

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**JUNE 30, 2022**

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**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**JUNE 30, 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Northeastern School District  
Manchester, PA 17368

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

#### ***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***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                    |

### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northeastern School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Responsibilities of Management 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.

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northeastern School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeastern School District's ability to continue as a going concern for a reasonable period of time.

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

### **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 18 and 63 through 69 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.

*Supplemental 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 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 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 the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Change in Accounting Principle**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2022, the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeastern School District's internal control over financial reporting and compliance.

*Sager, Swisher and Company, LLP*

Lancaster, Pennsylvania  
March 7, 2023

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2022*

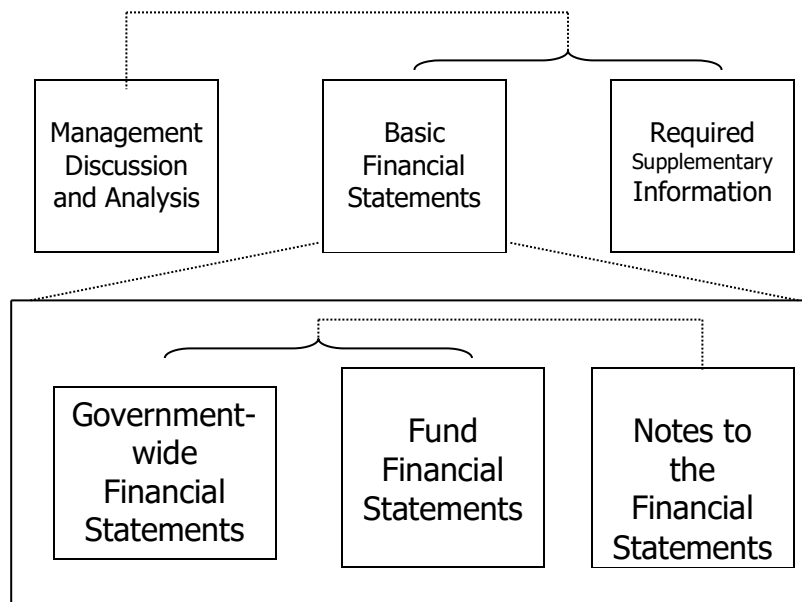
The Management Discussion and Analysis of Northeastern School District provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2022. The intent of the discussion and analysis is to look at the school district's financial performance as a whole. Readers should also review the financial statements and notes in conjunction with the discussion and analysis to enhance their understanding of the school district's financial performance.

**Overview of the Financial Statements**

The Annual Financial Report consists of various financial statements and 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, 2022*

**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
  - Debt Service 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, 2022*

**Financial Highlights**

- ✚ Total governmental net position increased by \$7,960,594 or 13.26%, when compared to the 2021 figures.
- ✚ Total governmental current assets decreased by approximately \$15.5 million as a result of a decrease in cash and cash equivalents. A major reason for this was the expenditure of capital project funds for the high school renovation.
- ✚ Net Pension Liability totaled \$83,263,070 while Other Post-Employment Benefits totaled \$9,588,750, which continued to have an adverse effect on the district's net position.
- ✚ Total governmental capital assets increased by \$19,089,704. This was primarily due to high school construction related to renovations and improvements that were offset by depreciation expense.
- ✚ Actual governmental program revenues increased by 5.73% while governmental program expenditures decreased by 0.56%.
- ✚ Total outstanding debt decreased by \$3,697,000 due to the repayment of principal on existing bonds.
- ✚ Total governmental fund balances equaled \$33,823,727. The following shows the breakdown by fund:
  - General Fund Balance of \$15,800,460 (\$3,000,000 committed, \$7,250,000 assigned and \$5,550,460 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 and \$7,250,000 for future capital needs.
  - Capital Reserve Fund Balance of \$14,418,717.
  - Capital Projects Fund Balance of \$3,418,116.
  - Football Athletic Fund Balance of \$60,830.
  - Student Activity Fund Balance of \$125,604.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2022*

**Reporting the School District as a Whole**

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

| Table 1                                    |                         |                     |                          |                  |                     |                     |  |             |
|--------------------------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|--|-------------|
| Net Position                               |                         |                     |                          |                  |                     |                     |  |             |
|                                            | Governmental Activities |                     | Business-Type Activities |                  | Total               |                     |  | % of Change |
|                                            | 2021                    | 2022                | 2021                     | 2022             | 2021                | 2022                |  |             |
| <b>Assets:</b>                             |                         |                     |                          |                  |                     |                     |  |             |
| Current and Other Assets                   | 59,903,970              | 44,410,167          | 795,751                  | 1,516,303        | 60,699,721          | 45,926,470          |  |             |
| Noncurrent Assets, Net                     | 62,999,248              | 82,088,952          | 179,734                  | 158,755          | 63,178,982          | 82,247,707          |  |             |
| <i>Total Assets</i>                        | <i>122,903,218</i>      | <i>126,499,119</i>  | <i>975,485</i>           | <i>1,675,058</i> | <i>123,878,703</i>  | <i>128,174,177</i>  |  | 3.47%       |
| <b>Deferred Outflow of Resources:</b>      |                         |                     |                          |                  |                     |                     |  |             |
| Bond Refinancing Charges                   | 2,117,556               | 1,885,086           | -                        | -                | 2,117,556           | 1,885,086           |  |             |
| Deferred Outflows for Pensions             | 14,544,591              | 14,923,520          | 348,172                  | 338,984          | 14,892,763          | 15,262,504          |  |             |
| Deferred Outflows for OPB                  | 677,477                 | 1,118,622           | -                        | -                | 677,477             | 1,118,622           |  |             |
| <i>Total Deferred Outflow of Resources</i> | <i>17,339,624</i>       | <i>17,927,228</i>   | <i>348,172</i>           | <i>338,984</i>   | <i>17,687,796</i>   | <i>18,266,212</i>   |  | 3.27%       |
| <b>Liabilities:</b>                        |                         |                     |                          |                  |                     |                     |  |             |
| Current and Other Liabilities              | 11,666,774              | 14,545,619          | 90,300                   | 50,961           | 11,757,074          | 14,596,580          |  |             |
| Net Pension Liability                      | 98,627,851              | 83,263,070          | 2,363,190                | 1,890,407        | 100,991,041         | 85,153,477          |  |             |
| Net Bonds & Notes Payable                  | 76,032,083              | 71,815,964          | -                        | -                | 76,032,083          | 71,815,964          |  |             |
| Other Post-Employment Benefits             | 8,911,518               | 9,588,750           | -                        | -                | 8,911,518           | 9,588,750           |  |             |
| Other Long-Term Liabilities                | 1,299,932               | 1,264,841           | -                        | -                | 1,299,932           | 1,264,841           |  |             |
| <i>Total Liabilities</i>                   | <i>196,538,158</i>      | <i>180,478,244</i>  | <i>2,453,490</i>         | <i>1,941,368</i> | <i>198,991,648</i>  | <i>182,419,612</i>  |  | -8.33%      |
| <b>Deferred Inflow of Resources:</b>       |                         |                     |                          |                  |                     |                     |  |             |
| Deferred Inflows for Pensions              | 2,363,810               | 14,568,702          | 56,638                   | 330,768          | 2,420,448           | 14,899,470          |  |             |
| Deferred Inflows for OPEB                  | 1,392,290               | 1,470,223           | -                        | -                | 1,392,290           | 1,470,223           |  |             |
| <i>Total Deferred Inflow of Resources</i>  | <i>3,756,100</i>        | <i>16,038,925</i>   | <i>56,638</i>            | <i>330,768</i>   | <i>3,812,738</i>    | <i>16,369,693</i>   |  | 329.34%     |
| <b>Net Position:</b>                       |                         |                     |                          |                  |                     |                     |  |             |
| Net Investment in Capital Assets           | 10,335,775              | 26,164,907          | 179,734                  | 158,755          | 10,515,509          | 26,323,662          |  |             |
| Restricted:                                |                         |                     |                          |                  |                     |                     |  |             |
| Capital Projects                           | 14,123,246              | 17,836,833          | -                        | -                | 14,123,246          | 17,836,833          |  |             |
| Debt Service                               | 1,828                   | -                   | -                        | -                | 1,828               | -                   |  |             |
| Unrestricted                               | (84,512,265)            | (96,092,562)        | (1,366,205)              | (416,849)        | (85,878,470)        | (96,509,411)        |  |             |
| <i>Total Net Position</i>                  | <i>(60,051,416)</i>     | <i>(52,090,822)</i> | <i>(1,186,471)</i>       | <i>(258,094)</i> | <i>(61,237,887)</i> | <i>(52,348,916)</i> |  | -14.52%     |

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2022*

*Governmental Activities*

On June 30, 2022, the school district had a total negative net position from governmental activities of \$52,090,822; which was an increase of \$7,960,594 or 13.26% during the fiscal year. Total governmental assets increased by \$3,595,901 and deferred outflows increased by \$587,604. Governmental liabilities decreased by \$16,059,914. Factors that significantly affected net position in the 2021-2022 fiscal year were:

- ✚ Net Pension Liability decreased by \$15,364,781, totaling \$83,263,070 for the year ending June 30, 2022.
- ✚ Other Post-Employment Benefits increased by \$677,232, totaling \$9,588,750 for the year ending June 30, 2022.
- ✚ General fund cash and investments increased by \$2,395,419 from the prior year, capital projects cash decreased by \$18,777,737 and non-major governmental funds increased by \$30,720; totaling a governmental-wide decrease of \$16,351,598.
- ✚ Total current liabilities increased by \$2,878,845 or 24.68%. This increase was primarily due to additional year-end accounts payable, retainage payable related to construction, payroll deductions and withholding payables, and unearned tax revenue.
- ✚ Total non-current liabilities decreased by \$18,938,759 or 10.24%. This decrease was largely due to a reduction in the Net Pension Liability and Bond & Notes Payable.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2022*

Table 2 reflects the Change in Net Position for fiscal year 2022 compared to fiscal year 2021.

| Table 2                             |                         |            |                          |           |            |            |
|-------------------------------------|-------------------------|------------|--------------------------|-----------|------------|------------|
| Change in Net Position              |                         |            |                          |           |            |            |
|                                     | Governmental Activities |            | Business-Type Activities |           | Total      |            |
|                                     | 2021                    | 2022       | 2021                     | 2022      | 2021       | 2022       |
| <b>Revenues</b>                     |                         |            |                          |           |            |            |
| Program Revenues:                   |                         |            |                          |           |            |            |
| Charges for Services                | 182,324                 | 446,452    | 176,384                  | 293,194   | 358,708    | 739,646    |
| Operating Grants and Contributions  | 13,803,421              | 14,969,623 | 2,006,344                | 3,388,761 | 15,809,765 | 18,358,384 |
| Capital Grants and Contributions    | 736,167                 | 874,869    | -                        | -         | 736,167    | 874,869    |
| Total Program Revenue               | 14,721,912              | 16,290,944 | 2,182,728                | 3,681,955 | 16,904,640 | 19,972,899 |
| General Revenues:                   |                         |            |                          |           |            |            |
| Property Taxes                      | 42,275,115              | 44,012,547 | -                        | -         | 42,275,115 | 44,012,547 |
| Other Taxes Levied                  | 4,945,824               | 5,359,942  | -                        | -         | 4,945,824  | 5,359,942  |
| Grants & Subsidies not restricted   | 13,178,607              | 13,759,591 | -                        | -         | 13,178,607 | 13,759,591 |
| Investments                         | 13,030                  | 54,270     | 206                      | 1,781     | 13,236     | 56,051     |
| Other                               | 69,168                  | 36,276     | -                        | -         | 69,168     | 36,276     |
| Total General Program               | 60,481,744              | 63,222,626 | 206                      | 1,781     | 60,481,950 | 63,224,407 |
| Total Revenues                      | 75,203,656              | 79,513,570 | 2,182,934                | 3,683,736 | 77,386,590 | 83,197,306 |
| <b>Program Expenses:</b>            |                         |            |                          |           |            |            |
| Instruction                         | 48,435,128              | 48,274,722 | -                        | -         | 48,435,128 | 48,274,722 |
| Support Services:                   |                         |            |                          |           |            |            |
| Pupil and Instruction Staff         | 7,581,605               | 7,097,653  | -                        | -         | 7,581,605  | 7,097,653  |
| Board of Education,                 |                         |            |                          |           |            |            |
| Administration, and Fiscal          | 5,400,591               | 4,895,060  | -                        | -         | 5,400,591  | 4,895,060  |
| Operation & Maintenance of Plant    | 4,597,964               | 4,536,735  | -                        | -         | 4,597,964  | 4,536,735  |
| Pupil Transportation                | 2,456,708               | 2,621,299  | -                        | -         | 2,456,708  | 2,621,299  |
| Extracurricular Activities          | 1,028,897               | 1,186,794  | -                        | -         | 1,028,897  | 1,186,794  |
| Community                           | 3,401                   | 6,021      | -                        | -         | 3,401      | 6,021      |
| Refund of Prior Year Receipts       | -                       | -          | -                        | -         | -          | -          |
| Interest on Long-Term Debt          | 2,445,952               | 2,928,427  | -                        | -         | 2,445,952  | 2,928,427  |
| Unallocated Depreciation            | -                       | -          | -                        | -         | -          | -          |
| Food Service                        | -                       | -          | 2,194,759                | 2,755,866 | 2,194,759  | 2,755,866  |
| Total Expenses                      | 71,950,246              | 71,546,711 | 2,194,759                | 2,755,866 | 74,145,005 | 74,302,577 |
| Transfers                           | (1,698)                 | (507)      | 1,698                    | 507       | -          | -          |
| Increase (Decrease) in Net Position | 3,251,712               | 7,966,352  | (10,127)                 | 928,377   | 3,241,585  | 8,894,729  |

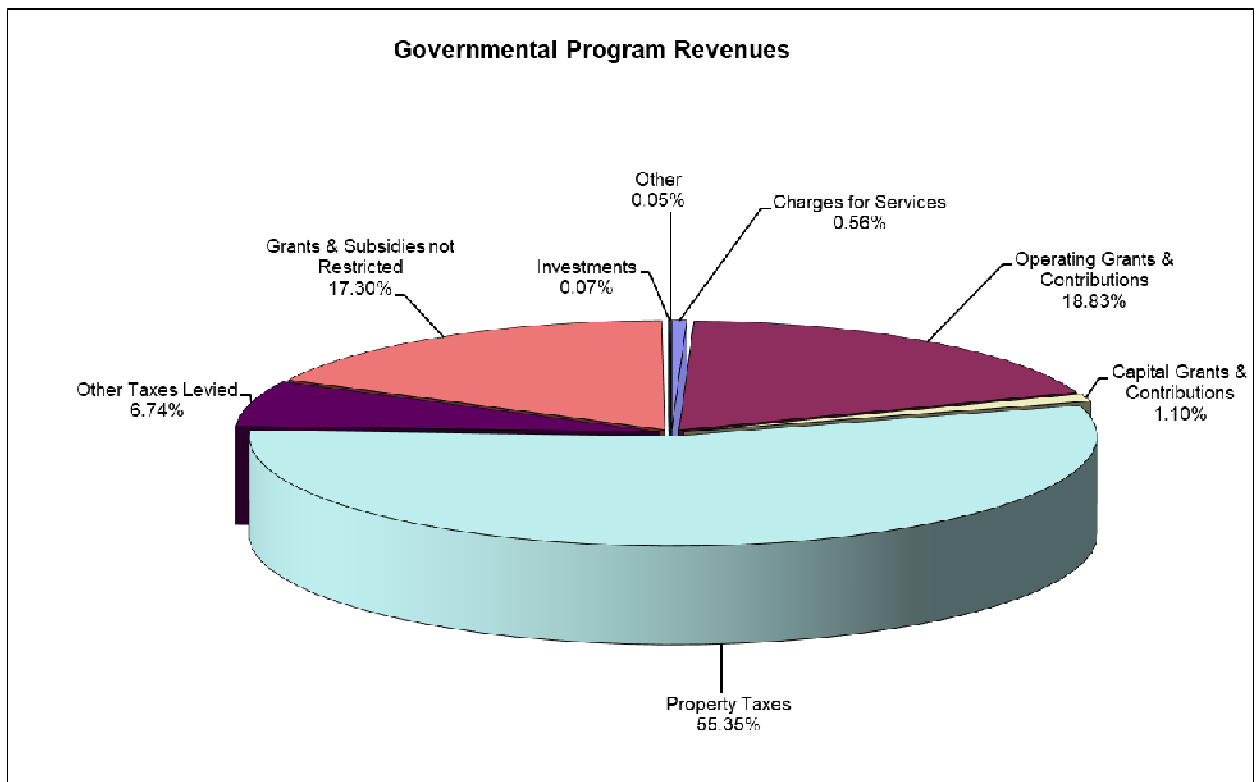
Governmental program revenues increased by 5.73% from \$75.2 million to approximately \$79.5 million.

- ✚ Charges for services increased by \$264,128 or 144.87%. This category includes extracurricular/co-curricular fees, building rental fees, student activities, tuition, and transportation charges.
- ✚ Operating grants, capital grants and contributions increased by 8.45%. The majority of the increase was attributed to the Federal Elementary and Secondary School Emergency Relief (ESSER) Funds. Other increases include an additional \$110,891 in the special education subsidy and \$161,251 for the State portion of the retirement reimbursement.
- ✚ Property tax revenue remained stable with an increase of 4.11%. This category includes current real estate, delinquent real estate, and interim real estate taxes. Current real estate

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2022*

taxes increased by 4.00% due to some growth in assessment value and an increase in the millage rate. Interim real estate revenue increased by 2.53% or \$11,527 and delinquent real estate revenue decreased by 18.97% or \$225,863.

- ✚ Other taxes levied revenue experienced an increase of 8.37%. This category includes earned income, per capita, occupation, real estate transfer, and other delinquent taxes. Real estate transfer tax revenue increased by \$199,349 or 19.47% and earned income tax increased by \$234,234 or 6.62%.
- ✚ Investment interest increased by \$41,240 or 316.50%.



Property taxes contributed to 55.35% of total revenues for governmental activities at Northeastern School District in the 2022 fiscal year. Other major contributors to revenue included grants and subsidies not restricted at 17.30%, operating grants and contributions at 18.83%, and other taxes levied at 6.74%.

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Governmental program expenditures decreased by less than 1% from \$71.9 million to approximately \$71.5 million. Major changes in expenditures can be primarily attributed to the following:

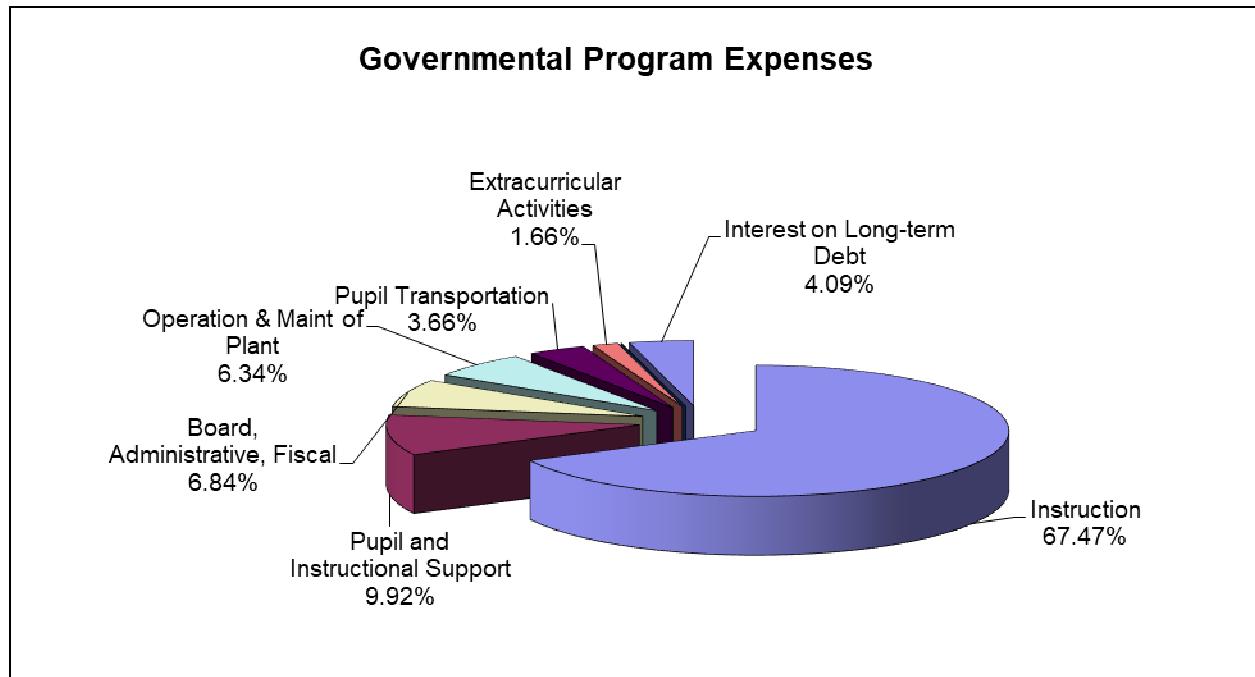
- ✚ Total wages increased by 1.71% or \$508,073.
- ✚ Total employer benefits increased by 3.80% or \$727,927.
  - Employer contribution rate for employee retirement increased from 34.51% to 34.94%. This rate increase resulted in a \$324,960 increase in retirement expense.
  - Social security expense experienced an increase of 1.92% due to the 1.71% increase in wages.
  - Employee tuition reimbursement decreased by \$45,852 or 20.51%.
  - Unemployment costs decreased by \$23,903.
  - Medical, prescription and dental insurance increased by \$373,417 or 6.05% collectively.
- ✚ Total professional and technical purchased services increased by \$328,426 with an increase of \$438,086 in intermediate unit (IU) services for special needs students and IU-operated alternative education facilities.
- ✚ Total student tuition costs increased by 13.63% or \$828,717, with charter school tuition representing the majority of the increase.

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

| Table 3                 |              |              |                      |                          |
|-------------------------|--------------|--------------|----------------------|--------------------------|
| Tuition Costs           |              |              |                      |                          |
| <u>Description</u>      | <u>2021</u>  | <u>2022</u>  | <u>Dollar Change</u> | <u>Percent of Change</u> |
| Other Public Schools    | 159,833.16   | 115,118.83   | (44,714.33)          | -27.98%                  |
| Charter Schools         | 2,906,483.02 | 3,569,743.19 | 663,260.17           | 22.82%                   |
| Vocational Tech Schools | 1,665,879.19 | 1,731,849.22 | 65,970.03            | 3.96%                    |
| Private Schools/PRRIs   | 517,762.52   | 661,963.21   | 144,200.69           | 27.85%                   |
| Totals                  | 5,249,957.89 | 6,078,674.45 | 828,716.56           | 15.79%                   |

- ✚ Supply and equipment categories increased by a total of \$1,179,010 primarily due to the spending of ESSER funds on technology and curriculum-related expenses.
- ✚ Total debt service principal payments increased by \$7,000 while interest payments decreased by \$95,746.
- ✚ Transfers to the Capital Reserve Fund totaled \$1,300,000 for the 2022 fiscal year.

**Northeastern School District**  
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Instructional costs contributed to 67.47% of total program expenses for governmental activities for Northeastern School District in the fiscal year 2022.

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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>2021</u>       | <u>2022</u>       | <u>2021</u>       | <u>2022</u>       |
| Instruction                      | 48,435,128        | 48,274,722        | 38,305,635        | 36,422,091        |
| Support Services:                |                   |                   |                   |                   |
| Pupil and Instruction Staff      | 7,581,605         | 7,097,653         | 6,470,674         | 6,075,671         |
| Board of Education,              |                   |                   |                   |                   |
| Administration, and Fiscal       | 5,400,591         | 4,895,060         | 4,704,052         | 4,177,608         |
| Operation & Maintenance of Plant | 4,597,964         | 4,536,735         | 4,212,342         | 4,196,985         |
| Pupil Transportation             | 2,456,708         | 2,621,299         | 1,036,588         | 1,589,875         |
| Extracurricular Activities       | 1,028,897         | 1,186,794         | 791,897           | 739,617           |
| Community                        | 3,401             | 6,021             | (2,639)           | 362               |
| Refund of Prior Year Receipts    | -                 | -                 | -                 | -                 |
| Interest on Long-Term Debt       | 2,445,952         | 2,928,427         | 1,709,785         | 2,053,558         |
| Unallocated Depreciation         | -                 | -                 | -                 | -                 |
| <i>Total Expenses</i>            | <i>71,950,246</i> | <i>71,546,711</i> | <i>57,228,334</i> | <i>55,255,767</i> |

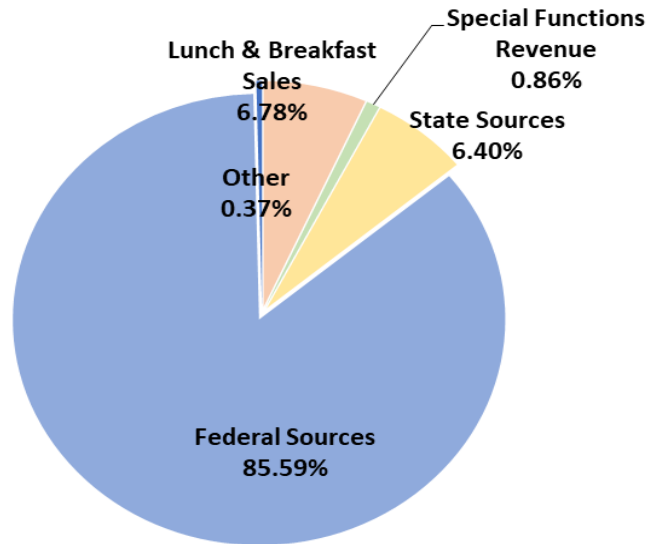
Of the 2021-2022 total cost of services for governmental activities, 22.77% was funded by charges for services, grants, and contributions. The remaining costs were primarily funded by tax revenues and the basic instructional subsidy.

*Business-Type Activity*

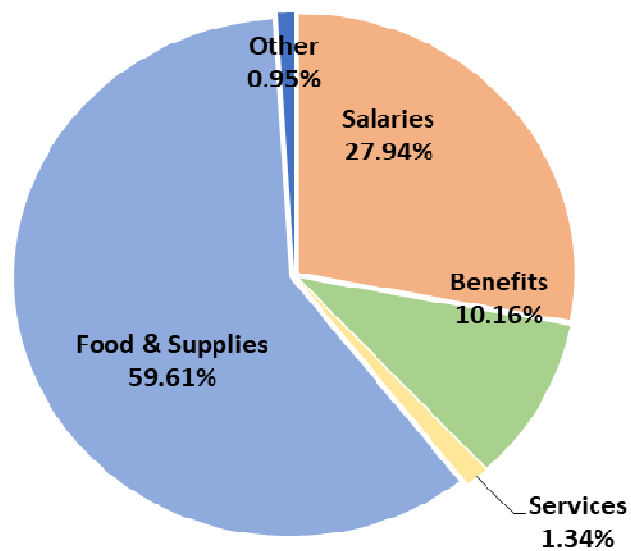
The business-type activity at Northeastern School District is the food service operation. The school district provides both breakfast and lunch programs for grades K through 12. This program had revenues of \$3,683,736 and expenses of \$2,755,866 for the 2021-2022 fiscal year. The school district received 91.99% of its revenue from the federal and state-reimbursable breakfast and lunch programs. Revenue from state and federal grants increased by 68.90% or \$1,382,417. Total revenue increased by 40.74% or \$1,500,802 while expenditures increased by 25.57% or \$561,107. The increase in expenses was mainly due to an increase of \$653,471 in food and supply costs and \$72,530 in salaries. A reduction in benefits of \$171,087 offset these additional costs. The total negative net position on June 30, 2022, was \$258,094 an increase of \$928,377 from the prior year's net position. The negative net position was the result of the Net Pension Liability of \$1,890,407.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2022*

**Food Service Revenue**



**Food Service Expenditures**



**Northeastern School District**  
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**General Fund Budgeting Highlights**

For the 2021-2022 fiscal year, general fund revenues exceeded the budget while expenditures were lower than the budget. Total revenues were above the budget by \$1,924,276 or 2.49%. Total expenditures were below the final budget by \$956,095 or 1.26%. In addition, a transfer of \$1,300,000 was made to the Capital Reserve fund for future building and land improvement projects. The actual change in fund balance was an increase of \$2,880,371 resulting in a fund balance of \$15,800,460 on June 30, 2022.

| Table 5                               |               |               |            |          |
|---------------------------------------|---------------|---------------|------------|----------|
| Final Budget Versus Actual Comparison |               |               |            |          |
|                                       | Final         |               | Difference |          |
| <u>Category</u>                       | <u>Budget</u> | <u>Actual</u> | <u>\$</u>  | <u>%</u> |
| Revenues:                             |               |               |            |          |
| Local                                 | 48,669,264    | 50,621,970    | 1,952,706  | 4.01%    |
| State                                 | 25,623,686    | 26,123,392    | 499,706    | 1.95%    |
| Federal                               | 2,934,000     | 2,405,864     | (528,136)  | -18.00%  |
| Total Revenues                        | 77,226,950    | 79,151,226    | 1,924,276  | 2.49%    |
| Expenditures:                         |               |               |            |          |
| Instruction                           | 48,703,322    | 48,549,372    | (153,950)  | -0.32%   |
| Support Services                      | 19,934,683    | 19,763,531    | (171,152)  | -0.86%   |
| Non-Instructional Services            | 988,827       | 988,653       | (174)      | -0.02%   |
| Debt Service/Transfers                | 6,299,611     | 5,668,792     | (630,819)  | -10.01%  |
| Total Expenditures                    | 75,926,443    | 74,970,348    | (956,095)  | -1.26%   |
| Other Financing Sources (Uses)        | (1,300,507)   | (1,300,507)   | -          | 100.00%  |
| Change in Fund Balance                | -             | 2,880,371     | 2,880,371  | 100.00%  |

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2022*

Considerable budget variances are noted below:

- ✚ Local revenues exceeded the original budget by 4.01% or \$1,952,706 due to several areas including current real estate tax of \$958,147, current earned income tax of \$807,285, and real estate transfer tax of \$623,184.
- ✚ State revenue exceeded the original budget by 1.95% or \$499,706. The district received additional monies for basic education funding and retirement reimbursement.
- ✚ Federal revenue was below the original budget by 18.00% or \$528,136. Federal Elementary and Secondary School Emergency Relief (ESSER) funds were below the budgeted figure and will be carried over to the next school year for spending.
- ✚ Expenditures varied by 1.26% or \$956,095 under the final budget. Some noteworthy variances include the following:
  - Employee salaries and benefits were lower than the original budget by \$478,913. Contributing to this total are:
    - Medical, dental, and prescription insurance savings of \$103,455.
    - Social Security, Medicare, and retirement savings of \$170,699.
    - Tuition reimbursement savings of \$126,445.
  - Purchased property services for the physical plant department were under budget by a total of \$85,666. Contributing to these savings include utility costs of \$19,818 and repairs and maintenance costs of \$68,605.
  - Tuition to other educational agencies for educational services exceeded the original budget by \$1,032,222 primarily due to enrollment increase for charter schools and the York School of Technology.
  - Student transportation services, including contracted carriers and intermediate unit transportation, were below budget by \$316,330.
  - District budgeted a reserve amount of \$700,000 that remained unused at the end of the fiscal year.
  - District transferred \$1,300,000 to the Capital Reserve Fund.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2022*

## Capital Assets

At the end of the fiscal year 2022, the school district had \$82,236,634 invested in capital assets (net of accumulated depreciation), \$82,088,952 in governmental activities.

Table 6 reflects the fiscal year 2022 capital asset balances compared to the fiscal year 2021, excluding capitalized bond issue costs.

| Table 6                                                |                         |            |                          |         |            |            |
|--------------------------------------------------------|-------------------------|------------|--------------------------|---------|------------|------------|
| Capital Assets at June 30, 2022                        |                         |            |                          |         |            |            |
| (Net of Depreciation & Amortization)                   |                         |            |                          |         |            |            |
|                                                        | Governmental Activities |            | Business-Type Activities |         | Total      |            |
|                                                        | 2021                    | 2022       | 2021                     | 2022    | 2021       | 2022       |
| Land & Land Improvements                               | 5,214,272               | 4,760,482  | -                        | -       | 5,214,272  | 4,760,482  |
| Construction in Progress                               | 4,717,712               | 26,259,907 | -                        | -       | 4,717,712  | 26,259,907 |
| Vehicles                                               | 39,214                  | 55,644     | -                        | -       | 39,214     | 55,644     |
| Buildings and Building Improvements                    | 50,016,965              | 47,864,559 | -                        | -       | 50,016,965 | 47,864,559 |
| Machinery/Equipment/Books                              | 3,011,085               | 3,137,287  | 179,734                  | 158,755 | 3,190,819  | 3,296,042  |
| Lease Assets                                           | -                       | 11,073     | -                        | -       | -          | 11,073     |
| <i>Total Assets (Net of Depreciation/Amortization)</i> | 62,999,248              | 82,088,952 | 179,734                  | 158,755 | 63,178,982 | 82,236,634 |

Total capital assets increased by \$19,057,652 for the 2021-2022 fiscal year. This was primarily due to the high school building renovation project, equipment and technology acquisitions, and other district building and land improvements. Depreciation expense totaled \$3,739,349 offsetting capital asset additions of \$22,797,001.

Business-type capital assets, net of accumulated depreciation, decreased by \$20,979 during the 2021-2022 fiscal year. This decrease was due to depreciation expense.

**Northeastern School District**  
*Management's Discussion and Analysis*  
*For Fiscal Year Ending June 30, 2022*

**Debt**

On June 30, 2022, the Northeastern School District had \$71,649,000 in bonds outstanding, a decrease of \$3,697,000 from the previous fiscal year.

Table 7 summarizes and compares bonds outstanding for the 2022 and 2021 fiscal years.

| Table 7                           |                       |             |               |
|-----------------------------------|-----------------------|-------------|---------------|
| Outstanding Debt at June 30, 2022 |                       |             |               |
|                                   | Principal Outstanding |             |               |
|                                   | <u>2021</u>           | <u>2022</u> | <u>Change</u> |
| Series of 2014 (Note)             | 2,081,000             | 1,399,000   | (682,000)     |
| Series B of 2015                  | 17,685,000            | 17,600,000  | (85,000)      |
| Series A of 2015                  | 25,740,000            | 23,520,000  | (2,220,000)   |
| Series A of 2021                  | 26,850,000            | 26,850,000  | -             |
| Series B of 2021                  | 2,990,000             | 2,280,000   | (710,000)     |
| <i>Total Outstanding Debt</i>     | 75,346,000            | 71,649,000  | (3,697,000)   |

**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 2021-2022. 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, 2022**

|                                                                         | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>                 |
|-------------------------------------------------------------------------|------------------------------------|-------------------------------------|------------------------------|
| <b>ASSETS</b>                                                           |                                    |                                     |                              |
| <b>Current Assets</b>                                                   |                                    |                                     |                              |
| Cash and Cash Equivalents                                               | \$ 11,309,997                      | \$ 1,420,716                        | \$ 12,730,713                |
| Investments                                                             | 27,273,665                         | --                                  | 27,273,665                   |
| Taxes Receivable, Net                                                   | 1,116,084                          | --                                  | 1,116,084                    |
| Due from Other Governments                                              | 4,572,295                          | 34,194                              | 4,606,489                    |
| Other Receivables                                                       | 56,216                             | 17,855                              | 74,071                       |
| Inventories                                                             | --                                 | 43,538                              | 43,538                       |
| Prepaid Expenses                                                        | <u>81,910</u>                      | <u>--</u>                           | <u>81,910</u>                |
| <b>Total Current Assets</b>                                             | <u>44,410,167</u>                  | <u>1,516,303</u>                    | <u>45,926,470</u>            |
| <b>Noncurrent Assets</b>                                                |                                    |                                     |                              |
| Land and Land Improvements<br>(Net of Accumulated Depreciation)         | 4,760,482                          | --                                  | 4,760,482                    |
| Building and Building Improvements<br>(Net of Accumulated Depreciation) | 47,864,559                         | --                                  | 47,864,559                   |
| Furniture and Equipment (Net of Accumulated Depreciation)               | 2,686,116                          | 158,755                             | 2,844,871                    |
| Infrastructure (Net of Accumulated Depreciation)                        | 448,264                            | --                                  | 448,264                      |
| Textbooks and Library Books<br>(Net of Accumulated Depreciation)        | 2,907                              | --                                  | 2,907                        |
| Vehicles (Net of Accumulated Depreciation)                              | 55,644                             | --                                  | 55,644                       |
| Right to Use Leased Assets (Net of Accumulated Amortization)            | 11,073                             | --                                  | 11,073                       |
| Construction Work in Progress                                           | <u>26,259,907</u>                  | <u>--</u>                           | <u>26,259,907</u>            |
| <b>Total Noncurrent Assets</b>                                          | <u>82,088,952</u>                  | <u>158,755</u>                      | <u>82,247,707</u>            |
| <b>TOTAL ASSETS</b>                                                     | <u>126,499,119</u>                 | <u>1,675,058</u>                    | <u>128,174,177</u>           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                   |                                    |                                     |                              |
| Bond Refinancing Charges                                                | 1,885,086                          | --                                  | 1,885,086                    |
| Deferred Outflows for Pensions                                          | 14,923,520                         | 338,984                             | 15,262,504                   |
| Deferred Outflows for Other Postemployment Benefits                     | <u>1,118,622</u>                   | <u>--</u>                           | <u>1,118,622</u>             |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                             | <u>17,927,228</u>                  | <u>338,984</u>                      | <u>18,266,212</u>            |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS<br/>OF RESOURCES</b>              | <u><u>\$ 144,426,347</u></u>       | <u><u>\$ 2,014,042</u></u>          | <u><u>\$ 146,440,389</u></u> |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

|                                                                              | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>          |
|------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-----------------------|
| <b>LIABILITIES</b>                                                           |                                    |                                     |                       |
| <b>Current Liabilities</b>                                                   |                                    |                                     |                       |
| Accounts Payable                                                             | \$ 2,936,956                       | \$ 884                              | \$ 2,937,840          |
| Retainage Payable                                                            | 1,079,454                          | --                                  | 1,079,454             |
| Internal Balances                                                            | 74,789                             | (74,789)                            | --                    |
| Current Portion of Long-Term Debt                                            | 3,830,000                          | --                                  | 3,830,000             |
| Current Portion of Lease Liability                                           | 5,915                              | --                                  | 5,915                 |
| Current Portion of Compensated Absences                                      | 120,535                            | --                                  | 120,535               |
| Payroll Deductions and Withholdings                                          | 4,553,256                          | --                                  | 4,553,256             |
| Unearned Revenues                                                            | 1,038,779                          | 124,866                             | 1,163,645             |
| Other Current Liabilities                                                    | <u>905,935</u>                     | <u>--</u>                           | <u>905,935</u>        |
| <b>Total Current Liabilities</b>                                             | <u>14,545,619</u>                  | <u>50,961</u>                       | <u>14,596,580</u>     |
| <b>Noncurrent Liabilities</b>                                                |                                    |                                     |                       |
| Bonds and Notes Payable, Net                                                 | 71,815,964                         | --                                  | 71,815,964            |
| Long-Term Portion of Compensated Absences                                    | 1,259,371                          | --                                  | 1,259,371             |
| Long-Term Portion of Lease Liability                                         | 5,470                              | --                                  | 5,470                 |
| Other Post-Employment Benefits                                               | 9,588,750                          | --                                  | 9,588,750             |
| Net Pension Liability                                                        | <u>83,263,070</u>                  | <u>1,890,407</u>                    | <u>85,153,477</u>     |
| <b>Total Noncurrent Liabilities</b>                                          | <u>165,932,625</u>                 | <u>1,890,407</u>                    | <u>167,823,032</u>    |
| <b>TOTAL LIABILITIES</b>                                                     | <u>180,478,244</u>                 | <u>1,941,368</u>                    | <u>182,419,612</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                         |                                    |                                     |                       |
| Deferred Inflows for Pensions                                                | 14,568,702                         | 330,768                             | 14,899,470            |
| Deferred Inflows for Other Postemployment Benefits                           | <u>1,470,223</u>                   | <u>--</u>                           | <u>1,470,223</u>      |
| <b>Total Deferred Inflows of Resources</b>                                   | <u>16,038,925</u>                  | <u>330,768</u>                      | <u>16,369,693</u>     |
| <b>NET POSITION</b>                                                          |                                    |                                     |                       |
| Net Investment in Capital Assets                                             | 26,164,907                         | 158,755                             | 26,323,662            |
| Restricted for                                                               |                                    |                                     |                       |
| Capital Projects                                                             | 17,836,833                         | --                                  | 17,836,833            |
| Unrestricted                                                                 | <u>(96,092,562)</u>                | <u>(416,849)</u>                    | <u>(96,509,411)</u>   |
| <b>TOTAL NET POSITION</b>                                                    | <u>(52,090,822)</u>                | <u>(258,094)</u>                    | <u>(52,348,916)</u>   |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND NET POSITION</b> | <u>\$ 144,426,347</u>              | <u>\$ 2,014,042</u>                 | <u>\$ 146,440,389</u> |

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

| Functions/Programs                                                              | Expenses             | Program Revenues           |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Position |                                 |                        |
|---------------------------------------------------------------------------------|----------------------|----------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|---------------------------------|------------------------|
|                                                                                 |                      | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-<br>Type<br>Activities | Total                  |
| <b>Governmental Activities</b>                                                  |                      |                            |                                          |                                        |                                                      |                                 |                        |
| Regular Instruction                                                             | \$ 32,770,964        | \$ 92,646                  | \$ 7,264,518                             | \$ --                                  | \$ (25,413,800)                                      | \$ --                           | \$ (25,413,800)        |
| Special Instruction                                                             | 11,696,833           | --                         | 4,177,900                                | --                                     | (7,518,933)                                          | --                              | (7,518,933)            |
| Vocational Education                                                            | 3,435,733            | --                         | 255,311                                  | --                                     | (3,180,422)                                          | --                              | (3,180,422)            |
| Other Instructional Programs                                                    | 366,625              | --                         | 57,784                                   | --                                     | (308,841)                                            | --                              | (308,841)              |
| Nonpublic School Programs                                                       | 4,567                | --                         | 4,472                                    | --                                     | (95)                                                 | --                              | (95)                   |
| Student Services                                                                | 2,687,929            | --                         | 445,281                                  | --                                     | (2,242,648)                                          | --                              | (2,242,648)            |
| Instructional Staff                                                             | 3,017,784            | --                         | 372,579                                  | --                                     | (2,645,205)                                          | --                              | (2,645,205)            |
| Administration                                                                  | 4,330,600            | --                         | 651,269                                  | --                                     | (3,679,331)                                          | --                              | (3,679,331)            |
| Pupil Health                                                                    | 1,128,989            | --                         | 171,761                                  | --                                     | (957,228)                                            | --                              | (957,228)              |
| Business Services                                                               | 564,460              | --                         | 66,183                                   | --                                     | (498,277)                                            | --                              | (498,277)              |
| Operation of Plant and Maintenance Services                                     | 4,536,735            | 36,072                     | 303,678                                  | --                                     | (4,196,985)                                          | --                              | (4,196,985)            |
| Student Transportation Services                                                 | 2,621,299            | 2,250                      | 1,029,174                                | --                                     | (1,589,875)                                          | --                              | (1,589,875)            |
| Central Support Services                                                        | 256,985              | --                         | 32,361                                   | --                                     | (224,624)                                            | --                              | (224,624)              |
| Other Support Services                                                          | 5,966                | --                         | --                                       | --                                     | (5,966)                                              | --                              | (5,966)                |
| Student Activities                                                              | 1,186,794            | 315,484                    | 131,693                                  | --                                     | (739,617)                                            | --                              | (739,617)              |
| Community Services                                                              | 6,021                | --                         | 5,659                                    | --                                     | (362)                                                | --                              | (362)                  |
| Interest on Long-Term Debt                                                      | <u>2,928,427</u>     | --                         | --                                       | <u>874,869</u>                         | <u>(2,053,558)</u>                                   | --                              | <u>(2,053,558)</u>     |
| <b>Total Governmental Activities</b>                                            | 71,546,711           | 446,452                    | 14,969,623                               | 874,869                                | (55,255,767)                                         | --                              | (55,255,767)           |
| <b>Business-Type Activities</b>                                                 |                      |                            |                                          |                                        |                                                      |                                 |                        |
| Child Nutrition Services                                                        | <u>2,755,866</u>     | <u>293,194</u>             | <u>3,388,761</u>                         | --                                     | --                                                   | <u>926,089</u>                  | <u>926,089</u>         |
| <b>Total Primary Government</b>                                                 | <u>\$ 74,302,577</u> | <u>\$ 739,646</u>          | <u>\$18,358,384</u>                      | <u>\$ 874,869</u>                      | <u>(55,255,767)</u>                                  | <u>926,089</u>                  | <u>(54,329,678)</u>    |
| <b>General Revenues</b>                                                         |                      |                            |                                          |                                        |                                                      |                                 |                        |
| Property Taxes, Levied for General Purposes, Net                                |                      |                            |                                          |                                        | 44,012,547                                           | --                              | 44,012,547             |
| Public Utility Realty and Earned Income Taxes Levied for Specific Purposes, Net |                      |                            |                                          |                                        | 5,359,942                                            | --                              | 5,359,942              |
| Grants, Subsidies, and Contributions Not Restricted                             |                      |                            |                                          |                                        | 13,759,591                                           | --                              | 13,759,591             |
| Investment Earnings                                                             |                      |                            |                                          |                                        | 54,270                                               | 1,781                           | 56,051                 |
| Contributions                                                                   |                      |                            |                                          |                                        | 26,951                                               | --                              | 26,951                 |
| Miscellaneous Income                                                            |                      |                            |                                          |                                        | <u>9,325</u>                                         | --                              | <u>9,325</u>           |
| <b>Total General Revenues</b>                                                   |                      |                            |                                          |                                        | <u>63,222,626</u>                                    | <u>1,781</u>                    | <u>63,224,407</u>      |
| <b>Transfers</b>                                                                |                      |                            |                                          |                                        | (507)                                                | 507                             | --                     |
| <b>Change in Net Position</b>                                                   |                      |                            |                                          |                                        | 7,966,352                                            | 928,377                         | 8,894,729              |
| <b>Net Position – July 1, 2021 (Restated)</b>                                   |                      |                            |                                          |                                        | <u>(60,057,174)</u>                                  | <u>(1,186,471)</u>              | <u>(61,243,645)</u>    |
| <b>Net Position – June 30, 2022</b>                                             |                      |                            |                                          |                                        | <u>\$ (52,090,822)</u>                               | <u>\$ (258,094)</u>             | <u>\$ (52,348,916)</u> |

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022**

|                                                                                    | <u>Major Funds</u>      |                                      |                           |                                         |
|------------------------------------------------------------------------------------|-------------------------|--------------------------------------|---------------------------|-----------------------------------------|
|                                                                                    | <u>General<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
| <b>ASSETS</b>                                                                      |                         |                                      |                           |                                         |
| Cash and Cash Equivalents                                                          | \$ 6,238,773            | \$ 4,886,943                         | \$ 184,281                | \$ 11,309,997                           |
| Investments                                                                        | 10,690,626              | 16,583,039                           | --                        | 27,273,665                              |
| Taxes Receivable (Net)                                                             | 1,116,084               | --                                   | --                        | 1,116,084                               |
| Due from Other Funds                                                               | 645,618                 | --                                   | 2,153                     | 647,771                                 |
| Due from Other Governments                                                         | 4,572,295               | --                                   | --                        | 4,572,295                               |
| Other Receivables                                                                  | 55,135                  | 1,081                                | --                        | 56,216                                  |
| <b>TOTAL ASSETS</b>                                                                | <u>\$ 23,318,531</u>    | <u>\$21,471,063</u>                  | <u>\$ 186,434</u>         | <u>\$ 44,976,028</u>                    |
| <b>LIABILITIES</b>                                                                 |                         |                                      |                           |                                         |
| Accounts Payable                                                                   | \$ 951,550              | \$ 1,985,256                         | \$ --                     | \$ 2,936,806                            |
| Retainage Payable                                                                  | --                      | 1,079,454                            | --                        | 1,079,454                               |
| Due to Other Funds                                                                 | 153,190                 | 569,520                              | --                        | 722,710                                 |
| Payroll Deductions and Withholdings                                                | 4,553,256               | --                                   | --                        | 4,553,256                               |
| Unearned Revenue - Other                                                           | 1,038,779               | --                                   | --                        | 1,038,779                               |
| <b>TOTAL LIABILITIES</b>                                                           | <u>6,696,775</u>        | <u>3,634,230</u>                     | <u>--</u>                 | <u>10,331,005</u>                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                               |                         |                                      |                           |                                         |
| Unavailable Revenue –<br>Property Taxes                                            | 821,296                 | --                                   | --                        | 821,296                                 |
| <b>TOTAL DEFERRED INFLOWS<br/>OF RESOURCES</b>                                     | <u>821,296</u>          | <u>--</u>                            | <u>--</u>                 | <u>821,296</u>                          |
| <b>FUND BALANCES</b>                                                               |                         |                                      |                           |                                         |
| Restricted                                                                         | --                      | 17,836,833                           | --                        | 17,836,833                              |
| Committed                                                                          | 3,000,000               | --                                   | --                        | 3,000,000                               |
| Assigned                                                                           | 7,250,000               | --                                   | 186,434                   | 7,436,434                               |
| Unassigned                                                                         | 5,550,460               | --                                   | --                        | 5,550,460                               |
| <b>TOTAL FUND BALANCES</b>                                                         | <u>15,800,460</u>       | <u>17,836,833</u>                    | <u>186,434</u>            | <u>33,823,727</u>                       |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b> | <u>\$ 23,318,531</u>    | <u>\$21,471,063</u>                  | <u>\$ 186,434</u>         | <u>\$ 44,976,028</u>                    |

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, 2022**

**Total Fund Balances – Governmental Funds** **\$ 33,823,727**

**Amounts reported for governmental activities in the statement of  
net position are different because:**

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is **\$157,030,491** and the accumulated depreciation is **\$74,952,612**. 82,077,879

Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.

|                                        |                 |        |
|----------------------------------------|-----------------|--------|
| Right to use assets at historical cost | \$ 24,247       |        |
| Accumulated amortization               | <u>(13,174)</u> | 11,073 |

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. 821,296

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 **(\$6,679,730)** with related accumulated amortization of **\$2,682,766** deferred charges-advanced refunding totaled **\$3,744,846** with accumulated amortization of **\$1,859,760**. (2,111,878)

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. 81,910

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                   | \$ (71,649,000)     |               |
| Lease Liability                       | (11,385)            |               |
| Accrued interest on the bonds/notes   | (905,935)           |               |
| Compensated absences                  | (1,379,906)         |               |
| Other Post-Employment Benefits (OPEB) | (9,588,750)         |               |
| Net Pension Liability                 | <u>(83,263,070)</u> | (166,798,046) |

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 | \$ 14,923,520      |              |
| Deferred inflows – pension  | (14,568,702)       |              |
| Deferred outflows - OPEB    | 1,118,622          |              |
| Deferred inflows - OPEB     | <u>(1,470,223)</u> | <u>3,217</u> |

**TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES** **\$ (52,090,822)**

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, 2022**

|                                                                  | <b>Major Funds</b>      |                                      |                           | <b>Total<br/>Governmental<br/>Funds</b> |
|------------------------------------------------------------------|-------------------------|--------------------------------------|---------------------------|-----------------------------------------|
|                                                                  | <b>General<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Nonmajor<br/>Funds</b> |                                         |
| <b>REVENUES</b>                                                  |                         |                                      |                           |                                         |
| <b>Local Sources</b>                                             |                         |                                      |                           |                                         |
| Real Estate Taxes and Penalties                                  | \$ 43,908,044           | \$ --                                | \$ --                     | \$ 43,908,044                           |
| Other Taxes                                                      | 5,359,942               | --                                   | --                        | 5,359,942                               |
| Interest                                                         | 31,148                  | 23,095                               | 27                        | 54,270                                  |
| Revenue from Intermediate Sources                                | 1,052,284               | --                                   | --                        | 1,052,284                               |
| Tuition                                                          | 92,054                  | --                                   | --                        | 92,054                                  |
| Revenue from Student Activities                                  | 88,620                  | --                                   | 226,864                   | 315,484                                 |
| Other Revenue                                                    | 89,286                  | 4,291                                | 3,564                     | 97,141                                  |
| Refund of Prior Year's Expenditures                              | 592                     | --                                   | --                        | 592                                     |
| <b>Total Local Sources</b>                                       | 50,621,970              | 27,386                               | 230,455                   | 50,879,811                              |
| <b>State Sources</b>                                             | 26,123,392              | --                                   | --                        | 26,123,392                              |
| <b>Federal Sources</b>                                           | 2,405,864               | --                                   | --                        | 2,405,864                               |
| <b>TOTAL REVENUES</b>                                            | <u>79,151,226</u>       | <u>27,386</u>                        | <u>230,455</u>            | <u>79,409,067</u>                       |
| <b>EXPENDITURES</b>                                              |                         |                                      |                           |                                         |
| <b>Current</b>                                                   |                         |                                      |                           |                                         |
| Instruction                                                      | 48,549,372              | --                                   | --                        | 48,549,372                              |
| Support Services                                                 | 19,763,531              | 80,024                               | --                        | 19,843,555                              |
| Operation of Noninstructional Services                           | 988,653                 | --                                   | 195,754                   | 1,184,407                               |
| <b>Total Current</b>                                             | <u>69,301,556</u>       | <u>80,024</u>                        | <u>195,754</u>            | <u>69,577,334</u>                       |
| <b>Capital Outlay</b>                                            |                         |                                      |                           |                                         |
| Facilities Acquisition, Construction<br>and Improvement Services | --                      | 21,852,010                           | --                        | 21,852,010                              |
| <b>Total Capital Outlay</b>                                      | --                      | <u>21,852,010</u>                    | --                        | <u>21,852,010</u>                       |
| <b>Debt Service</b>                                              |                         |                                      |                           |                                         |
| Principal                                                        | 3,697,000               | --                                   | --                        | 3,697,000                               |
| Interest and Fiscal Charges                                      | 1,971,792               | 630,819                              | 1,828                     | 2,604,439                               |
| <b>Total Debt Service</b>                                        | <u>5,668,792</u>        | <u>630,819</u>                       | <u>1,828</u>              | <u>6,301,439</u>                        |
| <b>TOTAL EXPENDITURES</b>                                        | <u>74,970,348</u>       | <u>22,562,853</u>                    | <u>197,582</u>            | <u>97,730,783</u>                       |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>    OVER EXPENDITURES</b> | <u>4,180,878</u>        | <u>(22,535,467)</u>                  | <u>32,873</u>             | <u>(18,321,716)</u>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                         |                                      |                           |                                         |
| Interfund Transfers                                              | (1,300,507)             | 1,300,000                            | --                        | (507)                                   |
| <b>TOTAL OTHER FINANCING<br/>    SOURCES (USES)</b>              | <u>(1,300,507)</u>      | <u>1,300,000</u>                     | <u>--</u>                 | <u>(507)</u>                            |
| <b>Changes in Fund Balances</b>                                  | 2,880,371               | (21,235,467)                         | 32,873                    | (18,322,223)                            |
| <b>Fund Balances – July 1, 2021</b>                              | <u>12,920,089</u>       | <u>39,072,300</u>                    | <u>153,561</u>            | <u>52,145,950</u>                       |
| <b>Fund Balances – June 30, 2022</b>                             | <u>\$15,800,460</u>     | <u>\$ 17,836,833</u>                 | <u>\$ 186,434</u>         | <u>\$ 33,823,727</u>                    |

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, 2022**

**Total change in fund balance – governmental funds** \$ (18,322,223)

**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 | \$ (3,718,370)    |            |
| Capital outlays      | <u>22,797,001</u> | 19,078,631 |

|                                                                                                                                                          |         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Payments on leased assets is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 126,428 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

|                                                                       |           |
|-----------------------------------------------------------------------|-----------|
| Amortization expense for leased assets in accordance with GASB No. 87 | (120,982) |
|-----------------------------------------------------------------------|-----------|

|                                                                                                                                                                                                                                                  |         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| 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. | 104,503 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

|                                                                                                                                                                               |           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 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. | 3,697,000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

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 decrease in compensated absences | 121,981 |
|--------------------------------------|---------|

The issuance of general obligation bonds provides current financial resources to governmental funds, but has no effect 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) | \$ 387,119       |         |
| Amortization – deferred charges           | <u>(232,470)</u> | 154,649 |

|                                                                                                                                                                     |         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| 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. | (6,915) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

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                                          | \$ 9,994,643       |           |
| Cost of benefits earned net of employee contributions (pension expense) | <u>(6,455,825)</u> | 3,538,818 |

**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, 2022**

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                                          | \$ 239,525       |           |
| Cost of benefits earned net of employee contributions (OPEB expense) | <u>(553,545)</u> | (314,020) |

**OTHER**

|                                                         |                 |
|---------------------------------------------------------|-----------------|
| Net change in accrued interest expense on bonds payable | <u>(91,518)</u> |
|---------------------------------------------------------|-----------------|

|                                                          |                                   |
|----------------------------------------------------------|-----------------------------------|
| <b>Change in net position of governmental activities</b> | <b><u><u>\$ 7,966,352</u></u></b> |
|----------------------------------------------------------|-----------------------------------|

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2022**

|                                                                                           |                                                |
|-------------------------------------------------------------------------------------------|------------------------------------------------|
|                                                                                           | <b><u>Child<br/>Nutrition<br/>Services</u></b> |
| <b>ASSETS</b>                                                                             |                                                |
| <b>Current Assets</b>                                                                     |                                                |
| Cash and Cash Equivalents                                                                 | \$ 1,420,716                                   |
| Due from Other Governments                                                                | 34,194                                         |
| Due from Other Funds                                                                      | 74,789                                         |
| Other Receivables                                                                         | 17,855                                         |
| Inventories                                                                               | <u>43,538</u>                                  |
| <b>Total Current Assets</b>                                                               | <u>1,591,092</u>                               |
| <b>Noncurrent Assets</b>                                                                  |                                                |
| Machinery and Equipment (Net of Accumulated Depreciation)                                 | <u>158,755</u>                                 |
| <b>Total Noncurrent Assets</b>                                                            | <u>158,755</u>                                 |
| <b>TOTAL ASSETS</b>                                                                       | <u>1,749,847</u>                               |
| <b>DEFERRED OUTFLOWS OF RESOURCES – PENSIONS</b>                                          | <u>338,984</u>                                 |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                                    | <u><b>\$ 2,088,831</b></u>                     |
| <b>LIABILITIES</b>                                                                        |                                                |
| <b>Current Liabilities</b>                                                                |                                                |
| Accounts Payable                                                                          | \$ 884                                         |
| Unearned Revenue                                                                          | <u>124,866</u>                                 |
| <b>Total Current Liabilities</b>                                                          | <u>125,750</u>                                 |
| <b>Noncurrent Liabilities</b>                                                             |                                                |
| Net Pension Liability                                                                     | <u>1,890,407</u>                               |
| <b>Total Noncurrent Liabilities</b>                                                       | <u>1,890,407</u>                               |
| <b>TOTAL LIABILITIES</b>                                                                  | <u>2,016,157</u>                               |
| <b>DEFERRED INFLOWS OF RESOURCES – PENSIONS</b>                                           | <u>330,768</u>                                 |
| <b>NET POSITION</b>                                                                       |                                                |
| Net Investment in Capital Assets                                                          | 158,755                                        |
| Unrestricted                                                                              | <u>(416,849)</u>                               |
| <b>TOTAL NET POSITION</b>                                                                 | <u>(258,094)</u>                               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND<br/>            NET POSITION</b> | <u><b>\$ 2,088,831</b></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, 2022**

|                                               | <u><b>Child<br/>Nutrition<br/>Services</b></u> |
|-----------------------------------------------|------------------------------------------------|
| <b>OPERATING REVENUES</b>                     |                                                |
| Food Service Revenue                          |                                                |
| Lunch and Breakfast Sales                     | \$ 249,678                                     |
| Special Function Revenue                      | 31,679                                         |
| Miscellaneous Income                          | <u>11,837</u>                                  |
| <b>TOTAL OPERATING REVENUES</b>               | <u>293,194</u>                                 |
| <b>OPERATING EXPENSES</b>                     |                                                |
| Salaries                                      | 770,072                                        |
| Employee Benefits                             | 279,973                                        |
| Purchased Professional and Technical Services | 31,184                                         |
| Purchased Property Services                   | 1,827                                          |
| Other Purchased Service                       | 3,809                                          |
| Supplies                                      | 1,642,739                                      |
| Equipment                                     | 1,100                                          |
| Dues and Fees                                 | 4,183                                          |
| Depreciation                                  | <u>20,979</u>                                  |
| <b>TOTAL OPERATING EXPENSES</b>               | <u>2,755,866</u>                               |
| <b>OPERATING (LOSS)</b>                       | <u>(2,462,672)</u>                             |
| <b>NON-OPERATING REVENUES</b>                 |                                                |
| State Sources                                 | 235,672                                        |
| Federal Sources                               | 3,153,089                                      |
| Interest Income                               | <u>1,781</u>                                   |
| <b>TOTAL NON-OPERATING REVENUES</b>           | <u>3,390,542</u>                               |
| <b>INCOME BEFORE TRANSFERS</b>                | 927,870                                        |
| <b>TRANSFER IN</b>                            | <u>507</u>                                     |
| <b>Changes in Net Position</b>                | 928,377                                        |
| <b>Net Position – July 1, 2021</b>            | <u>(1,186,471)</u>                             |
| <b>Net Position – June 30, 2022</b>           | <u><u>\$ (258,094)</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, 2022**

**Child  
Nutrition  
Services**

**Cash Flows from Operating Activities**

|                                                   |                           |
|---------------------------------------------------|---------------------------|
| Cash Received from Users                          | \$ 291,839                |
| Cash Payments to Employees for Services           | (1,239,510)               |
| Cash Payments to Suppliers for Goods and Services | <u>(1,511,956)</u>        |
| <b>Net Cash (Used for) Operating Activities</b>   | <u><b>(2,459,627)</b></u> |

**Cash Flows from Noncapital Financing Activities**

|                 |            |
|-----------------|------------|
| State Sources   | 98,441     |
| Federal Sources | 3,125,283  |
| Transfer In     | <u>507</u> |

|                                                             |                         |
|-------------------------------------------------------------|-------------------------|
| <b>Net Cash Provided by Noncapital Financing Activities</b> | <u><b>3,224,231</b></u> |
|-------------------------------------------------------------|-------------------------|

**Cash Flows from Capital and Related Financing Activities**

---

**Cash Flows from Investing Activities**

|                                                  |                     |
|--------------------------------------------------|---------------------|
| Earnings on Investments                          | <u>1,781</u>        |
| <b>Net Cash Provided by Investing Activities</b> | <u><b>1,781</b></u> |

|                                                  |                |
|--------------------------------------------------|----------------|
| <b>Net Increase in Cash and Cash Equivalents</b> | <b>766,385</b> |
|--------------------------------------------------|----------------|

|                                                      |                       |
|------------------------------------------------------|-----------------------|
| <b>Cash and Cash Equivalents - Beginning of Year</b> | <u><b>654,331</b></u> |
|------------------------------------------------------|-----------------------|

|                                                |                                   |
|------------------------------------------------|-----------------------------------|
| <b>Cash and Cash Equivalents - End of Year</b> | <u><u><b>\$ 1,420,716</b></u></u> |
|------------------------------------------------|-----------------------------------|

**Reconciliation of Operating (Loss) to Net Cash (Used for)  
Operating Activities**

|                         |                       |
|-------------------------|-----------------------|
| <b>Operating (Loss)</b> | <b>\$ (2,462,672)</b> |
|-------------------------|-----------------------|

**Adjustments to Reconcile Operating (Loss) to Net Cash (Used for)  
Operating Activities**

|                                                |                 |
|------------------------------------------------|-----------------|
| Depreciation                                   | 20,979          |
| USDA Donated Commodities                       | 140,770         |
| Change in Deferred Outflows for Pensions       | 9,188           |
| Change in Deferred Inflows for Pensions        | 274,130         |
| Change in Net Pension Liability                | (472,783)       |
| (Increase) Decrease in Accounts Receivable     | (1,355)         |
| (Increase) Decrease in Inventories             | 10,951          |
| Increase (Decrease) in Accounts Payable        | (29,681)        |
| Increase (Decrease) in Due to/from Other Funds | 66,309          |
| Increase (Decrease) in Unearned Revenue        | <u>(15,463)</u> |

|                          |                     |
|--------------------------|---------------------|
| <b>Total Adjustments</b> | <u><b>3,045</b></u> |
|--------------------------|---------------------|

|                                                 |                                     |
|-------------------------------------------------|-------------------------------------|
| <b>Net Cash (Used for) Operating Activities</b> | <u><u><b>\$ (2,459,627)</b></u></u> |
|-------------------------------------------------|-------------------------------------|

**Noncash Investing, Capital and Financing Activities**

|                                   |                                 |
|-----------------------------------|---------------------------------|
| USDA Donated Commodities Received | <u><u><b>\$ 140,770</b></u></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, 2022**

|                                           | <u>Private<br/>Purpose<br/>Trust</u> |
|-------------------------------------------|--------------------------------------|
| <b>ASSETS</b>                             |                                      |
| Cash and Cash Equivalents                 | \$ 25,803                            |
| Investments                               | 1,567,168                            |
| Due from Other Funds                      | <u>150</u>                           |
| <b>TOTAL ASSETS</b>                       | <u>\$ 1,593,121</u>                  |
| <b>LIABILITIES</b>                        | <u>\$ --</u>                         |
| <b>NET POSITION</b>                       |                                      |
| Held in Trust for                         |                                      |
| Scholarships                              | 153,972                              |
| Endowments                                | <u>1,439,149</u>                     |
| <b>TOTAL NET POSITION</b>                 | <u>1,593,121</u>                     |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u>\$ 1,593,121</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, 2022**

|                                     | <u>Private<br/>Purpose<br/>Trust</u> |
|-------------------------------------|--------------------------------------|
| <b>ADDITIONS</b>                    |                                      |
| Earnings on Investments             | \$ 14                                |
| <b>TOTAL ADDITIONS</b>              | <u>14</u>                            |
| <b>DEDUCTIONS</b>                   |                                      |
| Business Services                   | <u>14,450</u>                        |
| <b>TOTAL DEDUCTIONS</b>             | <u>14,450</u>                        |
| <b>Changes in Net Position</b>      | (14,436)                             |
| <b>Net Position – July 1, 2021</b>  | <u>1,607,557</u>                     |
| <b>Net Position – June 30, 2022</b> | <u>\$ 1,593,121</u>                  |

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

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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, 2022**

**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, 2022**

**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, 2022**

**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, 2022, 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, 2022. 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, 2022**

**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, 2022**

**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, 2022**

**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. Date of Management's Review**

Management has evaluated subsequent events through March 7, 2023, the date the financial statements were available to be issued.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Changes in Accounting Principles and Restatement of Net Position

Changes in Accounting Principles

During the year ended June 30, 2022, the District implemented GASB No. 87, *Leases*, to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments.

As a result, the District restated beginning net position as of July 1, 2021 as part of these statements. The restatement of the net position is detailed below.

Restatement of Net Position

|                                                                         | <u>Governmental<br/>Activities</u> |
|-------------------------------------------------------------------------|------------------------------------|
| Net Position, July 1, 2021                                              | \$(60,051,416)                     |
| Right to Use Leased Assets, July 1, 2021                                | 600,004                            |
| Accumulated Amortization on Right to Use<br>Leased Assets, July 1, 2021 | (467,956)                          |
| Lease Liability, July 1, 2021                                           | <u>(137,806)</u>                   |
| Restated Net Position, July 1, 2021                                     | <u><u>\$(60,057,174)</u></u>       |

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.
- 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.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

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 \$730.

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, 2022, \$5,432,055 of the District's bank balance of \$5,819,770 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<br>not in the District's name | <u>5,432,055</u>           |
|                                                                                                     | <u><b>\$ 5,432,055</b></u> |

**Reconciliation to Financial Statements**

|                                            |                             |
|--------------------------------------------|-----------------------------|
| Uninsured Amount Above                     | \$ 5,432,055                |
| Plus: Insured Amount                       | 387,715                     |
| Add: Deposits in Transit                   | --                          |
| Less: Outstanding Checks                   | <u>(252,897)</u>            |
| Carrying Amount – Bank Balances            | 5,566,873                   |
| Plus: Petty Cash                           | 730                         |
| Pooled Cash Equivalents - PLGIT            | <u>7,188,913</u>            |
| <b>Total Cash per Financial Statements</b> | <u><b>\$ 12,756,516</b></u> |

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.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

**Concentration of Credit Risk**

The District holds deposit accounts at various financial institutions. The total deposits of \$13,008,683 as of June 30, 2022 were invested in the various financial institutions as follows:

| <u>Financial Institution</u> | <u>Deposit Amount</u> | <u>Concentration Percentage</u> |
|------------------------------|-----------------------|---------------------------------|
| Truist Bank                  | \$ 5,735,530          | 44.09%                          |
| PSDLAF MAX                   | 3,405,567             | 26.18%                          |
| PLGIT                        | 3,783,346             | 29.08%                          |
| Banks less than 5%           | <u>84,240</u>         | <u>0.65%</u>                    |
|                              | <u>\$ 13,008,683</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, 2022 were \$41,849,516.

**Investments**

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

| <u>Investments</u>                         | <u>Maturities</u> | <u>Fair Value</u>    | <u>Concentration Percentage</u> |
|--------------------------------------------|-------------------|----------------------|---------------------------------|
| PSDLAF FLEX                                | Various           | \$ 15,027,269        | 52.10%                          |
| PSDLAF MAX                                 | Various           | 670,029              | 2.32%                           |
| PLGIT                                      | Various           | 6,576,367            | 22.80%                          |
| U.S. Treasury Obligations – PSDLAF         | Various           | 5,000,000            | 17.34%                          |
| U.S. Treasury Obligations – M&T Securities | Various           | 1,566,168            | 5.43%                           |
| Certificates of Deposit – M&T Bank         | 60 Months         | <u>1,000</u>         | <u>0.01%</u>                    |
|                                            |                   | <u>\$ 28,840,833</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 | 7/3/2025             | 3.00                            | \$ 1,000               | 3.00               |
|                                    |                      |                                 | <u>\$ 1,000</u>        | <u>3.00</u>        |

\*Calculated: 3.00 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, 2022, 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, 2022**

**NOTE 3 - CASH AND CASH EQUIVALENTS AND 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, 2022, \$28,839,833 of the District's total investments of \$28,840,833 were exposed to custodial credit risk as:

|                                                                                                         |                             |
|---------------------------------------------------------------------------------------------------------|-----------------------------|
| Insured or Registered                                                                                   | \$ 6,566,168                |
| 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>22,273,665</u>           |
|                                                                                                         | <u><b>\$ 28,839,833</b></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, 2022 was 26.69 mills (\$26.69 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, 2022 are as follows:

|             | <u>Gross<br/>Taxes<br/>Receivable</u> | <u>Allowance<br/>for<br/>Uncollectible<br/>Taxes</u> | <u>Net<br/>Estimated<br/>to be<br/>Collectible</u> | <u>Tax<br/>Revenue<br/>Recognized</u> | <u>Unavailable<br/>Revenue -<br/>Taxes</u> |
|-------------|---------------------------------------|------------------------------------------------------|----------------------------------------------------|---------------------------------------|--------------------------------------------|
| Real Estate | \$ 1,139,472                          | \$ 100,000                                           | \$ 1,039,472                                       | \$ 294,788                            | \$ 744,684                                 |
| Per Capita  | <u>96,372</u>                         | <u>19,760</u>                                        | <u>76,612</u>                                      | <u>--</u>                             | <u>76,612</u>                              |
|             | <u><b>\$ 1,235,844</b></u>            | <u><b>\$ 119,760</b></u>                             | <u><b>\$ 1,116,084</b></u>                         | <u><b>\$ 294,788</b></u>              | <u><b>\$ 821,296</b></u>                   |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments represent receivables for revenues earned by the school district. At June 30, 2022, the following amounts are due from other governmental units:

|                             | <u>General<br/>Fund</u> | <u>Enterprise<br/>Fund</u> | <u>Total</u>        |
|-----------------------------|-------------------------|----------------------------|---------------------|
| Federal (through the state) | \$ 1,155,735            | \$ 33,117                  | \$ 1,188,852        |
| State                       | 3,056,015               | 1,077                      | 3,057,092           |
| Local                       | <u>360,545</u>          | <u>--</u>                  | <u>360,545</u>      |
|                             | <u>\$ 4,572,295</u>     | <u>\$ 34,194</u>           | <u>\$ 4,606,489</u> |

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

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

|                                                 | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|-------------------------------------------------|------------------------------|--------------------|------------------|---------------------------|
| <b>Governmental Activities</b>                  |                              |                    |                  |                           |
| Capital Assets Not Being Depreciated            |                              |                    |                  |                           |
| Construction in Progress                        | \$ 4,717,712                 | \$ 21,542,195      | \$ --            | \$ 26,259,907             |
| Total Capital Assets,<br>Not Being Appreciated  | <u>4,717,712</u>             | <u>21,542,195</u>  | <u>--</u>        | <u>26,259,907</u>         |
| Capital Assets Being Depreciated                |                              |                    |                  |                           |
| Land and Land Improvements                      | 12,472,418                   | 7,530              | --               | 12,479,948                |
| Buildings and Building Improvements             | 103,883,843                  | 255,785            | --               | 104,139,628               |
| Furniture and Equipment                         | 10,042,944                   | 964,967            | 11,988           | 10,995,923                |
| Infrastructure                                  | 1,218,772                    | --                 | --               | 1,218,772                 |
| Textbooks and Library Books                     | 1,643,870                    | --                 | --               | 1,643,870                 |
| Vehicles                                        | <u>265,919</u>               | <u>26,524</u>      | <u>--</u>        | <u>292,443</u>            |
| Total Capital Assets, Being Depreciated         | <u>129,527,766</u>           | <u>1,254,806</u>   | <u>11,988</u>    | <u>130,770,584</u>        |
| Less Accumulated Depreciation for               |                              |                    |                  |                           |
| Land and Land Improvements                      | 7,258,146                    | 461,320            | --               | 7,719,466                 |
| Buildings and Building Improvements             | 53,866,878                   | 2,408,191          | --               | 56,275,069                |
| Furniture and Equipment                         | 7,569,496                    | 752,299            | 11,988           | 8,309,807                 |
| Infrastructure                                  | 689,257                      | 81,251             | --               | 770,508                   |
| Textbooks and Library Books                     | 1,635,748                    | 5,215              | --               | 1,640,963                 |
| Vehicles                                        | <u>226,705</u>               | <u>10,094</u>      | <u>--</u>        | <u>236,799</u>            |
| Total Accumulated Depreciation                  | <u>71,246,230</u>            | <u>3,718,370</u>   | <u>11,988</u>    | <u>74,952,612</u>         |
| Total Capital Assets,<br>Being Depreciated, Net | <u>58,281,536</u>            | <u>(2,463,564)</u> | <u>--</u>        | <u>55,817,972</u>         |
| Lease Assets Being Amortized                    |                              |                    |                  |                           |
| Equipment                                       | <u>600,004</u>               | <u>--</u>          | <u>575,757</u>   | <u>24,247</u>             |
| Total Lease Assets Being Amortized              | <u>600,004</u>               | <u>--</u>          | <u>575,757</u>   | <u>24,247</u>             |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

|                                                 | Beginning<br>Balance | Increases            | Decreases    | Ending<br>Balance    |
|-------------------------------------------------|----------------------|----------------------|--------------|----------------------|
| Less Accumulated Amortization for<br>Equipment  | 467,956              | 120,975              | 575,757      | 13,174               |
| Total Accumulated Amortization                  | 467,956              | 120,975              | --           | 13,174               |
| Total Lease Assets, Being Amortized, Net        | 132,048              | (120,975)            | --           | 11,073               |
| Governmental Activities,<br>Capital Assets, Net | <u>\$ 63,131,296</u> | <u>\$ 18,957,656</u> | <u>\$ --</u> | <u>\$ 82,088,952</u> |
| <b>Business-Type Activities</b>                 |                      |                      |              |                      |
| Capital Assets                                  |                      |                      |              |                      |
| Equipment                                       | \$ 542,128           | \$ --                | \$ 6,267     | \$ 535,861           |
| Total Capital Assets                            | 542,128              | --                   | 6,267        | 535,861              |
| Less Accumulated Depreciation for<br>Equipment  | 362,394              | 20,979               | 6,267        | 377,106              |
| Total Accumulated Depreciation                  | 362,394              | 20,979               | 6,267        | 377,106              |
| Business-Type Activities Capital<br>Assets, Net | <u>\$ 179,734</u>    | <u>\$ (20,979)</u>   | <u>\$ --</u> | <u>\$ 158,755</u>    |

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

**Governmental Activities**

|                                                      |                     |
|------------------------------------------------------|---------------------|
| Instruction                                          |                     |
| Regular                                              | \$ 1,867,791        |
| Special                                              | 641,437             |
| Vocational                                           | 188,732             |
| Other                                                | 20,332              |
| Support Services                                     |                     |
| Student Services                                     | 152,976             |
| Instructional Staff                                  | 186,975             |
| Administration                                       | 264,577             |
| Pupil Health                                         | 62,237              |
| Business                                             | 31,560              |
| Operation and Maintenance of Plant Services          | 246,077             |
| Other Support Services                               | 316                 |
| Operation of Non-Instructional Services              |                     |
| Student Activities                                   | 55,041              |
| Community Services                                   | 319                 |
| Total Depreciation Expense – Governmental Activities | <u>\$ 3,718,370</u> |

**Business-Type Activities**

|                                                       |                  |
|-------------------------------------------------------|------------------|
| Child Nutrition Services                              | <u>\$ 20,979</u> |
| Total Depreciation Expense – Business-Type Activities | <u>\$ 20,979</u> |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

Interfund receivable and payable balances as of June 30, 2022 are as follows:

|                            | <u>Due from<br/>Other Funds</u> | <u>Due to<br/>Other Funds</u> |
|----------------------------|---------------------------------|-------------------------------|
| General Fund               | \$ 645,618                      | \$ 153,190                    |
| Capital Projects Fund      | --                              | 569,520                       |
| Enterprise Fund            | 74,789                          | --                            |
| Student Activity Funds     | 2,153                           | --                            |
| Private Purpose Trust Fund | <u>150</u>                      | <u>--</u>                     |
|                            | <u>\$ 722,710</u>               | <u>\$ 722,710</u>             |

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<br/>Other Funds</u> | <u>Transfer from<br/>Other Funds</u> |
|-----------------------|------------------------------------|--------------------------------------|
| General Fund          | \$ 1,300,507                       | \$ --                                |
| Capital Projects Fund | --                                 | 1,300,000                            |
| Enterprise Fund       | <u>--</u>                          | <u>507</u>                           |
|                       | <u>\$ 1,300,507</u>                | <u>\$ 1,300,507</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 \$17,836,833.

As of June 30, 2022, the District's committed fund balance of \$3,000,000 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 \$3,000,000. The district set aside the \$3,000,000 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, 2022, the District's assigned fund balance in the amount of \$7,436,434 consisted funds set aside for the following:

|                                |                     |
|--------------------------------|---------------------|
| High School Renovation Project | \$ 6,800,000        |
| Physical Plant Improvements    | 400,000             |
| Technology/Furniture           | 50,000              |
| Student Activity Funds         | 125,604             |
| Football Athletic Funds        | <u>60,830</u>       |
| Total Assigned Fund Balance    | <u>\$ 7,436,434</u> |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 - LONG-TERM DEBT**

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

|                                                       | Balance at<br>July 1, 2021 | <u>Increases</u> | <u>Decreases</u>    | Balance at<br>June 30, 2022 | Due Within<br>One Year |
|-------------------------------------------------------|----------------------------|------------------|---------------------|-----------------------------|------------------------|
| <b>Governmental Activities</b>                        |                            |                  |                     |                             |                        |
| General Obligation Bonds                              | \$ 73,265,000              | \$ --            | \$ 3,015,000        | \$ 70,250,000               | \$ 3,130,000           |
| Notes from Direct Borrowings<br>and Direct Placements | 2,081,000                  | --               | 682,000             | 1,399,000                   | 700,000                |
| Lease Liability                                       | 137,806                    | --               | 126,421             | 11,385                      | 5,915                  |
| Compensated Absences                                  | 1,501,887                  | --               | 121,981             | 1,379,906                   | 120,535                |
|                                                       | <u>\$ 76,985,693</u>       | <u>\$ --</u>     | <u>\$ 3,945,402</u> | <u>\$ 73,040,291</u>        | <u>\$ 3,956,450</u>    |

The district's outstanding notes from direct borrowings and direct placements related to governmental activities of \$1,399,000 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, 2022 was as follows:

|                                                           |                      |
|-----------------------------------------------------------|----------------------|
| Bonds/Notes Payable (Net of Current Portion)              | \$ 67,819,000        |
| Bond Discounts/Premiums (Net of Accumulated Amortization) | <u>3,996,964</u>     |
| Bonds and Notes Payable, Net                              | <u>\$ 71,815,964</u> |

The future annual payments required to amortize all outstanding bonds payable, as of June 30, 2022 including total interest payments are as follows:

| Year Ended<br>June 30. | <u>General Obligation Bonds</u> |                      |                      |
|------------------------|---------------------------------|----------------------|----------------------|
|                        | <u>Interest</u>                 | <u>Principal</u>     | <u>Total</u>         |
| 2023                   | \$ 2,676,886                    | \$ 3,130,000         | \$ 5,806,886         |
| 2024                   | 2,545,786                       | 3,255,000            | 5,800,786            |
| 2025                   | 2,418,051                       | 4,045,000            | 6,463,051            |
| 2026                   | 2,251,494                       | 4,265,000            | 6,516,494            |
| 2027                   | 2,040,056                       | 4,475,000            | 6,515,056            |
| 2028-2032              | 7,396,588                       | 24,340,000           | 31,736,588           |
| 2033-2037              | 3,527,400                       | 8,305,000            | 11,832,400           |
| 2038-2042              | 2,204,100                       | 9,635,000            | 11,839,100           |
| 2043-2046              | <u>669,750</u>                  | <u>8,800,000</u>     | <u>9,469,750</u>     |
|                        | <u>\$ 25,730,111</u>            | <u>\$ 70,250,000</u> | <u>\$ 95,980,111</u> |

The future annual payments required to amortize all outstanding notes payable, as of June 30, 2022, including total interest payments are as follows:

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

| Year Ended<br>June 30, | <u>General Obligation Notes</u> |                     | <u>Total</u>        |
|------------------------|---------------------------------|---------------------|---------------------|
|                        | <u>Interest</u>                 | <u>Principal</u>    |                     |
| 2023                   | \$ 33,417                       | \$ 700,000          | \$ 733,417          |
| 2024                   | 16,886                          | 699,000             | 715,886             |
|                        | <u>\$ 50,303</u>                | <u>\$ 1,399,000</u> | <u>\$ 1,449,303</u> |

General Obligation Bonds/Notes consisted of the following as of June 30, 2022:

| <u>Title of Issue</u> | <u>Original<br/>Issue<br/>Amount</u> | <u>Interest Rate</u> | <u>Final Maturity Date</u> | <u>Principal<br/>Balance<br/>Outstanding</u> |
|-----------------------|--------------------------------------|----------------------|----------------------------|----------------------------------------------|
| Series A of 2021      | \$ 26,850,000                        | 2.0% to 3.0%         | March 1, 2046              | \$ 26,850,000                                |
| Series B of 2021      | 2,990,000                            | 1.0% to 2.0%         | March 1, 2025              | 2,280,000                                    |
| Series A of 2015      | 30,435,000                           | 2.0% to 5.0%         | March 1, 2029              | 23,520,000                                   |
| Series B of 2015      | 17,900,000                           | .550% to 5.0%        | March 1, 2032              | 17,600,000                                   |
| Series of 2014 (Note) | 6,324,000                            | Variable*            | April 25, 2024             | 1,399,000                                    |

\*See Note 10.

**Lease Liability**

In October 2017, the District entered into a lease agreement with LEAF Capital Funding, LLC for the lease of copiers to be used throughout the District. The term of the lease is for 48 months. During the year ended June 30, 2022, the District paid \$120,644 on this lease.

The district also leased a postage machine through Pitney Bowes on a lease originated in October 2019. The lease terms are quarterly payments of \$895 for 60 months. During the year ended June 30, 2022, the District paid \$3,367 on this lease.

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, 2022, the District paid \$2,410 on this lease.

|                                   | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|-----------------------------------|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities           |                              |                  |                  |                           |
| Lease Liability - Copiers         | \$ 120,644                   | \$ --            | \$120,644        | \$ --                     |
| Lease Liability - Postage Machine | 11,239                       | --               | 3,367            | 7,872                     |
| Lease Liability - Subaru Legacy   | 5,923                        | --               | 2,410            | 3,513                     |
| Total Lease Liability             | <u>\$ 137,806</u>            | <u>\$ --</u>     | <u>\$126,421</u> | <u>\$ 11,385</u>          |

The future minimum payments are as follows:

| Year Ended<br>June 30, | <u>Interest</u> | <u>Principal</u> | <u>Total</u>     |
|------------------------|-----------------|------------------|------------------|
| 2023                   | \$ 185          | \$ 5,915         | \$ 6,100         |
| 2024                   | 56              | 5,470            | 5,526            |
|                        | <u>\$ 241</u>   | <u>\$ 11,385</u> | <u>\$ 11,626</u> |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

The balance of accrued compensated absences at June 30, 2022 was composed of accrued vacation/paid leave in the amount of \$1,379,906.

**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 ("DeVal") and executed a Loan Agreement with DeVal. DeVal has entered into interest rate swap transactions related to the DeVal Bonds that fund the DeVal Loan Program to hedge against changes in long-term interest rates, and DeVal 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 DeVal's bond issues, (ii) net payments on interest rate swap agreements allocable to the loans, and (iii) expense to operate the DeVal Loan Program. The average rate shown for variable rate loans is the average rate for the annual billing period.

DeVal 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 DeVal's Bonds and fixed rate loans. The market value is the estimated price that DeVal would receive (pay) if the agreements were terminated as of June 30, 2022. If DeVal were obligated to make a payment and sufficient funds were not available, DeVal could assess each borrower its allocable share of the termination payment.

| <u>Description</u> | <u>Average<br/>Loan Rate</u> | <u>Principal<br/>Outstanding<br/>06/30/21</u> | <u>Market Value of<br/>Related Interest Rate<br/>Swap Agreements</u> |                        |
|--------------------|------------------------------|-----------------------------------------------|----------------------------------------------------------------------|------------------------|
|                    |                              |                                               | <u>Fixed Rate<br/>Loans</u>                                          | <u>DeVal<br/>Bonds</u> |
| 2014 Note          | 1.631%                       | \$ 1,399,000                                  | \$ 19,583                                                            | \$ 102,564             |

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

- a. DeVal and the Counterparty mutually consent to the termination,
- b. DeVal 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.

DeVal would seek to replace any terminated swap agreement related to DeVal'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. DeVal may not be able to secure a replacement interest rate swap if the swap market is not functioning normally or if DeVal does not have access to the swap market. The long term, unsecured, senior debt ratings of DeVal are currently A1 and A+ by Moody's Investors Service and Standard & Poor's, respectively.

As of June 30, 2022, DeVal would have received a payment of approximately \$110 million if the swap agreements related to the DeVal Series and borrowers' fixed rate loans were terminated.

DeVal 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 DeVal Loan Program were being collapsed. The DeVal swap transactions related to the DeVal Bonds are effective under both the consistent critical terms and the quantitative methods standards of GASB 53.

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**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, 2022, the District paid \$213,206 in operating lease payments for its pro-rated share of the Authority's debt service.

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

| <u>Year Ended June 30,</u> |                     |
|----------------------------|---------------------|
| 2023                       | \$ 213,038          |
| 2024                       | 213,146             |
| 2025                       | 162,719             |
| 2026                       | 126,595             |
| 2027                       | 126,644             |
| 2028-2032                  | <u>559,867</u>      |
|                            | <u>\$ 1,402,009</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).

**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.

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**NOTE 12 - PENSION PLAN (Continued)**

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:**

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

| <b>Member Contribution Rates</b> |                                    |                                          |                                  |                           |
|----------------------------------|------------------------------------|------------------------------------------|----------------------------------|---------------------------|
| <b>Membership Class</b>          | <b>Continuous Employment Since</b> | <b>Defined Benefit Contribution Rate</b> | <b>Defined Contribution Rate</b> | <b>Total Contribution</b> |
| T-C                              | Prior to 7/22/1983                 | 5.25%                                    | N/A                              | 5.25%;6.25%               |
| T-C                              | On or after 7/22/1983              | 6.25%                                    | N/A                              | 6.25%                     |
| T-D                              | Prior to 7/22/1983                 | 6.50%                                    | N/A                              | 6.50%                     |
| T-D                              | On or after 7/22/1983              | 7.50%                                    | N/A                              | 7.50%                     |
| T-E                              | On or after 7/1/2011               | 7.5% base w/ SR*                         | N/A                              | 7.50%                     |
| T-F                              | On or after 7/1/2011               | 10.3% base w/ SR*                        | N/A                              | 10.30%                    |
| T-G                              | On or after 7/1/2019               | 5.50% base w/ SR*                        | 2.75%                            | 8.25%                     |
| T-H                              | On or after 7/1/2019               | 4.50% base w/ SR*                        | 3.00%                            | 7.50%                     |
| DC                               | On or after 7/1/2019               | N/A                                      | 7.50%                            | 7.50%                     |

| <b>Shared Risk Program Summary*</b> |                                  |                              |                |                |
|-------------------------------------|----------------------------------|------------------------------|----------------|----------------|
| <b>Membership Class</b>             | <b>Defined Benefit Base Rate</b> | <b>Shared Risk Increment</b> | <b>Minimum</b> | <b>Maximum</b> |
| T-E                                 | 7.50%                            | +/- 0.50%                    | 5.50%          | 9.50%          |
| T-F                                 | 10.30%                           | +/-0.50%                     | 8.30%          | 12.30%         |
| T-G                                 | 5.50%                            | +/-0.75%                     | 2.50%          | 8.50%          |
| T-H                                 | 4.50%                            | +/-0.75%                     | 1.50%          | 7.50%          |

**Employer Contributions:**

The district's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the district were \$10,221,722 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$85,153,477 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The district's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was .2074 percent, which was an increase of .0023 from its proportion measured as of June 30, 2021.

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**NOTE 12 - PENSION PLAN (Continued)**

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

For the year ended June 30, 2022, the District recognized pension expense of \$6,493,439. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                          | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Net difference between projected and actual investment earnings                          | \$ --                                     | \$ 13,554,292                            |
| Net difference between projected and actual experience                                   | 62,721                                    | 1,118,706                                |
| Changes in assumptions                                                                   | 4,130,132                                 | --                                       |
| Changes in proportions                                                                   | 830,174                                   | 226,472                                  |
| Contributions subsequent to the measurement date                                         | 10,221,722                                | --                                       |
| Difference between employer contributions and proportionate share of total contributions | <u>17,755</u>                             | <u>--</u>                                |
|                                                                                          | <u><b>\$ 15,262,504</b></u>               | <u><b>\$ 14,899,470</b></u>              |

\$10,221,722 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, 2022. 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:

|      |                |
|------|----------------|
| 2023 | \$ (2,638,323) |
| 2024 | (1,471,684)    |
| 2025 | (1,371,133)    |
| 2026 | (4,377,548)    |

**Actuarial Assumptions**

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

- Valuation Date – June 30, 2020
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.50%.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate – decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.

**NORTHEASTERN SCHOOL DISTRICT  
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JUNE 30, 2022**

**NOTE 12 - PENSION PLAN (Continued)**

**Actuarial Assumptions (Continued)**

- Mortality rates – Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|------------------------------|-------------------------------------------------------|
| Global public equity | 27.0%                        | 5.2%                                                  |
| Private Equity       | 12.0%                        | 7.3%                                                  |
| Fixed income         | 35.0%                        | 1.8%                                                  |
| Commodities          | 10.0%                        | 2.0%                                                  |
| Absolute return      | 8.0%                         | 3.1%                                                  |
| Infrastructure/MLP's | 8.0%                         | 5.1%                                                  |
| Real Estate          | 10.0%                        | 4.7%                                                  |
| Cash                 | 3.0%                         | 0.1%                                                  |
| Leverage             | <u>(13.0)%</u>               | 0.1%                                                  |
|                      | <u><u>100.0%</u></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, 2021.

**Discount Rate**

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

**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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

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**NOTE 12 - PENSION PLAN (Continued)**

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

|                                                             | Current        | Discount      | 1%            |
|-------------------------------------------------------------|----------------|---------------|---------------|
|                                                             | 1% Decrease    | Rate          | Increase      |
|                                                             | <u>6.00%</u>   | <u>7.00%</u>  | <u>8.00%</u>  |
| District's proportionate share of the net pension liability | \$ 111,765,000 | \$ 85,153,477 | \$ 62,702,000 |

**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).

**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, 2021, 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).

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

**PSERS Health Insurance Premium Assistance Program (Continued)**

**Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, 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, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the district were \$239,525 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$4,901,343 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The district's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was .2068 percent, which was an increase of .0021 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$314,124. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                                          | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Net difference between projected and actual investment earnings                          | \$ 9,665                                  | \$ --                                    |
| Changes in Assumption                                                                    | 522,011                                   | 65,353                                   |
| Changes in proportions                                                                   | 84,753                                    | 21,660                                   |
| Difference between expected and actual experience                                        | 45,605                                    | --                                       |
| Difference between employer contributions and proportionate share of total contributions | --                                        | 2,079                                    |
| Contributions subsequent to the measurement date                                         | <u>239,525</u>                            | <u>--</u>                                |
|                                                                                          | <u>\$ 901,559</u>                         | <u>\$ 89,092</u>                         |

\$239,525 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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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 (Continued)

Year Ended June 30:

|            |            |
|------------|------------|
| 2023       | \$ 100,041 |
| 2024       | 99,049     |
| 2025       | 124,393    |
| 2026       | 96,958     |
| 2027       | 81,381     |
| Thereafter | 71,120     |

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation Rate
  - Eligible retirees will elect to participate Pre-age 65 at 50%.
  - Eligible retirees will elect to participate Post age 65 at 70%.

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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.

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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 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<br/>Target<br/>Allocation</u> | <u>Expected Real<br/>Rate of Return</u> |
|---------------------------|--------------------------------------------|-----------------------------------------|
| Cash                      | 79.8%                                      | 0.1%                                    |
| U.S. Core Fixed Income    | 17.5%                                      | 0.7%                                    |
| Non-US Developed Fixed    | <u>2.7%</u>                                | <u>(0.3)%</u>                           |
|                           | <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, 2021.

Discount Rate

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

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, 2021, 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, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 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, 2021, 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:

|                                                             | <u>1% Decrease</u> | <u>Current<br/>Trend Rate</u> | <u>1% Increase</u> |
|-------------------------------------------------------------|--------------------|-------------------------------|--------------------|
| District's Proportionate Share of the<br>Net OPEB liability | \$ 4,901,343       | \$ 4,901,343                  | \$ 4,901,343       |

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

**PSERS Health Insurance Premium Assistance Program (Continued)**

**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 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1 percentage point higher (3.18%) than the current rate:

|                                                             | 1% Decrease<br><u>1.18%</u> | Current<br>Discount<br>Rate<br><u>2.18%</u> | 1%<br>Increase<br><u>3.18%</u> |
|-------------------------------------------------------------|-----------------------------|---------------------------------------------|--------------------------------|
| District's Proportionate Share of the<br>Net OPEB liability | \$ 5,626,000                | \$ 4,901,343                                | \$ 4,306,000                   |

**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).

**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, 2020, the following employees were covered by the benefit terms:

|                                                                          |                   |
|--------------------------------------------------------------------------|-------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 12                |
| Inactive employees entitled to but not yet receiving benefit payments    | --                |
| Active Employees                                                         | <u>434</u>        |
|                                                                          | <u><u>446</u></u> |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

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

**Total OPEB Liability**

The district's total OPEB liability of \$4,687,407 was measured as of July 1, 2020, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the July 1, 2020 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               | 2.28 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                                                              |
| Healthcare Cost Trend Rates | 5.5 percent in 2020 through 2023, rates gradually decrease from 5.4 percent in 2024 to 4.0 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 40% of Teachers, Support Staff and Administrators not eligible for subsidized coverage will elect coverage. The plan also assumes that 40% 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, 2020 | \$ 4,488,560        |
| Service Cost            | 341,327             |
| Interest                | 89,013              |
| Changes of Assumptions  | (149,785)           |
| Benefit Payments        | <u>(81,708)</u>     |
| Net Changes             | <u>198,847</u>      |
| Balance at July 1, 2021 | <u>\$ 4,687,407</u> |

Changes of assumptions reflect a change in the discount rate from 1.86% to 2.28%. Additionally, assumptions for trend, coverage election, and marriage percentage were updated.

For the year ended June 30, 2022, the District recognized OPEB expense of \$311,197. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

|                                                    | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|----------------------------------------------------|-------------------------------------------|------------------------------------------|
| Changes in Assumption                              | \$ 145,287                                | \$ 478,031                               |
| Differences Between Expected and Actual Experience | --                                        | 903,100                                  |
| Contributions subsequent to the measurement date   | <u>71,776</u>                             | <u>--</u>                                |
|                                                    | <u>\$ 217,063</u>                         | <u>\$ 1,381,131</u>                      |

\$71,776 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. 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:

|            |              |
|------------|--------------|
| 2023       | \$ (119,143) |
| 2024       | (119,143)    |
| 2025       | (119,143)    |
| 2026       | (119,143)    |
| 2027       | (119,143)    |
| Thereafter | (640,129)    |

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 (1.28 percent) or 1-percentage point higher (3.28 percent) than the current rate:

|                      | <u>1% Decrease<br/>1.28%</u> | <u>Current<br/>Discount<br/>Rate<br/>2.28%</u> | <u>1 % Increase<br/>3.28%</u> |
|----------------------|------------------------------|------------------------------------------------|-------------------------------|
| Total OPEB Liability | \$ 5,048,113                 | \$ 4,687,407                                   | \$ 4,342,026                  |

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<br/>Cost Trend<br/>Rate</u> | <u>1 % Increase</u> |
|----------------------|--------------------|-------------------------------------------|---------------------|
| Total OPEB Liability | \$ 4,070,016       | \$ 4,687,407                              | \$ 5,422,327        |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

| <u>Reconciliation to the Financial Statements</u>         | <u>Deferred<br/>Outflows</u> | <u>Deferred<br/>Inflows</u> | <u>OPEB<br/>Payable</u>    |
|-----------------------------------------------------------|------------------------------|-----------------------------|----------------------------|
| PSERS Health Insurance Premium Assistance Program         | \$ 901,559                   | \$ 89,092                   | \$ 4,901,343               |
| Northeastern School District Postemployment Benefits Plan | <u>217,063</u>               | <u>1,381,131</u>            | <u>4,687,407</u>           |
|                                                           | <u><b>\$1,118,622</b></u>    | <u><b>\$1,470,223</b></u>   | <u><b>\$ 9,588,750</b></u> |

**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, 2022 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, 2022, the accrued and incurred claims of the District exceeded its cumulative contributions.

The changes in net position for the District's account in the Trust for the years ended June 30, 2022 and 2021 are detailed below:

|                               | <u>2022</u>                | <u>2021</u>                |
|-------------------------------|----------------------------|----------------------------|
| Net Position, Beginning       | \$ 4,440,087               | \$ 5,247,628               |
| Contributions                 | 6,561,464                  | 6,276,443                  |
| Interest Allocation           | 4,965                      | 19,829                     |
| Claims Paid                   | (6,531,277)                | (6,758,648)                |
| PA Trust Reimbursement/Refund | --                         | 61,801                     |
| Stop-Loss Reimbursement       | 187,437                    | 605,177                    |
| Stop-loss Insurance           | (430,957)                  | (411,122)                  |
| Other deductions              | <u>(659,344)</u>           | <u>(601,021)</u>           |
| Net Position, Ending          | <u><b>\$ 3,572,375</b></u> | <u><b>\$ 4,440,087</b></u> |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 16 - SELF INSURANCE (Continued)**

The Lincoln Benefit Trust had net position of \$77,511,069 at June 30, 2022, and a decrease in net position of \$7,596,315 as of and for the year ended June 30, 2022. 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, 2022, the District paid \$787,643 to Questeq, Inc.

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

|      |            |
|------|------------|
| 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, 2022, 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, 2022, the District abated property taxes totaling \$1,569,275 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- An abatement to a corporation to build a storage facility to be used in restaurant storage. This abatement amounted to \$448,594.
- An abatement to a corporation for building a warehouse facility for storage and distribution service. This abatement amounted to \$360,056.
- An abatement to a corporation for building a storage facility. This abatement amounted to \$92,826.
- An abatement to a corporation to build a distribution center. This abatement amounted to \$663,396.
- An abatement to a corporation for building a storage facility. This abatement amounted to \$4,403.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 19 – TAX ABATEMENTS**

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, 2022, the District abated property taxes totaling \$1,611,480 under this program.

**NOTE 20 – COMMITMENTS**

As of June 30, 2022, the District is involved in construction projects. The District had the following commitments as of June 30, 2022:

|                                       | <u>Contract<br/>Amounts</u> | <u>Amounts<br/>Paid</u> | <u>Commitments<br/>Outstanding</u> |
|---------------------------------------|-----------------------------|-------------------------|------------------------------------|
| <b>High School Project:</b>           |                             |                         |                                    |
| General Construction – Lobar, Inc.    | \$ 18,320,300               | \$ 12,733,862           | \$ 5,586,438                       |
| Electrical Construction – Lobar, Inc. | 3,355,765                   | 2,709,037               | 646,728                            |
| HVAC – Frey Lutz Corporation          | 5,232,257                   | 3,631,508               | 1,600,749                          |
| Plumbing – Jay R. Reynolds, Inc.      | 1,792,915                   | 1,435,222               | 357,693                            |
| Siemens Industry, Inc.                | 382,910                     | 216,500                 | 166,410                            |
| Kautter & Kelley Architects           | <u>2,123,923</u>            | <u>1,958,377</u>        | <u>165,546</u>                     |
|                                       | <u>\$ 31,208,070</u>        | <u>\$ 22,684,506</u>    | <u>\$ 8,523,564</u>                |

**NOTE 21 – SUBSEQUENT EVENTS**

In August 2022, the Board approved issuance of General Obligation Note, Series of 2022 in the amount of \$15,807,000 to advance refund General Obligation Bonds, Series B of 2015.

**REQUIRED SUPPLEMENTARY INFORMATION**

**OF**

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**JUNE 30, 2022**

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022**

|                                                     | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|-----------------------------------------------------|-------------------------|-------------------|-------------------|-------------------------------------------------------------------|
|                                                     | <u>Original</u>         | <u>Final</u>      |                   |                                                                   |
| <b>REVENUES</b>                                     |                         |                   |                   |                                                                   |
| <b>Local Revenues</b>                               |                         |                   |                   |                                                                   |
| Real Estate Taxes and Penalties                     | \$ 43,518,264           | \$ 43,518,264     | \$ 43,908,044     | \$ 389,780                                                        |
| Other Taxes                                         | 4,082,000               | 4,082,000         | 5,359,942         | 1,277,942                                                         |
| Interest                                            | 25,000                  | 25,000            | 31,148            | 6,148                                                             |
| Revenues from Intermediate Sources                  | 765,000                 | 765,000           | 1,052,284         | 287,284                                                           |
| Tuition                                             | 72,000                  | 72,000            | 92,054            | 20,054                                                            |
| Revenue from Student Activities                     | 72,000                  | 72,000            | 88,620            | 16,620                                                            |
| Other Revenue                                       | 135,000                 | 135,000           | 89,286            | (45,714)                                                          |
| Refund of Prior Year's Expenditures                 | --                      | --                | 592               | 592                                                               |
| <b>Total Local Sources</b>                          | 48,669,264              | 48,669,264        | 50,621,970        | 1,952,706                                                         |
| <b>State Sources</b>                                | 25,623,686              | 25,623,686        | 26,123,392        | 499,706                                                           |
| <b>Federal Sources</b>                              | 2,934,000               | 2,934,000         | 2,405,864         | (528,136)                                                         |
| <b>TOTAL REVENUES</b>                               | <u>77,226,950</u>       | <u>77,226,950</u> | <u>79,151,226</u> | <u>1,924,276</u>                                                  |
| <b>EXPENDITURES</b>                                 |                         |                   |                   |                                                                   |
| <b>Instruction</b>                                  |                         |                   |                   |                                                                   |
| Regular Programs                                    | 33,780,312              | 33,409,376        | 33,356,078        | 53,298                                                            |
| Special Programs                                    | 11,660,331              | 11,460,932        | 11,455,152        | 5,780                                                             |
| Vocational Education                                | 3,206,811               | 3,452,371         | 3,370,475         | 81,896                                                            |
| Other Instructional Programs                        | 308,483                 | 375,693           | 363,100           | 12,593                                                            |
| Nonpublic School Programs                           | 5,000                   | 4,950             | 4,567             | 383                                                               |
| <b>Support Services</b>                             |                         |                   |                   |                                                                   |
| Student Services                                    | 2,726,096               | 2,732,133         | 2,731,924         | 209                                                               |
| Instructional Staff Services                        | 3,187,573               | 3,426,825         | 3,339,111         | 87,714                                                            |
| Administrative Services                             | 4,526,508               | 4,726,104         | 4,724,963         | 1,141                                                             |
| Pupil Health                                        | 913,098                 | 1,112,753         | 1,111,457         | 1,296                                                             |
| Business Services                                   | 636,582                 | 580,435           | 563,618           | 16,817                                                            |
| Operation and Maintenance of Plant Services         | 4,594,100               | 4,458,091         | 4,394,588         | 63,503                                                            |
| Student Transportation Services                     | 2,926,200               | 2,621,317         | 2,621,299         | 18                                                                |
| Central Support Services                            | 253,975                 | 271,375           | 270,921           | 454                                                               |
| Other Support Services                              | 30,000                  | 5,650             | 5,650             | --                                                                |
| <b>Operation of Noninstructional Services</b>       |                         |                   |                   |                                                                   |
| Student Activities                                  | 756,120                 | 983,120           | 982,951           | 169                                                               |
| Community Services                                  | --                      | 5,707             | 5,702             | 5                                                                 |
| <b>Debt Service</b>                                 |                         |                   |                   |                                                                   |
| Principal                                           | 3,722,000               | 3,697,000         | 3,697,000         | --                                                                |
| Interest and Fiscal Charges                         | 1,993,761               | 2,602,611         | 1,971,792         | 630,819                                                           |
| <b>TOTAL EXPENDITURES</b>                           | <u>75,226,950</u>       | <u>75,926,443</u> | <u>74,970,348</u> | <u>956,095</u>                                                    |
| <b>EXCESS OF REVENUES<br/>    OVER EXPENDITURES</b> | <u>2,000,000</u>        | <u>1,300,507</u>  | <u>4,180,878</u>  | <u>2,880,371</u>                                                  |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022**

|                                                 | <b>Budgeted Amounts</b>     |                             |                            | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|-------------------------------------------------|-----------------------------|-----------------------------|----------------------------|-------------------------------------------------------------------|
|                                                 | <b><u>Original</u></b>      | <b><u>Final</u></b>         | <b><u>Actual</u></b>       |                                                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                             |                             |                            |                                                                   |
| Interfund Transfers                             | (1,300,000)                 | (1,300,507)                 | (1,300,507)                | --                                                                |
| Budgetary Reserve                               | <u>(700,000)</u>            | <u>--</u>                   | <u>--</u>                  | <u>--</u>                                                         |
| <b>TOTAL OTHER FINANCING SOURCES<br/>(USES)</b> | <u>(2,000,000)</u>          | <u>(1,300,507)</u>          | <u>(1,300,507)</u>         | <u>--</u>                                                         |
| <b>Changes in Fund Balances</b>                 | --                          | --                          | 2,880,371                  | 2,880,371                                                         |
| <b>Fund Balances – July 1, 2021</b>             | <u>12,920,089</u>           | <u>12,920,089</u>           | <u>12,920,089</u>          | <u>--</u>                                                         |
| <b>Fund Balances – June 30, 2022</b>            | <u><u>\$ 12,920,089</u></u> | <u><u>\$ 12,920,089</u></u> | <u><u>\$15,800,460</u></u> | <u><u>\$ 2,880,371</u></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)**

|                                                                                                                        | <b>Measurement Date</b> |                        |                        |                        |                       |
|------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------|------------------------|------------------------|-----------------------|
|                                                                                                                        | <b><u>06/30/21</u></b>  | <b><u>06/30/20</u></b> | <b><u>06/30/19</u></b> | <b><u>06/30/18</u></b> | <b><u>6/30/17</u></b> |
| District's proportion of net pension liability (asset)                                                                 | 0.2074%                 | 0.2051%                | 0.2059%                | 0.2062%                | 0.2026%               |
| District's proportionate share of the net pension liability (asset)                                                    | <u>\$ 85,153,477</u>    | <u>\$100,991,041</u>   | <u>\$ 96,327,209</u>   | <u>\$98,988,057</u>    | <u>\$100,062,728</u>  |
| District's covered-employee payroll                                                                                    | \$ 29,321,076           | \$ 28,655,024          | \$ 28,400,687          | \$27,773,611           | \$26,842,041          |
| District's proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 290.42%                 | 352.37%                | 339.17%                | 356.41%                | 372.78%               |
| Plan fiduciary net position as a percentage of the total pension<br>Liability                                          | 63.67%                  | 54.32%                 | 55.66%                 | 54.00%                 | 51.84%                |

|                                                                                                                        | <b><u>06/30/16</u></b> | <b><u>06/30/15</u></b> | <b><u>06/30/14</u></b> |
|------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|------------------------|
| District's proportion of net pension liability (asset)                                                                 | 0.2003%                | .01994%                | .01971%                |
| District's proportionate share of the net pension liability (asset)                                                    | <u>\$ 99,261,985</u>   | <u>\$ 86,370,385</u>   | <u>\$ 78,013,254</u>   |
| District's covered-employee payroll                                                                                    | \$ 25,938,869          | \$ 25,650,370          | \$ 25,147,736          |
| District's proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 382.68%                | 336.72%                | 310.22%                |
| Plan fiduciary net position as a percentage of the total pension<br>Liability                                          | 50.14%                 | 54.24%                 | 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)**

|      | <b><u>Contractually<br/>Required<br/>Contribution</u></b> | <b><u>Contributions<br/>from<br/>Employer</u></b> | <b><u>Contribution<br/>Deficiency</u></b> | <b><u>Covered<br/>Employee<br/>Payroll</u></b> | <b><u>Contributions<br/>as a Percentage<br/>of Covered<br/>Payroll</u></b> |
|------|-----------------------------------------------------------|---------------------------------------------------|-------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------|
| 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%                                                                     |
| 2021 | \$ 9,878,270                                              | \$ 9,878,270                                      | \$ --                                     | \$ 29,321,076                                  | 33.69%                                                                     |
| 2022 | \$ 10,221,722                                             | \$ 10,221,722                                     | \$ --                                     | \$ 29,940,603                                  | 34.14%                                                                     |

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)**

|                                                                                                                     | <b>Measurement Date</b>    |                            |                            |                            |                            |
|---------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                                                                                                     | <b><u>6/30/2021</u></b>    | <b><u>6/30/2020</u></b>    | <b><u>6/30/2019</u></b>    | <b><u>6/30/2018</u></b>    | <b><u>6/30/2017</u></b>    |
| District's proportion of net OPEB liability (asset)                                                                 | 0.2068%                    | 0.2047%                    | 0.2059%                    | 0.2062%                    | 0.2026%                    |
| District's proportionate share of the net OPEB liability (asset)                                                    | <b><u>\$ 4,901,343</u></b> | <b><u>\$ 4,422,958</u></b> | <b><u>\$ 4,379,181</u></b> | <b><u>\$ 4,299,178</u></b> | <b><u>\$ 4,127,806</u></b> |
| District's covered-employee payroll                                                                                 | \$ 29,321,076              | \$ 28,655,024              | \$28,400,687               | \$27,773,611               | \$ 26,842,041              |
| District's proportionate share of the net OPEB liability (asset)<br>as a percentage of its covered-employee payroll | 16.72%                     | 15.44%                     | 15.42%                     | 15.48%                     | 15.79%                     |
| Plan Fiduciary net position as a percentage of the total<br>OPEB liability                                          | 5.30%                      | 5.69%                      | 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%. Changes in assumption used in the measurement of the total OPEB liability beginning June 30, 2020 resulted from adjusting the discount rate from 2.79% to 2.66%. Changes in assumption used in the measurement of the total OPEB liability beginning June 30, 2021 resulted from adjusting the discount rate from 2.66% to 2.18%.

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

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

|      | <u>Contractually<br/>Required<br/>Contribution</u> | <u>Contributions<br/>from<br/>Employer</u> | <u>Contribution<br/>Deficiency</u> | <u>Covered<br/>Employee<br/>Payroll</u> | <u>Contributions<br/>as a Percentage<br/>of Covered<br/>Payroll</u> |
|------|----------------------------------------------------|--------------------------------------------|------------------------------------|-----------------------------------------|---------------------------------------------------------------------|
| 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%                                                               |
| 2021 | \$ 240,433                                         | \$ 240,433                                 | \$ --                              | \$ 29,321,076                           | 0.82%                                                               |
| 2022 | \$ 239,525                                         | \$ 239,525                                 | \$ --                              | \$ 29,940,603                           | 0.80%                                                               |

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>6/30/2022</u>           | <u>6/30/2021</u>           | <u>6/30/2020</u>           | <u>6/30/2019</u>           | <u>6/30/2018</u>           |
|---------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Total OPEB Liability</b>                             |                            |                            |                            |                            |                            |
| Service Cost                                            | \$ 341,327                 | \$ 294,196                 | \$ 295,853                 | \$ 381,404                 | \$ 367,770                 |
| Interest                                                | 89,013                     | 148,125                    | 125,634                    | 166,707                    | 119,362                    |
| Changes of Assumptions                                  | (149,785)                  | 75,174                     | (131,847)                  | (329,492)                  | 121,283                    |
| Differences between Expected and Actual Experience      | --                         | (95,413)                   | --                         | (1,149,845)                | --                         |
| Benefit Payments                                        | <u>(81,708)</u>            | <u>(104,331)</u>           | <u>(84,828)</u>            | <u>(103,557)</u>           | <u>(73,147)</u>            |
| Net Change                                              | 198,847                    | 317,751                    | 204,812                    | (1,034,783)                | 535,268                    |
| Total OPEB Liability – Beginning                        | <u>4,488,560</u>           | <u>4,170,809</u>           | <u>3,965,997</u>           | <u>5,000,780</u>           | <u>4,465,512</u>           |
| Total OPEB Liability – Ending                           | <u><u>\$ 4,687,407</u></u> | <u><u>\$ 4,488,560</u></u> | <u><u>\$ 4,170,809</u></u> | <u><u>\$ 3,965,997</u></u> | <u><u>\$ 5,000,780</u></u> |
| Covered-Employee Payroll                                | \$ 28,217,855              | \$ 28,217,855              | \$25,744,585               | \$25,744,585               | \$25,001,694               |
| Total OPEB Liability as a % of Covered-Employee Payroll | 16.61%                     | 15.91%                     | 16.20%                     | 15.41%                     | 20.00%                     |

**Notes to Schedule:**

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 resulted from adjusting the discount rate from 2.98% to 3.36%. Changes in assumption used in the measurement of the total OPEB liability beginning June 30, 2021 resulted from adjusting the discount rate from 3.36% to 1.86%. Changes in assumption used in the measurement of the total OPEB liability beginning June 30, 2022 resulted from adjusting the discount rate from 1.86% to 2.28%.

See accompanying independent auditor's report.

**SUPPLEMENTARY INFORMATION**  
**OF**  
**NORTHEASTERN SCHOOL DISTRICT**  
**MANCHESTER, PENNSYLVANIA**  
**JUNE 30, 2022**

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING BALANCE SHEET – CAPITAL PROJECTS FUND  
JUNE 30, 2022**

|                                            | <u>Capital<br/>Reserve<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund 31</u> | <u>Total<br/>Capital<br/>Projects<br/>Fund</u> |
|--------------------------------------------|-------------------------------------|-----------------------------------------|------------------------------------------------|
| <b>ASSETS</b>                              |                                     |                                         |                                                |
| Cash and Cash Equivalents                  | \$ 4,886,943                        | \$ --                                   | \$ 4,886,943                                   |
| Investments                                | 10,006,672                          | 6,576,367                               | 16,583,039                                     |
| Due from Other Funds                       | 382,004                             | 76,098                                  | 458,102                                        |
| Other Accounts Receivable                  | <u>1,081</u>                        | <u>--</u>                               | <u>1,081</u>                                   |
| <b>TOTAL ASSETS</b>                        | <u>\$ 15,276,700</u>                | <u>\$ 6,652,465</u>                     | <u>\$ 21,929,165</u>                           |
| <b>LIABILITIES</b>                         |                                     |                                         |                                                |
| Accounts Payable                           | \$ 212,365                          | \$ 1,772,891                            | \$ 1,985,256                                   |
| Retainage Payable                          | --                                  | 1,079,454                               | 1,079,454                                      |
| Due To Other Funds                         | <u>645,618</u>                      | <u>382,004</u>                          | <u>1,027,622</u>                               |
| <b>TOTAL LIABILITIES</b>                   | <u>857,983</u>                      | <u>3,234,349</u>                        | <u>4,092,332</u>                               |
| <b>FUND BALANCES</b>                       |                                     |                                         |                                                |
| Restricted                                 | <u>14,418,717</u>                   | <u>3,418,116</u>                        | <u>17,836,833</u>                              |
| <b>TOTAL FUND BALANCES</b>                 | <u>14,418,717</u>                   | <u>3,418,116</u>                        | <u>17,836,833</u>                              |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 15,276,700</u>                | <u>\$ 6,652,465</u>                     | <u>\$ 21,929,165</u>                           |

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, 2022**

|                                                                  | <u>Capital<br/>Reserve<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund 31</u> | <u>Total<br/>Capital<br/>Projects<br/>Fund</u> |
|------------------------------------------------------------------|-------------------------------------|-----------------------------------------|------------------------------------------------|
| <b>REVENUES</b>                                                  |                                     |                                         |                                                |
| <b>Local Sources</b>                                             |                                     |                                         |                                                |
| Interest                                                         | \$ 11,838                           | \$ 11,257                               | \$ 23,095                                      |
| Contributions                                                    | <u>4,291</u>                        | <u>--</u>                               | <u>4,291</u>                                   |
| <b>Total Local Sources</b>                                       | <u>16,129</u>                       | <u>11,257</u>                           | <u>27,386</u>                                  |
| <b>TOTAL REVENUES</b>                                            | <u>16,129</u>                       | <u>11,257</u>                           | <u>27,386</u>                                  |
| <b>EXPENDITURES</b>                                              |                                     |                                         |                                                |
| <b>Current</b>                                                   |                                     |                                         |                                                |
| Support Services                                                 | <u>80,024</u>                       | <u>--</u>                               | <u>80,024</u>                                  |
| <b>Total Current</b>                                             | <u>80,024</u>                       | <u>--</u>                               | <u>80,024</u>                                  |
| <b>Capital Outlay</b>                                            |                                     |                                         |                                                |
| Facilities Acquisition, Construction and<br>Improvement Services | <u>309,815</u>                      | <u>21,542,195</u>                       | <u>21,852,010</u>                              |
| <b>Total Capital Outlay</b>                                      | <u>309,815</u>                      | <u>21,542,195</u>                       | <u>21,852,010</u>                              |
| <b>Debt Service</b>                                              |                                     |                                         |                                                |
| Interest and Fiscal Charges                                      | <u>630,819</u>                      | <u>--</u>                               | <u>630,819</u>                                 |
| <b>Total Debt Service</b>                                        | <u>630,819</u>                      | <u>--</u>                               | <u>630,819</u>                                 |
| <b>TOTAL EXPENDITURES</b>                                        | <u>1,020,658</u>                    | <u>21,542,195</u>                       | <u>22,562,853</u>                              |
| <b>(DEFICIENCY) OF REVENUES<br/>    OVER EXPENDITURES</b>        | <u>(1,004,529)</u>                  | <u>(21,530,938)</u>                     | <u>(22,535,467)</u>                            |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                                     |                                         |                                                |
| Transfer In                                                      | <u>1,300,000</u>                    | <u>--</u>                               | <u>1,300,000</u>                               |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                      | <u>1,300,000</u>                    | <u>--</u>                               | <u>1,300,000</u>                               |
| <b>Changes in Fund Balances</b>                                  | 295,471                             | (21,530,938)                            | (21,235,467)                                   |
| <b>Fund Balances – July 1, 2021</b>                              | <u>14,123,246</u>                   | <u>24,949,054</u>                       | <u>39,072,300</u>                              |
| <b>Fund Balances – June 30, 2022</b>                             | <u>\$ 14,418,717</u>                | <u>\$ 3,418,116</u>                     | <u>\$ 17,836,833</u>                           |

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022**

|                                            | <u>Football<br/>Athletic<br/>Fund</u> | <u>Student<br/>Activity<br/>Funds</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Funds</u> |
|--------------------------------------------|---------------------------------------|---------------------------------------|----------------------------------|-------------------------------------|
| <b>ASSETS</b>                              |                                       |                                       |                                  |                                     |
| Cash and Cash Equivalents                  | \$ 60,830                             | \$ 123,451                            | \$ --                            | \$ 184,281                          |
| Due from Other Funds                       | <u>--</u>                             | <u>2,153</u>                          | <u>--</u>                        | <u>2,153</u>                        |
| <b>TOTAL ASSETS</b>                        | <u><u>\$ 60,830</u></u>               | <u><u>\$ 125,604</u></u>              | <u><u>\$ --</u></u>              | <u><u>\$ 186,434</u></u>            |
| <b>LIABILITIES</b>                         | <u>\$ --</u>                          | <u>\$ --</u>                          | <u>\$ --</u>                     | <u>\$ --</u>                        |
| <b>FUND BALANCES</b>                       |                                       |                                       |                                  |                                     |
| Assigned                                   | <u>60,830</u>                         | <u>125,604</u>                        | <u>--</u>                        | <u>186,434</u>                      |
| <b>TOTAL FUND BALANCES</b>                 | <u>60,830</u>                         | <u>125,604</u>                        | <u>--</u>                        | <u>186,434</u>                      |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u><u>\$ 60,830</u></u>               | <u><u>\$ 125,604</u></u>              | <u><u>\$ --</u></u>              | <u><u>\$ 186,434</u></u>            |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022**

|                                        | <u>Football<br/>Athletic<br/>Fund</u> | <u>Student<br/>Activity<br/>Funds</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Funds</u> |
|----------------------------------------|---------------------------------------|---------------------------------------|----------------------------------|-------------------------------------|
| <b>REVENUES</b>                        |                                       |                                       |                                  |                                     |
| <b>Local Sources</b>                   |                                       |                                       |                                  |                                     |
| Interest                               | \$ 27                                 | \$ --                                 | \$ --                            | \$ 27                               |
| Revenue from Student Activities        | --                                    | 226,864                               | --                               | 226,864                             |
| Contributions                          | <u>3,564</u>                          | <u>--</u>                             | <u>--</u>                        | <u>3,564</u>                        |
| <b>Total Local Sources</b>             | <u>3,591</u>                          | <u>226,864</u>                        | <u>--</u>                        | <u>230,455</u>                      |
| <b>TOTAL REVENUES</b>                  | <u>3,591</u>                          | <u>226,864</u>                        | <u>--</u>                        | <u>230,455</u>                      |
| <b>EXPENDITURES</b>                    |                                       |                                       |                                  |                                     |
| <b>Current</b>                         |                                       |                                       |                                  |                                     |
| Operation of Noninstructional Services | <u>150</u>                            | <u>195,604</u>                        | <u>--</u>                        | <u>195,754</u>                      |
| <b>Total Current</b>                   | <u>150</u>                            | <u>195,604</u>                        | <u>--</u>                        | <u>195,754</u>                      |
| <b>Debt Service</b>                    |                                       |                                       |                                  |                                     |
| Interest and Fiscal Charges            | <u>--</u>                             | <u>--</u>                             | <u>1,828</u>                     | <u>1,828</u>                        |
| <b>Total Debt Service</b>              | <u>--</u>                             | <u>--</u>                             | <u>1,828</u>                     | <u>1,828</u>                        |
| <b>TOTAL EXPENDITURES</b>              | <u>150</u>                            | <u>195,604</u>                        | <u>1,828</u>                     | <u>197,582</u>                      |
| <b>Changes in Fund Balances</b>        | 3,441                                 | 31,260                                | (1,828)                          | 32,873                              |
| <b>Fund Balances – July 1, 2021</b>    | <u>57,389</u>                         | <u>94,344</u>                         | <u>1,828</u>                     | <u>153,561</u>                      |
| <b>Fund Balances – June 30, 2022</b>   | <u><u>\$ 60,830</u></u>               | <u><u>\$ 125,604</u></u>              | <u><u>\$ --</u></u>              | <u><u>\$ 186,434</u></u>            |

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
JUNE 30, 2022**

|                                           | <u>Zions View<br/>Trust Fund</u> | <u>Glatfelter<br/>Scholarship</u> | <u>James P Dietz<br/>Music<br/>Scholarship<br/>Fund</u> | <u>Total Private<br/>Purpose<br/>Trust Fund</u> |
|-------------------------------------------|----------------------------------|-----------------------------------|---------------------------------------------------------|-------------------------------------------------|
| <b>ASSETS</b>                             |                                  |                                   |                                                         |                                                 |
| Cash and Cash Equivalents                 | \$ 25,803                        | \$ --                             | \$ --                                                   | \$ 25,803                                       |
| Investments                               | --                               | 1,000                             | 1,566,168                                               | 1,567,168                                       |
| Due from Other Funds                      | <u>--</u>                        | <u>150</u>                        | <u>--</u>                                               | <u>150</u>                                      |
| <b>TOTAL ASSETS</b>                       | <u><b>\$ 25,803</b></u>          | <u><b>\$ 1,150</b></u>            | <u><b>\$ 1,566,168</b></u>                              | <u><b>\$ 1,593,121</b></u>                      |
| <b>LIABILITIES</b>                        | <u>\$ --</u>                     | <u>\$ --</u>                      | <u>\$ --</u>                                            | <u>\$ --</u>                                    |
| <b>NET POSITION</b>                       |                                  |                                   |                                                         |                                                 |
| Held in Trust for                         |                                  |                                   |                                                         |                                                 |
| Scholarships                              | 25,803                           | 1,150                             | 127,019                                                 | 153,972                                         |
| Endowments                                | <u>--</u>                        | <u>--</u>                         | <u>1,439,149</u>                                        | <u>1,439,149</u>                                |
| <b>TOTAL NET POSITION</b>                 | <u><b>25,803</b></u>             | <u><b>1,150</b></u>               | <u><b>1,566,168</b></u>                                 | <u><b>1,593,121</b></u>                         |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u><b>\$ 25,803</b></u>          | <u><b>\$ 1,150</b></u>            | <u><b>\$ 1,566,168</b></u>                              | <u><b>\$ 1,593,121</b></u>                      |

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
YEAR ENDED JUNE 30, 2022**

|                                     | <u>Zions View<br/>Trust Fund</u> | <u>Glatfelter<br/>Scholarship</u> | <u>James P. Dietz<br/>Music<br/>Scholarship<br/>Fund</u> | <u>Total Private<br/>Purpose<br/>Trust Fund</u> |
|-------------------------------------|----------------------------------|-----------------------------------|----------------------------------------------------------|-------------------------------------------------|
| <b>ADDITIONS</b>                    |                                  |                                   |                                                          |                                                 |
| Earnings on Investments             | \$ 13                            | \$ 1                              | \$ --                                                    | \$ 14                                           |
| <b>TOTAL ADDITIONS</b>              | <u>13</u>                        | <u>1</u>                          | <u>--</u>                                                | <u>14</u>                                       |
| <b>DEDUCTIONS</b>                   |                                  |                                   |                                                          |                                                 |
| Business Services                   | <u>--</u>                        | <u>--</u>                         | <u>14,450</u>                                            | <u>14,450</u>                                   |
| <b>TOTAL DEDUCTIONS</b>             | <u>--</u>                        | <u>--</u>                         | <u>14,450</u>                                            | <u>14,450</u>                                   |
| <b>Changes in Net Position</b>      | 13                               | 1                                 | (14,450)                                                 | (14,436)                                        |
| <b>Net Position – July 1, 2021</b>  | <u>25,790</u>                    | <u>1,149</u>                      | <u>1,580,618</u>                                         | <u>1,607,557</u>                                |
| <b>Net Position – June 30, 2022</b> | <u>\$ 25,803</u>                 | <u>\$ 1,150</u>                   | <u>\$ 1,566,168</u>                                      | <u>\$ 1,593,121</u>                             |

See accompanying independent auditor's report.

**SINGLE AUDIT INFORMATION**  
**OF**  
**NORTHEASTERN SCHOOL DISTRICT**  
**MANCHESTER, PENNSYLVANIA**  
**JUNE 30, 2022**

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

|                                     | Federal Grantor/Pass through<br>Grantor/Program Title                                               | Source<br>Code | Federal<br>CFDA<br>Number | Pass-<br>Through<br>Grantor's<br>Number | Grant<br>Period<br>Beginning/<br>Ending Date | Total<br>Program<br>or Award<br>Amount | Received<br>for the<br>Year | Accrued or<br>(Unearned)<br>Revenue at<br>July 1, 2021 | Expenditures  | Accrued or<br>(Unearned)<br>Revenue at<br>June 30,<br>2022 | Amount<br>Provided to<br>Subrecipients |
|-------------------------------------|-----------------------------------------------------------------------------------------------------|----------------|---------------------------|-----------------------------------------|----------------------------------------------|----------------------------------------|-----------------------------|--------------------------------------------------------|---------------|------------------------------------------------------------|----------------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b> |                                                                                                     |                |                           |                                         |                                              |                                        |                             |                                                        |               |                                                            |                                        |
|                                     | Passed through the Pennsylvania Department of Education                                             |                |                           |                                         |                                              |                                        |                             |                                                        |               |                                                            |                                        |
|                                     | Title I - Improving Basic Education                                                                 | I              | 84.010                    | 013-22-0295                             | 7/6/21-9/30/22                               | \$ 574,963                             | \$ 429,444                  | \$ --                                                  | \$ 573,122    | \$ 143,678                                                 | \$ --                                  |
|                                     | Title I - Improving Basic Education                                                                 | I              | 84.010                    | 013-21-0295                             | 7/27/20-9/30/21                              | 581,016                                | <u>36,527</u>               | <u>34,133</u>                                          | <u>2,394</u>  | <u>--</u>                                                  | <u>--</u>                              |
|                                     | Total Title I                                                                                       |                |                           |                                         |                                              |                                        | 465,971                     | 34,133                                                 | 575,516       | 143,678                                                    | --                                     |
|                                     | Title II – Supporting Effective Instruction I                                                       | I              | 84.367                    | 020-22-0295                             | 7/6/21-9/30/22                               | 101,409                                | 69,161                      | --                                                     | 83,542        | 14,381                                                     | --                                     |
|                                     | Title II – Teachers in the Workplace                                                                | I              | 84.367                    | 220-20-0295                             | 11/20/19-9/30/20                             | 25,000                                 | <u>13,636</u>               | <u>3,286</u>                                           | <u>10,350</u> | <u>--</u>                                                  | <u>--</u>                              |
|                                     | Total Title II                                                                                      |                |                           |                                         |                                              |                                        | 82,797                      | 3,286                                                  | 93,892        | 14,381                                                     | --                                     |
|                                     | Title IV – Student Support and Academic Enrichment Program                                          | I              | 84.424                    | 144-22-0295                             | 7/6/21-9/30/22                               | 43,693                                 | 34,934                      | --                                                     | 37,415        | 2,481                                                      | --                                     |
|                                     | Title IV – Student Support a Academic Enrichment Program                                            | I              | 84.424                    | 144-21-0295                             | 7/27/20-9/30/21                              | 42,467                                 | <u>5,662</u>                | <u>3,602</u>                                           | <u>2,060</u>  | <u>--</u>                                                  | <u>--</u>                              |
|                                     | Total Title IV                                                                                      |                |                           |                                         |                                              |                                        | 40,596                      | 3,602                                                  | 39,475        | 2,481                                                      | --                                     |
|                                     | Elementary and Secondary School Emergency Relief – COVID-19                                         | I              | 84.425D                   | 200-20-0295                             | 3/13/20-9/30/21                              | 459,923                                | 217,858                     | 212,408                                                | 5,450         | --                                                         | --                                     |
|                                     | Elementary and Secondary School Emergency Relief (II) – COVID-19                                    | I              | 84.425D                   | 200-21-0295                             | 3/13/20-9/30/23                              | 2,145,510                              | 648,643                     | 23,760                                                 | 1,620,078     | 995,195                                                    | --                                     |
|                                     | American Rescue Plan - Elementary And Secondary School Emergency Relief – COVID-19                  | I              | 84.425U                   | 223-21-0295                             | 3/13/20-9/30/24                              | 4,339,746                              | 236,713                     | --                                                     | 69,939        | (166,774)                                                  | --                                     |
|                                     | American Rescue Plan – Elementary And Secondary School Emergency Relief – COVID-19 – 7%             | I              | 84.425U                   | 225-21-0295                             | 3/13/20-9/30/24                              | 337,296                                | 18,398                      | --                                                     | 361           | (18,037)                                                   | --                                     |
|                                     | American Rescue Plan – Elementary And Secondary School Emergency Relief – Homeless Children & Youth | I              | 84.425W                   | 181-21-2293                             | 7/1/21-9/30/24                               | 29,628                                 | 2,279                       | --                                                     | --            | (2,279)                                                    | --                                     |
|                                     | Governor's Emergency Education Relief Fund – COVID-19                                               | I              | 84.425C                   | 252-20-0295                             | 3/13/20-9/30/21                              | 27,218                                 | --                          | (1,153)                                                | 1,153         | --                                                         | --                                     |
|                                     | Passed through the Pennsylvania Commission on Crime and Delinquency                                 |                |                           |                                         |                                              |                                        |                             |                                                        |               |                                                            |                                        |
|                                     | Elementary and Secondary School Emergency Relief – COVID-19                                         | I              | 84.425D                   | 2020-ES-01-35154                        | 3/13/20-9/30/22                              | 120,598                                | <u>119,662</u>              | <u>119,662</u>                                         | <u>--</u>     | <u>--</u>                                                  | <u>--</u>                              |
|                                     | Total Education Stabilization Fund                                                                  |                |                           |                                         |                                              |                                        | 1,243,553                   | 354,677                                                | 1,696,981     | 808,105                                                    | --                                     |

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

| <u>Federal Grantor/Pass through<br/>Grantor/Program Title</u> | <u>Source<br/>Code</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-<br/>Through<br/>Grantor's<br/>Number</u> | <u>Grant<br/>Period<br/>Beginning/<br/>Ending Date</u> | <u>Total<br/>Program<br/>or Award<br/>Amount</u> | <u>Received<br/>for the<br/>Year</u> | <u>Accrued or<br/>(Unearned)<br/>Revenue at<br/>July 1, 2021</u> | <u>Expenditures</u> | <u>Accrued or<br/>(Unearned)<br/>Revenue at<br/>June 30,<br/>2022</u> | <u>Amount<br/>Provided to<br/>Subrecipients</u> |
|---------------------------------------------------------------|------------------------|------------------------------------|---------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|--------------------------------------|------------------------------------------------------------------|---------------------|-----------------------------------------------------------------------|-------------------------------------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)               |                        |                                    |                                                   |                                                        |                                                  |                                      |                                                                  |                     |                                                                       |                                                 |
| Passed through Lincoln Intermediate<br>Unit No. 12            |                        |                                    |                                                   |                                                        |                                                  |                                      |                                                                  |                     |                                                                       |                                                 |
| Special Education – Grants to States<br>(IDEA, Part B)        | I                      | 84.027                             | 062-22-0012                                       | 7/1/21-9/30/22                                         | 754,575                                          | 754,575                              | --                                                               | 754,575             | --                                                                    | --                                              |
| Special Education – Grants to States<br>(IDEA, Part B – ARP)  | I                      | 84.027                             | H027A210093                                       | 7/1/21-9/30/22                                         | 161,846                                          | 161,846                              | --                                                               | 161,846             | --                                                                    | --                                              |
| Special Education – Grants to States<br>(IDEA – Preschool)    | I                      | 84.173                             | 131-22-0012                                       | 7/1/21-6/30/22                                         | 5,544                                            | <u>5,544</u>                         | <u>--</u>                                                        | <u>5,544</u>        | <u>--</u>                                                             | <u>--</u>                                       |
| Total Special Education Cluster (IDEA)                        |                        |                                    |                                                   |                                                        |                                                  | <u>921,965</u>                       | <u>--</u>                                                        | <u>921,965</u>      | <u>--</u>                                                             | <u>--</u>                                       |
| TOTAL U.S. DEPARTMENT OF EDUCATION                            |                        |                                    |                                                   |                                                        |                                                  | <u>2,754,882</u>                     | <u>395,698</u>                                                   | <u>3,327,829</u>    | <u>968,645</u>                                                        | <u>--</u>                                       |
| <u>U. S. DEPARTMENT OF AGRICULTURE</u>                        |                        |                                    |                                                   |                                                        |                                                  |                                      |                                                                  |                     |                                                                       |                                                 |
| Passed through the Pennsylvania Department of Education       |                        |                                    |                                                   |                                                        |                                                  |                                      |                                                                  |                     |                                                                       |                                                 |
| P-EBT Administrative Costs Grants                             | I                      | 10.649                             | N/A                                               | 1/1/22-1/31/22                                         | N/A                                              | 3,063                                | --                                                               | 3,063               | *                                                                     | --                                              |
| National School Lunch Program (NSLP)                          | I                      | 10.555                             | N/A                                               | 7/1/21-6/30/22                                         | N/A                                              | 2,208,591                            | --                                                               | 2,233,854           | *                                                                     | 25,263                                          |
| National School Lunch Program (NSLP)                          | I                      | 10.555                             | N/A                                               | 7/1/20-6/30/21                                         | N/A                                              | 47,371                               | 47,371                                                           | --                  | *                                                                     | --                                              |
| NSLP – Supply Chain Assistance                                | I                      | 10.555                             | N/A                                               | 5/13/22-6/30/23                                        | N/A                                              | 78,249                               | --                                                               | --                  | *                                                                     | (78,249)                                        |
| NSLP – SNP Emergency Operating Costs                          | I                      | 10.555                             | N/A                                               | 9/1/21-9/30/21                                         | N/A                                              | 80,589                               | --                                                               | 80,589              | *                                                                     | --                                              |
| School Breakfast Program (SBP)                                | I                      | 10.553                             | N/A                                               | 7/1/21-6/30/22                                         | N/A                                              | 686,960                              | --                                                               | 694,814             | *                                                                     | 7,854                                           |
| School Breakfast Program (SBP)                                | I                      | 10.553                             | N/A                                               | 7/1/20-6/30/21                                         | N/A                                              | 20,460                               | 20,460                                                           | --                  | *                                                                     | --                                              |
| Passed through the Pennsylvania<br>Department of Agriculture  |                        |                                    |                                                   |                                                        |                                                  |                                      |                                                                  |                     |                                                                       |                                                 |
| NSLP - Value of USDA Donated<br>Commodities                   | I                      | 10.555                             | N/A                                               | 7/1/20-6/30/21                                         | N/A                                              | <u>140,770</u>                       | <u>--</u>                                                        | <u>140,770</u>      | *                                                                     | <u>--</u>                                       |
| Total Child Nutrition Cluster                                 |                        |                                    |                                                   |                                                        |                                                  | <u>3,266,053</u>                     | <u>67,831</u>                                                    | <u>3,150,027</u>    | <u>(45,132)</u>                                                       | <u>--</u>                                       |
| TOTAL U. S. DEPARTMENT OF AGRICULTURE                         |                        |                                    |                                                   |                                                        |                                                  | <u>3,266,053</u>                     | <u>67,831</u>                                                    | <u>3,153,090</u>    | <u>(45,132)</u>                                                       | <u>--</u>                                       |
| TOTAL EXPENDITURES OF FEDERAL AWARDS                          |                        |                                    |                                                   |                                                        |                                                  | <u>\$ 6,020,935</u>                  | <u>\$ 463,529</u>                                                | <u>\$ 6,480,919</u> | <u>\$ 923,513</u>                                                     | <u>\$ --</u>                                    |

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, 2022**

**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 minimus 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, 2022 was \$128,190.

**NOTE 4 – RECONCILIATION OF ACCRUED OR (UNEARNED) REVENUE**

|                                                |                          |
|------------------------------------------------|--------------------------|
| Accrued or (Unearned) Revenue at June 30, 2021 | \$ 461,823               |
| Add: Funds Refunded for Title II – 020-21-0295 | <u>1,706</u>             |
| Accrued or (Unearned) Revenue at July 1, 2021  | <u><u>\$ 463,529</u></u> |

**NOTE 5 – SELECTION FOR FEDERAL PROGRAMS**

Test of 40% Rule (Non-Low Risk Entity):

\* Programs Selected for Testing

|                                      |                     |          |
|--------------------------------------|---------------------|----------|
| Child Nutrition Cluster              | \$ 3,150,027        |          |
| Total Programs Selected for Testing  | <u>\$ 3,150,027</u> | = 48.60% |
| Total Expenditures of Federal Awards | <u>\$ 6,480,919</u> |          |

# SAGER, SWISHER AND COMPANY, LLP

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## Members

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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, 2022, 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 March 7, 2023.

### **Report on 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.

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

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

Lancaster, Pennsylvania  
March 7, 2023

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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**

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

We have audited Northeastern School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Northeastern School District's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

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

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

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

#### **Responsibilities of Management for Compliance**

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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Eastern York School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

**Auditor's Responsibilities for the Audit of Compliance (Continued)**

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Northeastern School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

**Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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

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

*Sager, Swisher and Company, LLP*

**NORTHEASTERN SCHOOL DISTRICT  
MANCHESTER, PENNSYLVANIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- |                                                         |       |     |              |               |
|---------------------------------------------------------|-------|-----|--------------|---------------|
| • Material weaknesses identified?                       | _____ | Yes | <u>  X  </u> | No            |
| • Significant deficiencies identified?                  | _____ | Yes | <u>  X  </u> | None Reported |
| • Noncompliance material to financial statements noted? | _____ | Yes | <u>  X  </u> | No            |

*Federal Awards*

Internal control over major programs:

- |                                        |       |     |              |               |
|----------------------------------------|-------|-----|--------------|---------------|
| • Material weaknesses identified?      | _____ | Yes | <u>  X  </u> | No            |
| • Significant deficiencies identified? | _____ | Yes | <u>  X  </u> | 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 | <u>  X  </u> | No |
|------------------------------------------------------------------------------------------------------|-------|-----|--------------|----|

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|-------------------------------------------|
| 10.553/10.555       | Child Nutrition Cluster                   |

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   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.