERRED CHARGES, ADVANCED REFUNDINGS

In the event that advance refunding of debt results in a defeasance, full accrual basis of accounting requires that the amounts deposited in escrow in excess of the debt principal are to be amortized over the life of the old debt or the life of the new debt, whichever is shorter. The amortization of this charge will be recognized as a component of interest expense. The District currently has two bond refinancing charges that it is amortizing, utilizing the straight line method, with the longest to be amortized through 2032. Under the modified accrual basis of accounting, the amounts are recognized as debt service expenditures when paid to the escrow account and the debt is defeased. For the year ended June 30, 2020, the District amortized \$232,470 as a component of interest expense.

NOTE 19 – TAX ABATEMENTS

The District enters into property tax abatement agreements with local businesses under the Local Economic Revitalization Tax Assistance Act (LERTA) of 1977. Under the Act, local taxing authorities may provide for tax exemption for certain deteriorated industrial, commercial, and other business property and for new construction in deteriorated areas of economically depressed communities. The District will no longer be offering tax abatements to new property improvements going forward, but existing tax abatement arrangements will continue to be honored.

For the year ended June 30, 2020, the District abated property taxes totaling \$1,745,585 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- An abatement to a corporation for building a storage warehouse. The abatement amounted to \$46,572.
- An abatement to a business to build a warehouse storage facility to a manufacturer of wire and cable used in the distribution and transmission of electricity. This abatement amounted to \$112,862.
- An abatement to a corporation to build a storage facility to be used in restaurant storage. This abatement amounted to \$882,518.
- An abatement to a corporation for building a warehouse facility for storage and distribution service. This abatement amounted to \$566,670.
- An abatement to a corporation for building a storage facility. This abatement amounted to \$136,963.

The District is also subject to the Pennsylvania Department of Agriculture's Clean and Green Program. The Clean and Green program is a preferential tax assessment program that bases property taxes on use values rather than fair market values. The Pennsylvania General Assembly enacted the program in 1974 as a tool to encourage protection of the Commonwealth's valuable farmland, forestland and open spaces. For the year ended June 30, 2020, the District abated property taxes totaling \$2,327,462 under this program.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 20 – COMMITMENTS**

As of June 30, 2020, the District is involved in construction projects. The District had the following commitments as of June 30, 2020:

	<u>Contract Amounts</u>	<u>Amounts Paid</u>	<u>Commitments Outstanding</u>
Carpet Replacement – Mt Wolf/Spring Forge	\$ 292,995	\$ 15,811	\$ 277,184
High School Turf Replacement	588,853	--	588,853
Kautter & Kelley Architects – High School Project	<u>1,935,908</u>	<u>701,148</u>	<u>1,234,760</u>
	<u>\$ 2,817,756</u>	<u>\$ 716,959</u>	<u>\$ 2,100,797</u>

In June 2019, the District approved Project #1 of the revised high school master plan for new construction and renovation of the existing high school with an estimated project cost of \$27,190,000. Currently, the construction cost estimate for Project #1 of the high school renovations and additions project is \$32,087,000, and all costs, including furnishing, construction contingency and other miscellaneous costs bring the total estimate to \$39,863,000 for the project.

**NOTE 21 – COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the Organization's net assets. Other financial impact could occur though such potential impact is unknown at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

**OF**

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**JUNE 30, 2020**

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>Local Revenues</b>				
Real Estate Taxes and Penalties	\$ 41,710,486	\$ 41,710,486	\$ 42,137,263	\$ 426,777
Other Taxes	3,794,000	3,794,000	6,282,067	2,488,067
Interest	275,000	275,000	311,490	36,490
Revenues from Intermediate Sources	787,924	787,924	763,844	(24,080)
Tuition	65,350	65,350	63,698	(1,652)
Revenue from Student Activities	101,100	101,100	90,261	(10,839)
Other Revenue	120,400	120,400	163,186	42,786
Refund of Prior Year's Expenditures	<u>251</u>	<u>251</u>	<u>917</u>	<u>666</u>
<b>Total Local Sources</b>	46,854,511	46,854,511	49,812,726	2,958,215
<b>State Sources</b>	24,310,831	24,310,831	25,247,843	937,012
<b>Federal Sources</b>	<u>718,000</u>	<u>718,000</u>	<u>961,432</u>	<u>243,432</u>
<b>TOTAL REVENUES</b>	<u>71,883,342</u>	<u>71,883,342</u>	<u>76,022,001</u>	<u>4,138,659</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular Programs	30,476,762	30,164,879	29,511,492	653,387
Special Programs	10,613,428	10,794,791	10,791,394	3,397
Vocational Education	2,804,426	2,977,906	2,977,455	451
Other Instructional Programs	260,189	362,889	340,373	22,516
Nonpublic School Programs	--	4,400	4,346	54
<b>Support Services</b>				
Student Services	2,641,630	2,655,598	2,647,187	8,411
Instructional Staff Services	3,454,874	3,706,822	3,574,744	132,078
Administrative Services	4,060,045	4,682,148	4,677,791	4,357
Pupil Health	861,902	714,876	714,125	751
Business Services	560,112	555,349	555,330	19
Operation and Maintenance of Plant Services	4,183,889	4,238,769	4,170,349	68,420
Student Transportation Services	2,949,697	2,515,086	2,466,242	48,844
Central Support Services	220,095	201,961	213,931	(11,970)
Other Support Services	30,051	21,351	21,306	45
<b>Operation of Noninstructional Services</b>				
Student Activities	891,456	928,824	928,235	589
Community Services	--	7,550	7,341	209
<b>Debt Service</b>				
Principal	3,587,000	3,598,000	3,598,000	--
Interest and Fiscal Charges	<u>2,253,786</u>	<u>2,253,786</u>	<u>2,161,371</u>	<u>92,415</u>
<b>TOTAL EXPENDITURES</b>	<u>69,849,342</u>	<u>70,384,985</u>	<u>69,361,012</u>	<u>1,023,973</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>2,034,000</u>	<u>1,498,357</u>	<u>6,660,989</u>	<u>5,162,632</u>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance With</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund Transfers	(984,000)	(984,000)	(2,034,420)	(1,050,420)
Budgetary Reserve	<u>(1,050,000)</u>	<u>(514,357)</u>	<u>          --</u>	<u>      514,357</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,034,000)</u>	<u>(1,498,357)</u>	<u>(2,034,420)</u>	<u>(536,063)</u>
<b>Changes in Fund Balances</b>	--	--	4,626,569	4,626,569
<b>Fund Balances – July 1, 2019</b>	<u>8,449,789</u>	<u>8,449,789</u>	<u>8,449,789</u>	<u>          --</u>
<b>Fund Balances – June 30, 2020</b>	<u>\$ 8,449,789</u>	<u>\$ 8,449,789</u>	<u>\$13,076,358</u>	<u>\$ 4,626,569</u>

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

	<u>Measurement Date</u>				
	<u>06/30/19</u>	<u>06/30/18</u>	<u>06/30/17</u>	<u>06/30/16</u>	<u>6/30/15</u>
District's proportion of net pension liability (asset)	0.2059%	0.2062%	0.2026%	0.2003%	0.1994%
District's proportionate share of the net pension liability (asset)	<u>\$ 96,327,209</u>	<u>\$ 98,988,057</u>	<u>\$100,062,728</u>	<u>\$99,261,985</u>	<u>\$86,370,385</u>
District's covered-employee payroll	\$ 28,400,687	\$ 27,773,611	\$ 26,842,041	\$ 25,650,370	\$25,650,370
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	339.17%	356.41%	372.78%	382.68%	336.72%
Plan fiduciary net position as a percentage of the total pension Liability	55.66%	54.00%	51.84%	50.14%	54.24%
	<u><b>06/30/14</b></u>				
District's proportion of net pension liability (asset)	0.1971%				
District's proportionate share of the net pension liability (asset)	<u>\$78,013,254</u>				
District's covered-employee payroll	\$ 25,147,736				
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	310.22%				
Plan fiduciary net position as a percentage of the total pension Liability	57.24%				

**Notes to Schedule:**

Assumption Changes: Changes in assumption used in the measurement of the total pension liability beginning June 30, 2016 resulted from adjusting the investment rate of return from 7.50% to 7.25%, decreasing inflation assumption from 3.00% to 2.75%, changing salary growth average from 5.50% to 5.00%, and changing the mortality rates.

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

	<u>Contractually Required Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2011	\$ 1,298,366	\$ 1,298,366	\$ --	\$ 25,967,323	5.00%
2012	\$ 2,069,782	\$ 2,069,782	\$ --	\$ 25,872,277	8.00%
2013	\$ 2,933,119	\$ 2,933,119	\$ --	\$ 25,505,381	11.50%
2014	\$ 4,023,638	\$ 4,023,638	\$ --	\$ 25,147,736	16.00%
2015	\$ 5,258,326	\$ 5,258,326	\$ --	\$ 25,650,370	20.50%
2016	\$ 6,468,685	\$ 6,468,685	\$ --	\$ 25,938,869	24.94%
2017	\$ 7,837,876	\$ 7,837,876	\$ --	\$ 26,842,041	29.20%
2018	\$ 8,815,344	\$ 8,815,344	\$ --	\$ 27,773,611	31.74%
2019	\$ 9,258,950	\$ 9,258,950	\$ --	\$ 28,400,687	32.60%
2020	\$ 9,585,105	\$ 9,585,105	\$ --	\$ 28,655,024	33.45%

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

	<u>Measurement Date</u>		
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
District's proportion of net OPEB liability (asset)	0.2059%	0.2062%	0.2026%
District's proportionate share of the net OPEB liability (asset)	<u>\$ 4,379,181</u>	<u>\$ 4,299,178</u>	<u>\$ 4,127,806</u>
District's covered-employee payroll	\$ 28,400,687	\$ 27,773,611	\$ 26,842,041
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	15.42%	15.48%	15.79%
Plan Fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.73%

**Notes to Schedule:**

Assumption changes: Changes in assumption used in the measurement of the total OPEB liability beginning June 30, 2018 resulted from adjusting the discount rate from 3.13% to 2.98%. Changes in assumption used in the measurement of the total OPEB liability beginning June 30, 2019 resulted from adjusting the discount rate from 2.98% to 2.79%.

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

	<u>Contractually Required Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2011	\$ 166,191	\$ 166,191	\$ --	\$ 25,967,323	0.64%
2012	\$ 168,170	\$ 168,170	\$ --	\$ 25,872,277	0.65%
2013	\$ 219,346	\$ 219,346	\$ --	\$ 25,505,381	0.86%
2014	\$ 233,874	\$ 233,874	\$ --	\$ 25,147,736	0.93%
2015	\$ 230,853	\$ 230,853	\$ --	\$ 25,650,370	0.90%
2016	\$ 217,886	\$ 217,886	\$ --	\$ 25,938,869	0.84%
2017	\$ 222,789	\$ 222,789	\$ --	\$ 26,842,041	0.83%
2018	\$ 230,521	\$ 230,521	\$ --	\$ 27,773,611	0.83%
2019	\$ 235,734	\$ 235,734	\$ --	\$ 28,401,687	0.83%
2020	\$ 240,702	\$ 240,702	\$ --	\$ 28,655,024	0.84%

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

	<u>06/30/2020</u>	<u>06/30/19</u>	<u>06/30/18</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 295,853	\$ 381,404	\$ 367,770
Interest	125,634	166,707	119,362
Changes of Assumptions	(131,847)	(329,492)	121,283
Differences between Expected and Actual Experience	--	(1,149,845)	--
Benefit Payments	<u>(84,828)</u>	<u>(103,557)</u>	<u>(73,147)</u>
Net Change	204,812	(1,034,783)	535,268
Total OPEB Liability – Beginning	<u>3,965,997</u>	<u>5,000,780</u>	<u>4,465,512</u>
Total OPEB Liability – Ending	<u>\$ 4,170,809</u>	<u>\$ 3,965,997</u>	<u>\$ 5,000,780</u>
Covered-Employee Payroll	\$ 25,744,585	\$ 25,744,585	\$25,001,694
Total OPEB Liability as a % of Covered-Employee Payroll	16.20%	15.41%	20.00%

**Notes to Schedule:**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Assumption Changes: Changes in assumption used in the measurement of the total OPEB liability beginning June 30, 2019 resulted from adjusting the discount rate from 3.13% to 2.98%. Changes in assumption used in the measurement of the total OPEB liability beginning June 30, 2020 resulting from adjusting the discount rate from 2.98% to 3.36%.

See accompanying independent auditor's report.

**SUPPLEMENTARY INFORMATION**  
**OF**  
**NORTHEASTERN SCHOOL DISTRICT**  
**MANCHESTER, PENNSYLVANIA**  
**JUNE 30, 2020**

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING BALANCE SHEET – CAPITAL PROJECTS FUND  
JUNE 30, 2020**

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund 32</u>	<u>Total Capital Projects Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 740,709	\$ --	\$ 740,709
Investments	10,511,657	--	10,511,657
Other Accounts Receivable	<u>576</u>	<u>--</u>	<u>576</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,252,942</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 11,252,942</u></b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 268,652	\$ --	\$ 268,652
Retainage Payable	<u>1,581</u>	<u>--</u>	<u>1,581</u>
<b>TOTAL LIABILITIES</b>	<b><u>270,233</u></b>	<b><u>--</u></b>	<b><u>270,233</u></b>
<b>FUND BALANCES</b>			
Restricted	<u>10,982,709</u>	<u>--</u>	<u>10,982,709</u>
<b>TOTAL FUND BALANCES</b>	<b><u>10,982,709</u></b>	<b><u>--</u></b>	<b><u>10,982,709</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 11,252,942</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 11,252,942</u></b>

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund 32</u>	<u>Total Capital Projects Fund</u>
<b>REVENUES</b>			
<b>Local Sources</b>			
Interest	\$ 148,678	\$ --	\$ 148,678
Contributions	<u>2,306</u>	<u>--</u>	<u>2,306</u>
<b>Total Local Sources</b>	<u>150,984</u>	<u>--</u>	<u>150,984</u>
<b>TOTAL REVENUES</b>	<u>150,984</u>	<u>--</u>	<u>150,984</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Instruction	9,688	--	9,688
Support Services	82	4,400	4,482
Operation of Noninstructional Services	<u>39,262</u>	<u>--</u>	<u>39,262</u>
<b>Total Current</b>	<u>49,032</u>	<u>4,400</u>	<u>53,432</u>
<b>Capital Outlay</b>			
Facilities Acquisition, Construction and Improvement Services	<u>1,592,531</u>	<u>--</u>	<u>1,592,531</u>
<b>Total Capital Outlay</b>	<u>1,592,531</u>	<u>--</u>	<u>1,592,531</u>
<b>TOTAL EXPENDITURES</b>	<u>1,641,563</u>	<u>4,400</u>	<u>1,645,963</u>
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,490,579)</u>	<u>(4,400)</u>	<u>(1,494,979)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	<u>2,034,000</u>	<u>--</u>	<u>2,034,000</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,034,000</u>	<u>--</u>	<u>2,034,000</u>
<b>Changes in Fund Balances</b>	543,421	(4,400)	539,021
<b>Fund Balances – July 1, 2019</b>	<u>10,439,288</u>	<u>4,400</u>	<u>10,443,688</u>
<b>Fund Balances – June 30, 2020</b>	<u>\$ 10,982,709</u>	<u>\$ --</u>	<u>\$ 10,982,709</u>

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>Football Athletic Fund</u>	<u>Student Activity Funds</u>	<u>Total Nonmajor Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 19,480	\$ 125,533	\$ 145,013
<b>TOTAL ASSETS</b>	<u>\$ 19,480</u>	<u>\$ 125,533</u>	<u>\$ 145,013</u>
<b>LIABILITIES</b>	\$ --	\$ --	\$ --
<b>FUND BALANCES</b>			
Assigned	<u>19,480</u>	<u>125,533</u>	<u>145,013</u>
<b>TOTAL FUND BALANCES</b>	<u>19,480</u>	<u>125,533</u>	<u>145,013</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 19,480</u>	<u>\$ 125,533</u>	<u>\$ 145,013</u>

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020**

	<u>Football Athletic Fund</u>	<u>Student Activity Funds</u>	<u>Total Nonmajor Funds</u>
<b>REVENUES</b>			
<b>Local Sources</b>			
Interest	\$ 52	\$ --	\$ 52
Revenue from Student Activities	--	207,398	207,398
Contributions	<u>11,660</u>	<u>--</u>	<u>11,660</u>
<b>Total Local Sources</b>	<u>11,712</u>	<u>207,398</u>	<u>219,110</u>
<b>TOTAL REVENUES</b>	<u>11,712</u>	<u>207,398</u>	<u>219,110</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Operation of Noninstructional Services	<u>3,943</u>	<u>190,455</u>	<u>194,398</u>
<b>Total Current</b>	<u>3,943</u>	<u>190,455</u>	<u>194,398</u>
<b>TOTAL EXPENDITURES</b>	<u>3,943</u>	<u>190,455</u>	<u>194,398</u>
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	7,769	16,943	24,712
<b>Fund Balances – July 1, 2019 (Restated)</b>	<u>11,711</u>	<u>108,590</u>	<u>120,301</u>
<b>Fund Balances – June 30, 2020</b>	<u>\$ 19,480</u>	<u>\$ 125,533</u>	<u>\$ 145,013</u>

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
JUNE 30, 2020**

	<b>Zions View Trust Fund</b>	<b>Glatfelter Scholarship</b>	<b>James P Dietz Music Scholarship Fund</b>	<b>Total Private Purpose Trust Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 25,777	\$ --	\$ --	\$ 25,777
Investments	--	1,000	1,621,847	1,622,847
Due from Other Funds	--	146	--	146
Other Receivables	--	2	--	2
<b>TOTAL ASSETS</b>	<b>\$ 25,777</b>	<b>\$ 1,148</b>	<b>\$ 1,621,847</b>	<b>\$ 1,648,772</b>
<b>LIABILITIES</b>				
	\$ --	\$ --	\$ --	\$ --
<b>NET POSITION</b>				
Held in Trust for				
Scholarships	25,777	1,148	182,698	209,623
Endowments	--	--	1,439,149	1,439,149
<b>TOTAL NET POSITION</b>	<b>25,777</b>	<b>1,148</b>	<b>1,621,847</b>	<b>1,648,772</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 25,777</b>	<b>\$ 1,148</b>	<b>\$ 1,621,847</b>	<b>\$ 1,648,772</b>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
YEAR ENDED JUNE 30, 2020**

	<b>Zions View Trust Fund</b>	<b>Glatfelter Scholarship</b>	<b>James P. Dietz Music Scholarship Fund</b>	<b>Total Private Purpose Trust Fund</b>
<b>ADDITIONS</b>				
Earnings on Investments	\$ 41	\$ 5	\$ 50,557	\$ 50,603
Contributions	<u>  --</u>	<u>  --</u>	<u>39,465</u>	<u>39,465</u>
<b>TOTAL ADDITIONS</b>	<u>41</u>	<u>5</u>	<u>90,022</u>	<u>90,068</u>
<b>DEDUCTIONS</b>				
Business Services	--	--	2,500	2,500
Scholarships	<u>  --</u>	<u>  --</u>	<u>11,636</u>	<u>11,636</u>
<b>TOTAL DEDUCTIONS</b>	<u>  --</u>	<u>  --</u>	<u>14,136</u>	<u>14,136</u>
<b>Changes in Net Position</b>	41	5	75,886	75,932
<b>Net Position – July 1, 2019</b>	<u>25,736</u>	<u>1,143</u>	<u>1,545,961</u>	<u>1,572,840</u>
<b>Net Position – June 30, 2020</b>	<u>\$ 25,777</u>	<u>\$ 1,148</u>	<u>\$ 1,621,847</u>	<u>\$ 1,648,772</u>

**SINGLE AUDIT INFORMATION**  
**OF**  
**NORTHEASTERN SCHOOL DISTRICT**  
**MANCHESTER, PENNSYLVANIA**  
**JUNE 30, 2020**

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass through Grantor/Program Title	Source Code	Federal CFDA Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Date	Total Program or Award Amount	Received for the Year	Accrued or (Unearned) Revenue at July 1, 2019	Expenditures	Accrued or (Unearned) Revenue at June 30, 2020	Amount Provided to Subrecipients
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>										
Passed through the Pennsylvania Department of Education										
Title I - Improving Basic Education	I	84.010	013-20-0295	7/31/19-9/30/20	\$ 559,963	\$ 522,656	\$ --	\$ 558,238 *	\$ 35,582	\$ --
Title I - Improving Basic Education	I	84.010	013-19-0295	8/9/18-9/30/19	558,269	<u>91,398</u>	<u>88,385</u>	<u>3,013</u> *	<u>--</u>	<u>--</u>
Total Title I						614,054	88,385	561,251	35,582	--
Title II – Supporting Effective Instruction I		84.367	020-20-0295	7/31/19-9/30/20	106,253	92,895	--	104,257	11,362	--
Title II – Teachers in the Workplace	I	84.367	220-20-0295	11/20/19-9/30/2020	25,000	4,545	--	--	(4,545)	--
Title II – Supporting Effective Instruction I		84.367	020-19-0295	8/9/18-9/30/19	61,017	47,556	37,003	10,553	--	--
Title IV – Student Support and Academic Enrichment Program	I	84.424	144-20-0295	7/31/19-9/30/20	42,655	31,280	--	42,655	11,375	--
Title IV – Student Support and Academic Enrichment Program	I	84.424	144-19-0295	8/9/18-9/30/19	41,681	23,818	(1,739)	25,557	--	--
Passed through Lancaster-Lebanon Intermediate Unit No. 13										
Special Education – Grants to States (IDEA, Part B)	I	84.027	062-20-0033	7/1/19-9/30/20	30,000	30,000	--	30,000	--	--
Passed through Lincoln Intermediate Unit No. 12										
Special Education – Grants to States (IDEA, Part B)	I	84.027	062-20-0012	7/1/19-9/30/20	688,391	688,391	--	688,391	--	--
Special Education – Grants to States (IDEA – Preschool)	I	84.173	131-19-0012	7/1/19-9/30/20	7,920	<u>7,920</u>	<u>--</u>	<u>7,920</u>	<u>--</u>	<u>--</u>
Total Special Education Cluster (IDEA)						<u>726,311</u>	<u>--</u>	<u>726,311</u>	<u>--</u>	<u>--</u>
TOTAL U.S. DEPARTMENT OF EDUCATION						<u>1,540,459</u>	<u>123,649</u>	<u>1,470,584</u>	<u>54,774</u>	<u>--</u>
<b><u>U.S DEPARTMENT OF TREASURY</u></b>										
Passed through the Pennsylvania Commission on Crime and Delinquency COVID-19										
Coronavirus Relief Fund	I	21.019	2020-CS-01- 33943	3/1/20-10/30/20	273,372	<u>--</u>	<u>--</u>	<u>216,827</u> *	<u>216,827</u>	<u>--</u>
TOTAL U.S. DEPARTMENT OF TREASURY						<u>--</u>	<u>--</u>	<u>216,827</u>	<u>216,827</u>	<u>--</u>

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass through Grantor/Program Title	Source Code	Federal CFDA Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Date	Total Program or Award Amount	Received for the Year	Accrued or (Unearned) Revenue at July 1, 2019	Expenditures	Accrued or (Unearned) Revenue at June 30, 2020	Amount Provided to Subrecipients
<b>U. S. DEPARTMENT OF AGRICULTURE</b>										
Passed through the Pennsylvania Department of Education										
National School Lunch Program (NSLP)	I	10.555	N/A	7/1/19-6/30/20	N/A	770,406	--	791,655	21,249	--
National School Lunch Program (NSLP)	I	10.555	N/A	7/1/18-6/30/19	N/A	9,171	9,171	--	--	--
School Breakfast Program (SBP)	I	10.553	N/A	7/1/19-6/30/20	N/A	253,384	--	266,817	13,433	--
School Breakfast Program (SBP)	I	10.553	N/A	7/1/18-6/30/19	N/A	2,635	2,635	--	--	--
Passed through the Pennsylvania Department of Agriculture										
NSLP - Value of USDA Donated Commodities	I	10.555	N/A	7/1/19-6/30/20	N/A	<u>132,891</u>	<u>--</u>	<u>132,891</u>	<u>--</u>	<u>--</u>
Total Child Nutrition Cluster						<u>1,168,487</u>	<u>11,806</u>	<u>1,191,363</u>	<u>34,682</u>	<u>--</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE						<u>1,168,487</u>	<u>11,806</u>	<u>1,191,363</u>	<u>34,682</u>	<u>--</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS						<u>\$ 2,708,946</u>	<u>\$ 135,455</u>	<u>\$ 2,878,774</u>	<u>\$ 305,283</u>	<u>\$ --</u>

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D - Direct Funding  
I - Indirect Funding

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District has elected not to use the 10% de minimum indirect cost rate as allowed under The Uniform Guidance.

**NOTE 2 - NON-MONETARY ASSISTANCE**

NSLP – Value of USDA Donated Commodities (CFDA #10.555) – The District received commodities from the Pennsylvania Department of Agriculture valued at fair market value.

**NOTE 3 - ACCESS PROGRAM**

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal money but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the Schedule of Expenditures of Federal Awards, ACCESS reimbursements are not included on the Schedule. The amount of ACCESS funding received for the year ended June 30, 2020 was \$193,637.

**NOTE 4 – SELECTION FOR FEDERAL PROGRAMS**

Test of 20% Rule (Low Risk Entity):  
\* Programs Selected for Testing

Title I	\$ 561,251		
Coronavirus Relief Fund	<u>216,827</u>		
	<u>\$ 778,078</u>	=	27.03%
Total Expenditures of Federal Awards	<u>\$ 2,878,774</u>		

# SAGER, SWISHER AND COMPANY, LLP

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## **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  
Northeastern School District  
Manchester, 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 Northeastern School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Northeastern School District's basic financial statements, and have issued our report thereon dated January 11, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northeastern School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeastern School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Northeastern 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 school district's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of 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.

*Sager, Swisher and Company, LLP*

Columbia, Pennsylvania  
January 11, 2021

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

Board of School Directors  
Northeastern School District  
Manchester, Pennsylvania

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

We have audited Northeastern 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 Northeastern School District's major federal programs for the year ended June 30, 2020. Northeastern 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 Northeastern 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 Northeastern School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Northeastern School District complied, in all material respects, with the types 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, 2020.

**Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

*Sager, Swisher and Company, LLP*

Columbia, Pennsylvania  
January 11, 2021

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   None Reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   None Reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**Section II – Financial Statement Findings**

There were no current year findings.

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

There were no current year findings or questioned costs.