

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

JUNE 30, 2023

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**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

JUNE 30, 2023

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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, 2023, 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, 2023, 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

<u>Opinion Unit</u>	<u>Type of Opinion</u>
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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 judgment, 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, 2023, the District adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. 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 February 26, 2024 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
February 26, 2024

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

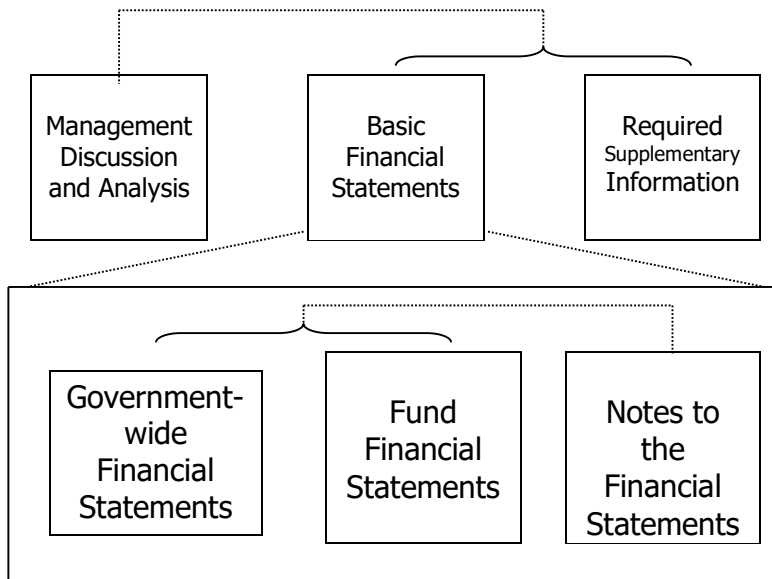
The Management Discussion and Analysis of Northeastern School District provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2023. The intent of the discussion and analysis is to look at the school district's financial performance as a whole. Readers 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, 2023

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, 2023

Financial Highlights

- ✚ Total governmental net position increased by \$11,338,102 or 21.77%, when compared to the 2022 figures.
- ✚ Total governmental current assets decreased by approximately \$7.7 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 \$88,482,593 while Other Post-Employment Benefits totaled \$7,581,151, which continued to have an adverse effect on the district's net position.
- ✚ Total governmental capital assets increased by \$7,038,510. 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 8.85% while governmental program expenditures increased by 5.12%.
- ✚ Total outstanding debt decreased by \$2,782,000 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 \$17,765,457 (\$3,000,000 committed, \$8,200,000 assigned and \$6,565,457 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, \$1,000,000 for special education services, and \$7,200,000 for future capital needs.
 - Capital Projects Fund Balance of \$13,357,795.
 - Football Athletic Fund Balance of \$59,575.
 - Student Activity Fund Balance of \$149,081.

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

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 2023 compared to 2022.

	Governmental Activities		Business-Type Activities		Total		% of Change
	2022	2023	2022	2023	2022	2023	
Assets:							
Current and Other Assets	44,410,167	36,636,205	1,516,303	4,403,424	45,926,470	41,039,629	
Noncurrent Assets, Net	82,088,952	89,127,462	158,755	176,715	82,247,707	89,304,177	
Total Assets	126,499,119	125,763,667	1,675,058	4,580,139	128,174,177	130,343,806	1.69%
Deferred Outflow of Resources:							
Bond Refinancing Charges	1,885,086	1,615,788	-	-	1,885,086	1,615,788	
Deferred Outflows for Pensions	14,923,520	13,634,104	338,984	348,378	15,262,504	13,982,482	
Deferred Outflows for OPB	1,118,622	975,850	-	-	1,118,622	975,850	
Total Deferred Outflow of Resources	17,927,228	16,225,742	338,984	348,378	18,266,212	16,574,120	-9.26%
Liabilities:							
Current and Other Liabilities	14,545,619	9,694,740	50,961	2,521,379	14,596,580	12,216,119	
Net Pension Liability	83,263,070	88,482,593	1,890,407	2,259,478	85,153,477	90,742,071	
Net Bonds & Notes Payable	71,815,964	68,451,846	-	-	71,815,964	68,451,846	
Other Post-Employment Benefits	9,588,750	7,581,151	-	-	9,588,750	7,581,151	
Other Long-Term Liabilities	1,264,841	1,683,345	-	-	1,264,841	1,683,345	
Total Liabilities	180,478,244	175,893,675	1,941,368	4,780,857	182,419,612	180,674,532	-0.96%
Deferred Inflow of Resources:							
Deferred Inflows for Pensions	14,568,702	3,472,503	330,768	88,673	14,899,470	3,561,176	
Deferred Inflows for OPEB	1,470,223	3,375,951	-	-	1,470,223	3,375,951	
Total Deferred Inflow of Resources	16,038,925	6,848,454	330,768	88,673	16,369,693	6,937,127	-57.62%
Net Position:							
Net Investment in Capital Assets	11,734,805	17,292,852	158,755	176,715	11,893,560	17,469,567	
Restricted:							
Capital Projects	14,418,717	13,357,795	-	-	14,418,717	13,357,795	
Debt Service	-	-	-	-	-	-	
Unrestricted	(78,244,344)	(71,403,367)	(416,849)	(117,728)	(78,661,193)	(71,521,095)	
Total Net Position	(52,090,822)	(40,752,720)	(258,094)	58,987	(52,348,916)	(40,693,733)	-22.26%

Governmental Activities

On June 30, 2023, the school district had a total negative net position from governmental activities of \$40,752,720; which was an increase of \$11,338,102 or 21.77% during the fiscal year. Total governmental assets decreased by \$735,452 and deferred outflows decreased by \$1,701,486. Governmental liabilities decreased by \$4,584,569. Factors that significantly affected net position in the 2022-2023 fiscal year were:

- ✚ Net Pension Liability increased by \$5,219,523, totaling \$88,482,593 for the year ending June 30, 2023.

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

- ✚ Other Post-Employment Benefits decreased by \$2,007,599, totaling \$7,581,151 for the year ending June 30, 2023.
- ✚ Governmental-wide cash and investments decreased by \$9,569,563 primarily due to the completion of the high school renovation project in the capital projects fund, which decreased by \$6,576,367.
- ✚ Total current liabilities decreased by \$4,850,879 or 33.35%. This decrease was mainly due to reductions year-end accounts payable, retainage payable related to construction, payroll deductions and withholding payables, and interfund balance.
- ✚ Total non-current liabilities increased by \$266,310. This increase was largely due to a substantial increase in the Net Pension Liability which was offset by a reduction in Bond & Notes Payable.

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

Table 2 reflects the Change in Net Position for fiscal year 2023 compared to fiscal year 2022.

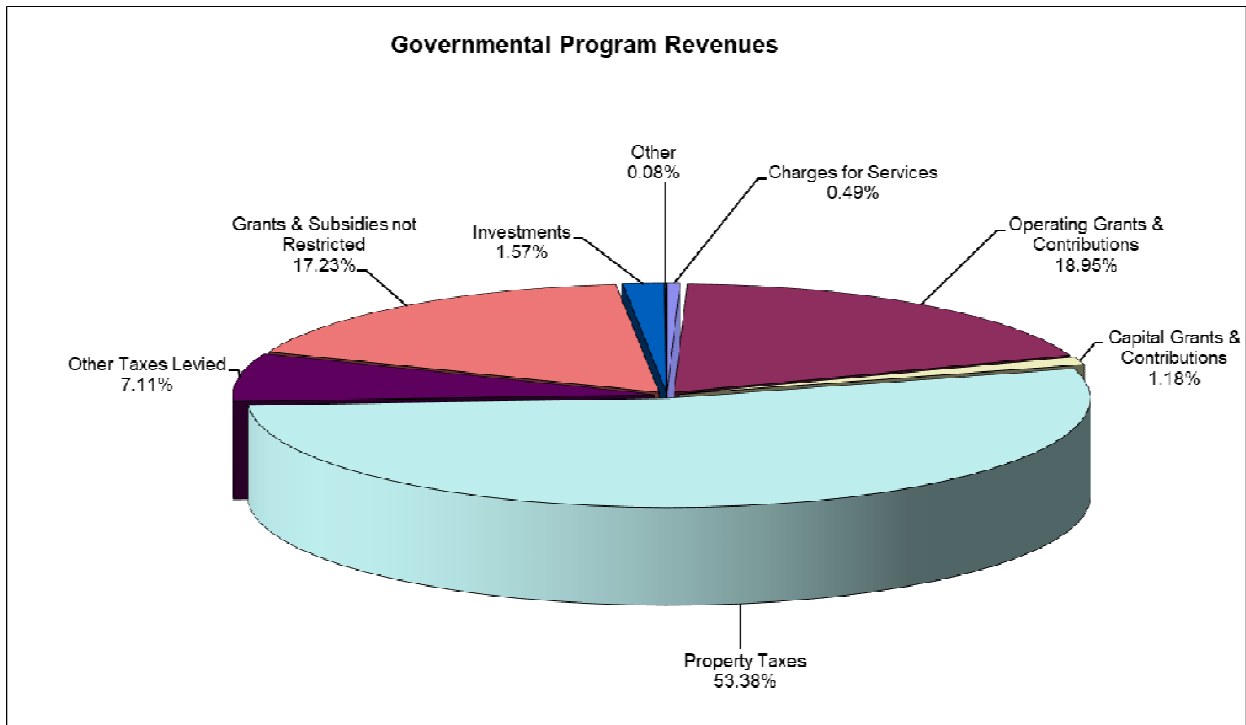
Table 2						
Change in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Revenues						
Program Revenues:						
Charges for Services	446,452	426,328	293,194	1,005,878	739,646	1,432,206
Operating Grants and Contributions	14,969,623	16,402,783	3,388,761	2,509,605	18,358,384	18,912,388
Capital Grants and Contributions	874,869	1,017,541	-	-	874,869	1,017,541
Total Program Revenue	16,290,944	17,846,652	3,681,955	3,515,483	19,972,899	21,362,135
General Revenues:						
Property Taxes	44,012,547	46,204,746	-	-	44,012,547	46,204,746
Other Taxes Levied	5,359,942	6,155,523	-	-	5,359,942	6,155,523
Grants & Subsidies not restricted	13,759,591	14,916,287	-	-	13,759,591	14,916,287
Investments	54,270	1,358,926	1,781	88,072	56,051	1,446,998
Other	36,276	68,481	-	-	36,276	68,481
Total General Program	63,222,626	68,703,963	1,781	88,072	63,224,407	68,792,035
Total Revenues	79,513,570	86,550,615	3,683,736	3,603,555	83,197,306	90,154,170
Program Expenses:						
Instruction	48,274,722	49,252,401	-	-	48,274,722	49,252,401
Support Services:						
Pupil and Instruction Staff	7,097,653	7,926,506	-	-	7,097,653	7,926,506
Board of Education,						
Administration, and Fiscal	4,895,060	5,183,047	-	-	4,895,060	5,183,047
Operation & Maintenance of Plant	4,536,735	4,909,727	-	-	4,536,735	4,909,727
Pupil Transportation	2,621,299	2,830,440	-	-	2,621,299	2,830,440
Extracurricular Activities	1,186,794	1,345,015	-	-	1,186,794	1,345,015
Community	6,021	3,045	-	-	6,021	3,045
Refund of Prior Year Receipts	-	-	-	-	-	-
Interest on Long-Term Debt	2,928,427	3,760,771	-	-	2,928,427	3,760,771
Unallocated Depreciation	-	-	-	-	-	-
Food Service	-	-	2,755,866	3,288,035	2,755,866	3,288,035
Total Expenses	71,546,711	75,210,952	2,755,866	3,288,035	74,302,577	78,498,987
Transfers	(507)	(1,561)	507	1,561	-	-
Increase (Decrease) in Net Position	7,966,352	11,338,102	928,377	317,081	8,894,729	11,655,183

Governmental program revenues increased by 8.85% from \$79.5 million to approximately \$86.5 million.

- ✚ Charges for services decreased by \$20,124 or 4.51%. This category includes extracurricular/co-curricular fees, building rental fees, student activities, tuition, and transportation charges.
- ✚ Operating grants, capital grants and contributions increased by 9.57%. The majority of the increase was attributed to the Federal Elementary and Secondary School Emergency Relief (ESSER) Funds. Other increases include an additional \$280,846 in the special education subsidy, \$244,191 for the State portion of the retirement reimbursement, and \$187,716 in ACCESS reimbursements.

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

- ✚ Property tax revenue remained stable with an increase of 4.98%. This category includes current real estate, delinquent real estate, and interim real estate taxes. Current real estate taxes increased by 3.76% due to growth in assessment value combined with a slight increase in the millage rate of less than 1%. Interim real estate revenue more than doubled for a total increase of \$506,695 while delinquent real estate revenue increased by 4.77% or \$46,051.
- ✚ Other taxes levied revenue experienced an increase of 14.84%. This category includes earned income, per capita, occupation, real estate transfer, and other delinquent taxes. Real estate transfer tax revenue increased by \$379,812 or 31.05% and earned income tax increased by \$411,026 or 10.90%.
- ✚ Investment interest significantly increased by \$1.3 million despite the decrease in cash and investment accounts at year-end.



Property taxes contributed to 53.38% of total revenues for governmental activities at Northeastern School District in the 2023 fiscal year. Other major contributors to revenue included grants and subsidies not restricted at 17.23%, operating grants and contributions at 18.95%, and other taxes levied at 7.11%.

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

Governmental program expenditures increased by 5.12% from \$71.5 million to approximately \$75.2 million. Major changes in expenditures can be primarily attributed to the following:

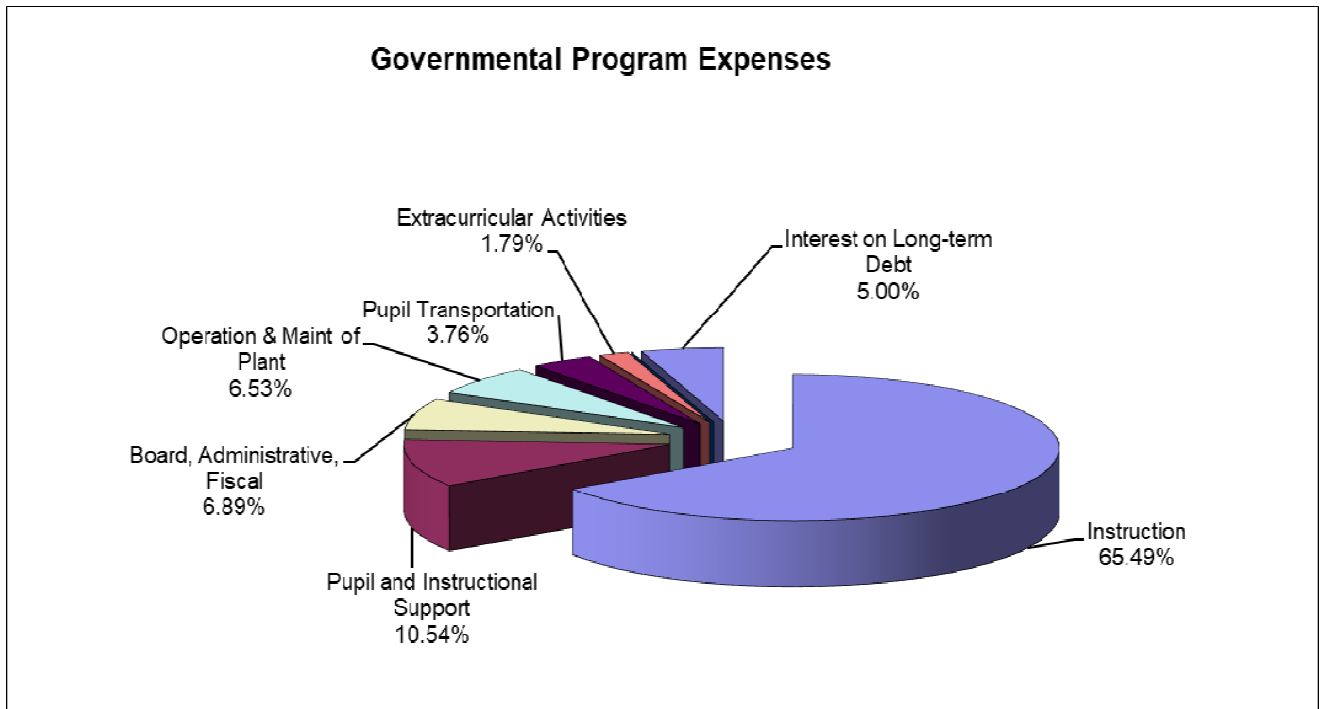
- ✚ Total wages increased by 2.74% or \$839,394.
- ✚ Total employer benefits increased by 2.89% or \$568,936.
 - Employer contribution rate for employee retirement increased from 34.94% to 35.26%. This rate increase resulted in a \$410,623 increase in retirement expense.
 - Social security expense experienced an increase of 2.72% due to the 2.74% increase in wages, totaling \$61,191.
 - Employee tuition reimbursement increased by \$63,758 or 22.19%.
 - Medical, prescription and dental insurance decreased by \$184,778 or 3.08% collectively.
- ✚ Total professional and technical purchased services increased by \$218,234 with an increase of \$352,952 in intermediate unit (IU) services for special needs students and IU-operated alternative education facilities.
- ✚ Total student tuition costs increased by 20.59% or \$1,251,606.

Table 3 compares tuition expenses from 2022 to the 2023 fiscal year.

Description	2022	2023	Dollar Change	Percent of Change
Other Public Schools	115,118.83	108,366.63	(6,752.20)	-5.87%
Charter Schools	3,569,743.19	4,003,504.07	433,760.88	12.15%
Vocational Tech Schools	1,731,849.22	1,891,856.39	160,007.17	9.24%
Private Schools/PRRIs	661,963.21	1,326,553.57	664,590.36	100.40%
Totals	6,078,674.45	7,330,280.66	1,251,606.21	20.59%

- ✚ Total debt service principal payments increased by \$127,000 while interest payments decreased by \$163,895.
- ✚ Transfers to the Capital Reserve Fund totaled \$5,000,000 for the 2023 fiscal year.

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023



Instructional costs contributed to 65.49% of total program expenses for governmental activities for Northeastern School District in the fiscal year 2023.

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

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.

	Gross Expenses		Net Expenses	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Instruction	48,274,722	49,252,401	36,422,091	37,043,971
Support Services:				
Pupil and Instruction Staff	7,097,653	7,926,506	6,075,671	6,208,066
Board of Education, Administration, and Fiscal	4,895,060	5,183,047	4,177,608	4,446,401
Operation & Maintenance of Plant	4,536,735	4,909,727	4,196,985	4,129,295
Pupil Transportation	2,621,299	2,830,440	1,589,875	1,715,385
Extracurricular Activities	1,186,794	1,345,015	739,617	891,252
Community	6,021	3,045	362	-
Refund of Prior Year Receipts	-	-	-	-
Interest on Long-Term Debt	2,928,427	3,760,771	2,053,558	2,929,930
Unallocated Depreciation	-	-	-	-
<i>Total Expenses</i>	<i>71,546,711</i>	<i>75,210,952</i>	<i>55,255,767</i>	<i>57,364,300</i>

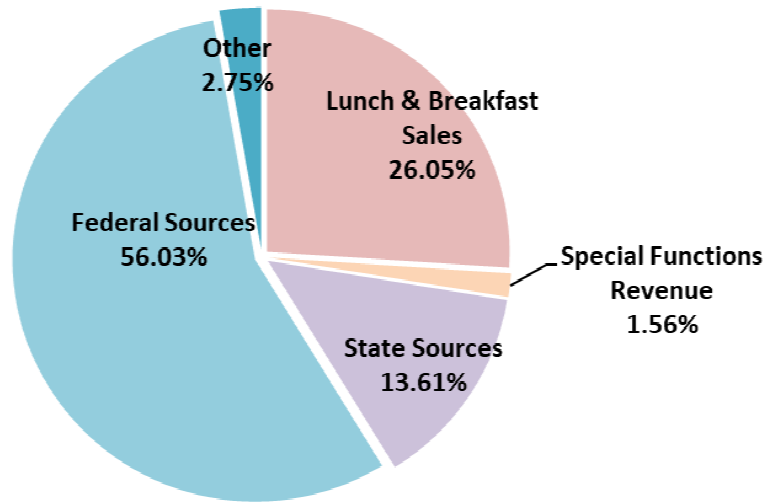
Of the 2022-2023 total cost of services for governmental activities, 23.73% was funded by charges for services, grants, and contributions. The remaining costs were primarily funded by tax revenues and the basic instructional subsidy.

Business-Type Activity

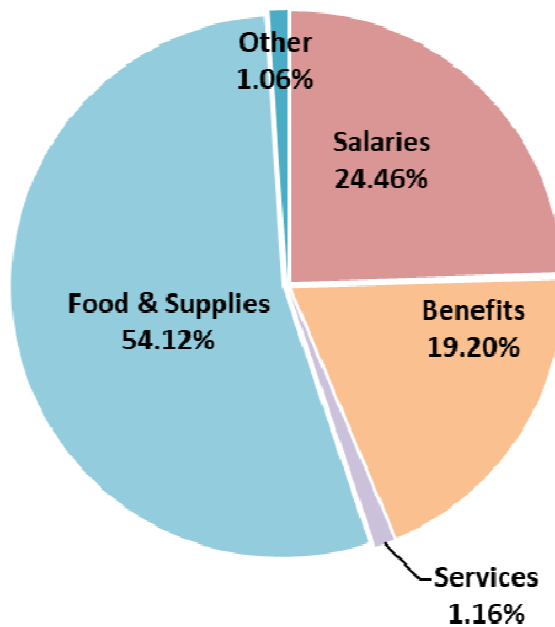
The business-type activity at Northeastern School District is the food service operation. The school district provides both breakfast and lunch programs for grades K through 12. This program had revenues of \$3,603,555 and expenses of \$3,288,035 for the 2022-2023 fiscal year. The school district received 69.64% of its revenue from the federal and state-reimbursable breakfast and lunch programs. Revenue from state and federal grants decreased by 25.94% or \$879,156. Total revenue decreased by 2.23% or \$80,181 while expenditures increased by 19.31% or \$532,169. The increase in expenses was mainly due to an increase of \$351,282 in retirement expenses for the pension liability and \$136,829 in food and supply costs. Total net position on June 30, 2023, was \$58,987, an increase of \$317,081 from the prior year's net position. The total Net Pension Liability for Child Nutrition Services was \$2,259,478.

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

Food Service Revenue



Food Service Expenditures



Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

General Fund Budgeting Highlights

For the 2022-2023 fiscal year, general fund revenues exceeded the budget while expenditures were lower than the budget. Total revenues were above the budget by \$5,200,321 or 6.49%. Total expenditures were slightly below the original budget by \$4,237. In addition, a transfer of \$5,000,000 was made to the Capital Reserve fund for future building and land improvement projects. The actual change in fund balance was an increase of \$1,964,997 resulting in a fund balance of \$17,765,457 on June 30, 2023.

Table 5							
Final Budget Versus Actual Comparison							
	Original	Final		Original	Budget	Final Budget	
<u>Category</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>\$ Difference</u>	<u>% Difference</u>	<u>\$ Difference</u>	<u>% Difference</u>
Revenues:							
Local	50,279,371	50,279,371	54,432,965	4,153,594	8.26%	4,153,594	8.26%
State	26,288,219	26,288,219	27,938,697	1,650,478	6.28%	1,650,478	6.28%
Federal	3,593,000	3,593,000	2,989,249	(603,751)	-16.80%	(603,751)	-16.80%
Total Revenues	80,160,590	80,160,590	85,360,911	5,200,321	6.49%	5,200,321	6.49%
Expenditures:							
Instruction	48,849,134	50,257,729	50,176,669	1,327,535	2.72%	(81,060)	-0.16%
Support Services	22,965,280	20,985,890	20,855,915	(2,109,365)	-9.19%	(129,975)	-0.62%
Non-Instructional Services	871,940	1,104,626	1,104,581	232,641	26.68%	(45)	0.00%
Capital Outlay	-	183,400	183,317	183,317	100.00%	(83)	-0.05%
Debt Service/Transfers	5,712,236	6,083,945	6,073,871	361,635	6.33%	(10,074)	-0.17%
Total Expenditures	78,398,590	78,615,590	78,394,353	(4,237)	-0.01%	(221,237)	-0.28%
Other Financing Sources (Uses)	(1,762,000)	(1,545,000)	(5,001,561)	(3,239,561)	183.86%	(3,456,561)	100.00%
Change in Fund Balance	-	-	1,964,997	1,964,997	100.00%	1,964,997	100.00%

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

Considerable budget variances are noted below:

- ✚ Local revenues exceeded the original budget by 8.26% or \$4,153,594 due to several areas including current real estate tax of \$1,036,732, interim real estate tax of \$423,656, current earned income tax of \$788,613, real estate transfer tax of \$902,996, interest earnings of \$653,950, and ACCESS reimbursements of \$315,906.
- ✚ State revenue exceeded the original budget by 6.28% or \$1,650,478. The district received additional monies for basic education funding, special education funding, and retirement reimbursement.
- ✚ Federal revenue was below the original budget by 16.80% or \$603,751. 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 less than 1% or \$4,237 under the original budget, excluding transfers to other funds. Some noteworthy variances include the following:
 - Employee salaries and benefits were lower than the original budget by \$267,474. Contributing to this total are:
 - Medical, dental, and prescription insurance savings of \$42,636.
 - Social Security, Medicare, and retirement savings of \$145,016.
 - Tuition reimbursement savings of \$62,687.
 - Tuition to other educational agencies for educational services exceeded the original budget by \$1,538,825 due to enrollment increases for charter schools, York County School of Technology and private residential rehabilitative institutions (PRRI). Below is a breakdown of increases by tuition category:
 - Charter Schools - \$633,504
 - Vocational Technical School - \$208,856
 - Private Residential Rehabilitative Institutions - \$717,775
 - Student transportation services, including contracted carriers and intermediate unit transportation, were below budget by \$237,188.
 - Supplies exceeded the original budget by \$1,200,098 due to the spending of ESSER federal funds on technology supplies and instructional technology subscriptions.
 - District transferred \$5,000,000 to the Capital Reserve Fund.

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

Capital Assets

At the end of the fiscal year 2023, the school district had \$89,304,177 invested in capital assets (net of accumulated depreciation), \$89,127,462 in governmental activities.

Table 6 reflects the fiscal year 2023 capital asset balances compared to the fiscal year 2022, excluding capitalized bond issue costs.

Table 6						
Capital Assets at June 30, 2023						
(Net of Depreciation & Amortization)						
	Governmental Activities		Business-Type Activities		Total	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Land & Land Improvements	4,760,482	4,528,533	-	-	4,760,482	4,528,533
Construction in Progress	26,259,907	198,631	-	-	26,259,907	198,631
Vehicles	55,644	43,892	-	-	55,644	43,892
Buildings and Building Improvements	47,864,559	79,957,449	-	-	47,864,559	79,957,449
Machinery/Equipment/Books	3,137,287	3,441,957	158,755	176,715	3,296,042	3,618,672
Lease Assets	11,073	356,733	-	-	11,073	356,733
Subscription Assets	-	600,267	-	-	-	600,267
<i>Total Assets (Net of Depreciation/Amortization)</i>	<u>82,088,952</u>	<u>89,127,462</u>	<u>158,755</u>	<u>176,715</u>	<u>82,247,707</u>	<u>89,304,177</u>

Total capital assets increased by \$7,056,470 for the 2022-2023 fiscal year. This was primarily due to the high school building renovation project, equipment and technology acquisitions, and subscription assets. Depreciation expense totaled \$4,485,455 offsetting capital asset additions of \$11,947,082.

Business-type capital assets, net of accumulated depreciation, increased by \$17,960 during the 2022-2023 fiscal year.

Northeastern School District
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2023

Debt

On June 30, 2023, the Northeastern School District had \$68,867,000 in bonds outstanding, a decrease of \$2,782,000 from the previous fiscal year.

Table 7 summarizes and compares bonds outstanding for the 2023 and 2022 fiscal years.

Table 7			
Outstanding Debt for General Obligation Bonds & Notes			
June 30, 2023			
	Principal Outstanding		
	<u>2022</u>	<u>2023</u>	<u>Change</u>
Series of 2014 (Note)	1,399,000	705,000	(694,000)
Series B of 2015	17,600,000	2,740,000	(14,860,000)
Series A of 2015	23,520,000	21,245,000	(2,275,000)
Series A of 2021	26,850,000	26,845,000	(5,000)
Series B of 2021	2,280,000	1,530,000	(750,000)
Series of 2022	-	15,802,000	15,802,000
<i>Total Outstanding Debt</i>	71,649,000	68,867,000	(2,782,000)

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 2022-2023. 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, 2023**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,127,280	\$ 4,320,995	\$ 9,448,275
Investments	23,886,819	--	23,886,819
Taxes Receivable, Net	1,709,730	--	1,709,730
Due from Other Governments	5,808,773	--	5,808,773
Other Receivables	28,608	29,702	58,310
Inventories	--	52,727	52,727
Prepaid Expenses	74,995	--	74,995
	<u>36,636,205</u>	<u>4,403,424</u>	<u>41,039,629</u>
Total Current Assets			
Noncurrent Assets			
Land and Land Improvements (Net of Accumulated Depreciation)	4,528,533	--	4,528,533
Building and Building Improvements (Net of Accumulated Depreciation)	79,957,449	--	79,957,449
Furniture and Equipment (Net of Accumulated Depreciation)	3,074,795	176,715	3,251,510
Infrastructure (Net of Accumulated Depreciation)	367,012	--	367,012
Textbooks and Library Books (Net of Accumulated Depreciation)	150	--	150
Vehicles (Net of Accumulated Depreciation)	43,892	--	43,892
Right to Use Leased Assets (Net of Accumulated Amortization)	356,733	--	356,733
Right to Use Subscription Assets (Net of Accumulated Amortization)	600,267	--	600,267
Construction Work in Progress	198,631	--	198,631
	<u>89,127,462</u>	<u>176,715</u>	<u>89,304,177</u>
Total Noncurrent Assets			
TOTAL ASSETS	<u>125,763,667</u>	<u>4,580,139</u>	<u>130,343,806</u>
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refinancing Charges	1,615,788	--	1,615,788
Deferred Outflows for Pensions	13,634,104	348,378	13,982,482
Deferred Outflows for Other Postemployment Benefits	975,850	--	975,850
	<u>16,225,742</u>	<u>348,378</u>	<u>16,574,120</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES			
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 141,989,409</u>	<u>\$ 4,928,517</u>	<u>\$ 146,917,926</u>

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 1,280,015	\$ 2,029	\$ 1,282,044
Retainage Payable	212,000	--	212,000
Internal Balances	(2,365,230)	2,365,230	--
Current Portion of Long-Term Debt	4,025,000	--	4,025,000
Current Portion of Lease Liability	119,618	--	119,618
Current Portion of Subscription Liability	300,015	--	300,015
Current Portion of Compensated Absences	146,127	--	146,127
Payroll Deductions and Withholdings	4,242,633	--	4,242,633
Unearned Revenues	915,944	154,120	1,070,064
Other Current Liabilities	<u>818,618</u>	<u>--</u>	<u>818,618</u>
Total Current Liabilities	<u>9,694,740</u>	<u>2,521,379</u>	<u>12,216,119</u>
Noncurrent Liabilities			
Bonds and Notes Payable, Net	68,451,846	--	68,451,846
Long-Term Portion of Compensated Absences	1,129,426	--	1,129,426
Long-Term Portion of Lease Liability	243,404	--	243,404
Long-Term Portion of Subscription Liability	310,515	--	310,515
Other Post-Employment Benefits	7,581,151	--	7,581,151
Net Pension Liability	<u>88,482,593</u>	<u>2,259,478</u>	<u>90,742,071</u>
Total Noncurrent Liabilities	<u>166,198,935</u>	<u>2,259,478</u>	<u>168,458,413</u>
TOTAL LIABILITIES	<u>175,893,675</u>	<u>4,780,857</u>	<u>180,674,532</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows for Pensions	3,472,503	88,673	3,561,176
Deferred Inflows for Other Postemployment Benefits	<u>3,375,951</u>	<u>--</u>	<u>3,375,951</u>
Total Deferred Inflows of Resources	<u>6,848,454</u>	<u>88,673</u>	<u>6,937,127</u>
NET POSITION			
Net Investment in Capital Assets	17,292,852	176,715	17,469,567
Restricted for			
Capital Projects	13,357,795	--	13,357,795
Unrestricted	<u>(71,403,367)</u>	<u>(117,728)</u>	<u>(71,521,095)</u>
TOTAL NET POSITION	<u>(40,752,720)</u>	<u>58,987</u>	<u>(40,693,733)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 141,989,409</u>	<u>\$ 4,928,517</u>	<u>\$ 146,917,926</u>

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

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Regular Instruction	\$ 31,947,372	\$ 41,373	\$ 7,004,997	\$ --	\$ (24,901,002)	\$ --	\$ (24,901,002)
Special Instruction	13,065,012	--	4,594,771	--	(8,470,241)	--	(8,470,241)
Vocational Education	3,640,795	--	312,134	--	(3,328,661)	--	(3,328,661)
Other Instructional Programs	595,749	--	251,682	--	(344,067)	--	(344,067)
Nonpublic School Programs	3,473	--	3,473	--	--	--	--
Student Services	2,814,495	--	1,236,769	--	(1,577,726)	--	(1,577,726)
Instructional Staff	3,516,564	--	260,378	--	(3,256,186)	--	(3,256,186)
Administration	4,588,360	--	670,963	--	(3,917,397)	--	(3,917,397)
Pupil Health	1,280,511	--	187,193	--	(1,093,318)	--	(1,093,318)
Business Services	594,687	--	65,683	--	(529,004)	--	(529,004)
Operation of Plant and Maintenance Services	4,909,727	46,026	547,706	186,700	(4,129,295)	--	(4,129,295)
Student Transportation Services	2,830,440	--	1,115,055	--	(1,715,385)	--	(1,715,385)
Central Support Services	309,227	--	34,100	--	(275,127)	--	(275,127)
Other Support Services	5,709	--	--	--	(5,709)	--	(5,709)
Student Activities	1,345,015	338,929	114,834	--	(891,252)	--	(891,252)
Community Services	3,045	--	3,045	--	--	--	--
Interest on Long-Term Debt	3,760,771	--	--	830,841	(2,929,930)	--	(2,929,930)
Total Governmental Activities	75,210,952	426,328	16,402,783	1,017,541	(57,364,300)	--	(57,364,300)
Business-Type Activities							
Child Nutrition Services	3,288,035	1,005,878	2,509,605	--	--	227,448	227,448
Total Primary Government	\$ 78,498,987	\$ 1,432,206	\$ 18,912,388	\$ 1,017,541	(57,364,300)	227,448	(57,136,852)
General Revenues							
Property Taxes, Levied for General Purposes, Net					46,204,746	--	46,204,746
Public Utility Realty and Earned Income Taxes Levied for Specific Purposes, Net					6,155,523	--	6,155,523
Grants, Subsidies, and Contributions Not Restricted					14,916,287	--	14,916,287
Investment Earnings					1,358,926	88,072	1,446,998
Contributions					52,883	--	52,883
Miscellaneous Income					15,598	--	15,598
Total General Revenues					68,703,963	88,072	68,792,035
Transfers					(1,561)	1,561	--
Change in Net Position					11,338,102	317,081	11,655,183
Net Position – July 1, 2022					(52,090,822)	(258,094)	(52,348,916)
Net Position – June 30, 2023					\$ (40,752,720)	\$ 58,987	\$ (40,693,733)

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

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Major Funds			
	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,749,840	\$ 3,168,784	\$ 208,656	\$ 5,127,280
Investments	6,557,911	17,328,908	--	23,886,819
Taxes Receivable (Net)	1,709,730	--	--	1,709,730
Due from Other Funds	8,863,173	56,251	--	8,919,424
Due from Other Governments	5,808,773	--	--	5,808,773
Other Receivables	28,608	--	--	28,608
TOTAL ASSETS	\$ 24,718,035	\$ 20,553,943	\$ 208,656	\$ 45,480,634
LIABILITIES				
Accounts Payable	\$ 767,680	\$ 512,184	\$ --	\$ 1,279,864
Retainage Payable	--	212,000	--	212,000
Due to Other Funds	56,402	6,471,964	25,979	6,554,345
Payroll Deductions and Withholdings	4,242,633	--	--	4,242,633
Unearned Revenue - Other	915,944	--	--	915,944
TOTAL LIABILITIES	5,982,659	7,196,148	25,979	13,204,786
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue – Property Taxes	969,919	--	--	969,919
TOTAL DEFERRED INFLOWS OF RESOURCES	969,919	--	--	969,919
FUND BALANCES				
Restricted	--	13,357,795	--	13,357,795
Committed	3,000,000	--	--	3,000,000
Assigned	8,200,000	--	182,677	8,382,677
Unassigned	6,565,457	--	--	6,565,457
TOTAL FUND BALANCES	17,765,457	13,357,795	182,677	31,305,929
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 24,718,035	\$ 20,553,943	\$ 208,656	\$ 45,480,634

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, 2023**

Total Fund Balances – Governmental Funds \$ 31,305,929

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

Capital Assets and right to use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is **\$169,001,820** and the accumulated depreciation/amortization is **\$79,874,358**.

89,127,462

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.

969,919

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 **\$3,069,884** deferred charges-advanced refunding totaled **\$3,744,846** with accumulated amortization of **\$2,129,058**.

(1,994,058)

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.

74,995

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	\$ (68,867,000)	
Lease Liability	(363,022)	
Subscription Liability	(610,530)	
Accrued interest on the bonds/notes	(818,618)	
Compensated absences	(1,275,553)	
Other Post-Employment Benefits (OPEB)	(7,581,151)	
Net Pension Liability	<u>(88,482,593)</u>	(167,998,467)

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	\$ 13,634,104	
Deferred inflows – pension	(3,472,503)	
Deferred outflows - OPEB	975,850	
Deferred inflows - OPEB	<u>(3,375,951)</u>	<u>7,761,500</u>

TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES

\$ (40,752,720)

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, 2023**

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Nonmajor Funds	
REVENUES				
Local Sources				
Real Estate Taxes and Penalties	\$ 46,056,123	\$ --	\$ --	\$ 46,056,123
Other Taxes	6,155,523	--	--	6,155,523
Interest	800,950	557,550	426	1,358,926
Revenue from Intermediate Sources	1,111,133	--	--	1,111,133
Tuition	37,690	--	--	37,690
Revenue from Student Activities	99,137	--	239,792	338,929
Other Revenue	159,800	1,610	7,969	169,379
Refund of Prior Year's Expenditures	12,609	--	--	12,609
Total Local Sources	<u>54,432,965</u>	<u>559,160</u>	<u>248,187</u>	<u>55,240,312</u>
State Sources	27,938,697	--	--	27,938,697
Federal Sources	<u>2,989,249</u>	<u>--</u>	<u>--</u>	<u>2,989,249</u>
TOTAL REVENUES	<u>85,360,911</u>	<u>559,160</u>	<u>248,187</u>	<u>86,168,258</u>
EXPENDITURES				
Current				
Instruction	50,176,669	471,143	--	50,647,812
Support Services	20,855,915	1,236,358	116,504	22,208,777
Operation of Noninstructional Services	1,104,581	--	251,944	1,356,525
Total Current	<u>72,137,165</u>	<u>1,707,501</u>	<u>368,448</u>	<u>74,213,114</u>
Capital Outlay				
Facilities Acquisition, Construction and Improvement Services	183,317	9,123,175	--	9,306,492
Total Capital Outlay	<u>183,317</u>	<u>9,123,175</u>	<u>--</u>	<u>9,306,492</u>
Debt Service				
Principal	4,230,877	5,000	--	4,235,877
Interest and Fiscal Charges	1,842,994	805,300	930,496	3,578,790
Total Debt Service	<u>6,073,871</u>	<u>810,300</u>	<u>930,496</u>	<u>7,814,667</u>
TOTAL EXPENDITURES	<u>78,394,353</u>	<u>11,640,976</u>	<u>1,298,944</u>	<u>91,334,273</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>6,966,558</u>	<u>(11,081,816)</u>	<u>(1,050,757)</u>	<u>(5,166,015)</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	(5,001,561)	5,000,000	--	(1,561)
Refunding Bonds Issued	--	--	15,807,000	15,807,000
Refunding Bonds	--	--	(14,760,000)	(14,760,000)
Lease Proceeds	--	1,369,044	--	1,369,044
Insurance Recoveries	--	233,734	--	233,734
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,001,561)</u>	<u>6,602,778</u>	<u>1,047,000</u>	<u>2,648,217</u>
Changes in Fund Balances	1,964,997	(4,479,038)	(3,757)	(2,517,798)
Fund Balances – July 1, 2022	<u>15,800,460</u>	<u>17,836,833</u>	<u>186,434</u>	<u>33,823,727</u>
Fund Balances – June 30, 2023	<u>\$ 17,765,457</u>	<u>\$ 13,357,795</u>	<u>\$ 182,677</u>	<u>\$ 31,305,929</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, 2023**

Total change in fund balance – governmental funds \$ (2,517,798)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (4,485,455)	
Amortization expense	(423,117)	
Capital outlays	<u>11,947,082</u>	7,038,510

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 increased by this amount this year. 148,623

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 18,995,877

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	104,353
--------------------------------------	---------

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.

Issuance of General Obligation Notes	\$ (15,807,000)	
Issuance of Lease Obligations	(468,644)	
Issuance of Subscription Lease Obligations	(900,400)	
Amortization of bond discounts (premiums)	387,118	
Amortization – deferred charges	<u>(269,298)</u>	(17,058,224)

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	\$ 10,393,715	
Cost of benefits earned net of employee contributions (pension expense)	<u>(5,806,455)</u>	4,587,260

**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, 2023**

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	\$ 321,425	
Cost of benefits earned net of employee contributions (OPEB expense)	<u>(362,326)</u>	(40,901)
<u>OTHER</u>		
Net change in accrued interest expense on bonds payable		<u>87,317</u>
Change in net position of governmental activities		<u>\$ 11,338,102</u>

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

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023**

	<u>Child Nutrition Services</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 4,320,995
Other Receivables	29,702
Inventories	<u>52,727</u>
Total Current Assets	<u>4,403,424</u>
Noncurrent Assets	
Machinery and Equipment (Net of Accumulated Depreciation)	<u>176,715</u>
Total Noncurrent Assets	<u>176,715</u>
TOTAL ASSETS	<u>4,580,139</u>
DEFERRED OUTFLOWS OF RESOURCES – PENSIONS	<u>348,378</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,928,517</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 2,029
Due to Other Funds	2,365,230
Unearned Revenue	<u>154,120</u>
Total Current Liabilities	<u>2,521,379</u>
Noncurrent Liabilities	
Net Pension Liability	<u>2,259,478</u>
Total Noncurrent Liabilities	<u>2,259,478</u>
TOTAL LIABILITIES	<u>4,780,857</u>
DEFERRED INFLOWS OF RESOURCES – PENSIONS	<u>88,673</u>
NET POSITION	
Net Investment in Capital Assets	176,715
Unrestricted	<u>(117,728)</u>
TOTAL NET POSITION	<u>58,987</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 4,928,517</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, 2023**

	<u>Child Nutrition Services</u>
OPERATING REVENUES	
Food Service Revenue	
Lunch and Breakfast Sales	\$ 938,591
Special Function Revenue	56,213
Miscellaneous Income	<u>11,074</u>
TOTAL OPERATING REVENUES	<u>1,005,878</u>
OPERATING EXPENSES	
Salaries	804,267
Employee Benefits	631,255
Purchased Professional and Technical Services	27,214
Purchased Property Services	7,974
Other Purchased Service	3,001
Supplies	1,779,568
Equipment	9,267
Dues and Fees	4,854
Depreciation	<u>20,635</u>
TOTAL OPERATING EXPENSES	<u>3,288,035</u>
OPERATING (LOSS)	<u>(2,282,157)</u>
NON-OPERATING REVENUES	
State Sources	490,548
Federal Sources	2,019,057
Interest Income	<u>88,072</u>
TOTAL NON-OPERATING REVENUES	<u>2,597,677</u>
INCOME BEFORE TRANSFERS	315,520
TRANSFER IN	<u>1,561</u>
Changes in Net Position	317,081
Net Position – July 1, 2022	<u>(258,094)</u>
Net Position – June 30, 2023	<u>\$ 58,987</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, 2023**

	<u>Child Nutrition Services</u>
Cash Flows from Operating Activities	
Cash Received from Users	\$ 995,489
Cash Payments to Employees for Services	(1,317,940)
Cash Payments to Suppliers for Goods and Services	<u>(1,653,239)</u>
Net Cash (Used for) Operating Activities	<u>(1,975,690)</u>
Cash Flows from Noncapital Financing Activities	
State Sources	491,624
Federal Sources	1,893,288
Interfund Operating Activity (Net)	2,440,019
Transfer In	<u>1,561</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,826,492</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	<u>(38,595)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(38,595)</u>
Cash Flows from Investing Activities	
Earnings on Investments	<u>88,072</u>
Net Cash Provided by Investing Activities	<u>88,072</u>
Net Increase in Cash and Cash Equivalents	2,900,279
Cash and Cash Equivalents - Beginning of Year	<u>1,420,716</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 4,320,995</u></u>
 Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities	
Operating (Loss)	\$ (2,282,157)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities	
Depreciation	20,635
USDA Donated Commodities	186,683
Change in Deferred Outflows for Pensions	(9,394)
Change in Deferred Inflows for Pensions	(242,095)
Change in Net Pension Liability	369,071
(Increase) Decrease in Accounts Receivable	(11,847)
(Increase) Decrease in Inventories	(9,189)
Increase (Decrease) in Accounts Payable	1,144
Increase (Decrease) in Unearned Revenue	<u>1,459</u>
Total Adjustments	<u>306,467</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (1,975,690)</u></u>
Noncash Investing, Capital and Financing Activities	
USDA Donated Commodities Received	<u>\$ 186,683</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, 2023**

	<u>Private Purpose Trust</u>
ASSETS	
Cash and Cash Equivalents	\$ 25,816
Investments	1,561,045
Due from Other Funds	<u>151</u>
TOTAL ASSETS	<u>\$ 1,587,012</u>
LIABILITIES	<u>\$ --</u>
NET POSITION	
Held in Trust for Scholarships	147,863
Endowments	<u>1,439,149</u>
TOTAL NET POSITION	<u>1,587,012</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,587,012</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, 2023**

	<u>Private Purpose Trust</u>
ADDITIONS	
Earnings on Investments	\$ 26,641
Donations	<u>2,250</u>
TOTAL ADDITIONS	<u>28,891</u>
DEDUCTIONS	
Business Services	2,500
Scholarship Payouts	<u>32,500</u>
TOTAL DEDUCTIONS	<u>35,000</u>
Changes in Net Position	(6,109)
Net Position – July 1, 2022	<u>1,593,121</u>
Net Position – June 30, 2023	<u>\$ 1,587,012</u>

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

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023**

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.

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.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

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

The debt service fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

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, 2023**

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, 2023, 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, 2023. 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, 2023**

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
Right to Use Leased Assets	Life of Lease
Right to Use Subscription Assets	Life of Subscription

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, 2023**

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, 2023**

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 February 26, 2024, the date the financial statements were available to be issued.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Changes in Accounting Principles

During the year ended June 30, 2023, the District implemented GASB No. 96, *Subscription-Based Information Technology Arrangements*, to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The objective of this statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for Subscription-Based Information Technology Arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

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 23 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.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

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, 2023, \$3,251,683 of the District's bank balance of \$3,611,778 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ --
Collateralized with securities held by the pledging financial institution	--
Uninsured and collateral held by the pledging bank's trust department not in the District's name	3,251,683
	\$ 3,251,683

Reconciliation to Financial Statements

Uninsured Amount Above	\$ 3,251,683
Plus: Insured Amount	360,095
Add: Deposits in Transit	180
Less: Outstanding Checks	(91,252)
Carrying Amount – Bank Balances	3,520,706
Plus: Petty Cash	730
Pooled Cash Equivalents - PLGIT	5,952,655
Total Cash per Financial Statements	\$ 9,474,091

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, 2023**

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 \$9,564,433 as of June 30, 2023 were invested in the various financial institutions as follows:

<u>Financial Institution</u>	<u>Deposit Amount</u>	<u>Concentration Percentage</u>
Truist Bank	\$ 3,554,015	37.16%
PSDLAF MAX	1,478,407	15.46%
PLGIT	4,474,248	46.78%
Banks less than 5%	<u>57,763</u>	<u>.60%</u>
	<u>\$ 9,564,433</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, 2023 were \$35,012,298.

Investments

As of June 30, 2023, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Concentration Percentage</u>
PSDLAF FLEX	Various	\$ 19,936,433	78.34%
PSDLAF MAX	Various	3,950,386	15.52%
U.S. Treasury Obligations – M&T Securities	Various	1,229,001	4.83%
Cash and Cash Equivalents – M&T Securities	n/a	331,044	1.30%
Certificates of Deposit – M&T Bank	60 Months	<u>1,000</u>	<u>.01%</u>
		<u>\$ 25,447,864</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	2.00	\$ 1,000	<u>2.00</u>
			<u>\$ 1,000</u>	<u>2.00</u>

*Calculated: 2.00 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, 2023, 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, 2023**

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, 2023, \$25,446,864 of the District's total investments of \$25,447,864 were exposed to custodial credit risk as:

Insured or Registered	\$ 1,229,001
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>24,217,863</u>
	<u>\$ 25,446,864</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, 2023 was 26.91 mills (\$26.91 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, 2023 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue - Taxes
Real Estate	\$ 1,761,746	\$ 100,000	\$ 1,661,746	\$ 720,220	\$ 941,526
Per Capita	<u>66,913</u>	<u>18,929</u>	<u>47,984</u>	<u>19,591</u>	<u>28,393</u>
	<u>\$ 1,828,659</u>	<u>\$ 118,929</u>	<u>\$ 1,709,730</u>	<u>\$ 739,811</u>	<u>\$ 969,919</u>

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the school district. At June 30, 2023, the following amounts are due from other governmental units:

	General Fund	Enterprise Fund	Total
Federal (through the state)	\$ 1,627,615	\$ --	\$ 1,627,615
State	3,023,804	--	3,023,804
Local	1,157,354	--	1,157,354
	\$ 5,808,773	\$ --	\$ 5,808,773

NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 26,259,907	\$ 198,631	\$ 26,259,907	\$ 198,631
Total Capital Assets, Not Being Appreciated	26,259,907	198,631	26,259,907	198,631
Capital Assets Being Depreciated				
Land and Land Improvements	12,479,948	208,203	--	12,688,151
Buildings and Building Improvements	104,139,628	35,166,265	--	139,305,893
Furniture and Equipment	10,995,923	1,264,846	--	12,260,769
Infrastructure	1,218,772	--	--	1,218,772
Textbooks and Library Books	1,643,870	--	--	1,643,870
Vehicles	292,443	--	--	292,443
Total Capital Assets, Being Depreciated	130,770,584	36,639,314	--	167,409,898
Less Accumulated Depreciation for				
Land and Land Improvements	7,719,466	440,152	--	8,159,618
Buildings and Building Improvements	56,275,069	3,073,375	--	59,348,444
Furniture and Equipment	8,309,807	876,167	--	9,185,974
Infrastructure	770,508	81,252	--	851,760
Textbooks and Library Books	1,640,963	2,757	--	1,643,720
Vehicles	236,799	11,752	--	248,551
Total Accumulated Depreciation	74,952,612	4,485,455	--	79,438,067
Total Capital Assets, Being Depreciated, Net	55,817,972	32,153,859	--	87,971,831
Lease Assets Being Amortized				
Equipment	24,247	468,644	--	492,891
Total Lease Assets Being Amortized	24,247	468,644	--	492,891

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 - CHANGES IN CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Less Accumulated Amortization for Equipment	13,174	122,984	--	136,158
Total Accumulated Amortization	13,174	122,984	--	136,158
Total Lease Assets, Being Amortized, Net	11,073	345,660	--	356,733
Subscription Assets (SBITA) Being Amortized Technology Asset	--	900,400	--	900,400
Total SBITA Being Amortized	--	900,400	--	900,400
Less Accumulated Amortization for Technology Asset	--	300,133	--	300,133
Total Accumulated Amortization	--	300,133	--	300,133
Total Lease Assets, Being Amortized, Net	--	600,267	--	600,267
Governmental Activities, Capital Assets, Net	\$ 82,088,952	\$ 33,298,417	\$ 26,259,907	\$ 89,127,462
Business-Type Activities				
Capital Assets				
Equipment	\$ 535,861	\$ 38,595	\$ 11,671	\$ 562,785
Total Capital Assets	535,861	38,595	11,671	562,785
Less Accumulated Depreciation for Equipment	377,106	20,635	11,671	386,070
Total Accumulated Depreciation	377,106	20,635	11,671	386,070
Business-Type Activities Capital Assets, Net	\$ 158,755	\$ 17,960	\$ --	\$ 176,715

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

Governmental Activities

Instruction	
Regular	\$ 2,143,559
Special	829,762
Vocational	232,933
Other	41,473
Support Services	
Student Services	187,288
Instructional Staff	221,534
Administration	318,900
Pupil Health	81,982
Business	34,353
Operation and Maintenance of Plant Services	304,942
Other Support Services	17,426
Operation of Non-Instructional Services	
Student Activities	71,303
Total Depreciation Expense – Governmental Activities	\$ 4,485,455

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 - CHANGES IN CAPITAL ASSETS (Continued)

Business-Type Activities

Child Nutrition Services	\$ 20,635
Total Depreciation Expense – Business-Type Activities	<u>\$ 20,635</u>

NOTE 7 - DUE TO/FROM OTHER FUNDS

Interfund receivable and payable balances as of June 30, 2023 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 8,863,173	\$ 56,402
Capital Projects Fund	56,251	6,471,964
Enterprise Fund	--	2,365,230
Student Activity Funds	--	25,979
Private Purpose Trust Fund	<u>151</u>	<u>--</u>
	<u>\$ 8,919,575</u>	<u>\$ 8,919,575</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 Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 5,001,561	\$ --
Capital Projects Fund	--	5,000,000
Enterprise Fund	<u>--</u>	<u>1,561</u>
	<u>\$ 5,001,561</u>	<u>\$ 5,001,561</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 \$13,357,795.

As of June 30, 2023, 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, 2023, the District's assigned fund balance in the amount of \$8,382,677 consisted funds set aside for the following:

High School Renovation Project	\$ 3,800,000
Safety and Security	500,000
Building and Grounds Infrastructure	2,400,000
Technology	500,000
Special Education	1,000,000
Student Activity Funds	123,102
Football Athletic Funds	<u>59,575</u>
Total Assigned Fund Balance	<u>\$ 8,382,677</u>

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - LONG-TERM DEBT

During the fiscal year ended June 30, 2023, long-term debt changed as follows:

	<u>Balance at July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2023</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$70,250,000	\$ --	\$ 17,890,000	\$ 52,360,000	\$ 3,255,000
Notes from Direct Borrowings and Direct Placements	1,399,000	15,807,000	699,000	16,507,000	770,000
Lease Liability	11,385	468,644	117,007	363,022	119,618
Subscription Liability	--	900,400	289,870	610,530	300,015
Compensated Absences	<u>1,379,906</u>	<u>17,636</u>	<u>121,989</u>	<u>1,275,553</u>	<u>146,127</u>
	<u>\$73,040,291</u>	<u>\$17,193,680</u>	<u>\$ 19,117,866</u>	<u>\$ 71,116,105</u>	<u>\$ 4,590,760</u>

The district's outstanding notes from direct borrowings and direct placements related to governmental activities of \$16,507,000 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, 2023 was as follows:

Bonds/Notes Payable (Net of Current Portion)	\$ 64,842,000
Bond Discounts/Premiums (Net of Accumulated Amortization)	<u>3,609,846</u>
Bonds and Notes Payable, Net	<u>\$ 68,451,846</u>

The future annual payments required to amortize all outstanding bonds payable, as of June 30, 2023 including total interest payments are as follows:

<u>Year Ended June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	\$ 1,807,786	\$ 3,255,000	\$ 5,062,786
2025	1,680,051	4,045,000	5,725,051
2026	1,513,494	4,265,000	5,778,494
2027	1,302,056	4,475,000	5,777,056
2028	1,095,619	4,685,000	5,780,619
2029-2033	4,170,169	6,460,000	10,630,169
2034-2038	3,278,250	8,555,000	11,833,250
2039-2043	1,915,050	9,925,000	11,840,050
2044-2046	<u>405,750</u>	<u>6,695,000</u>	<u>7,100,750</u>
	<u>\$ 17,168,225</u>	<u>\$ 52,360,000</u>	<u>\$ 69,528,225</u>

The future annual payments required to amortize all outstanding notes payable, as of June 30, 2023, including total interest payments are as follows:

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - LONG-TERM DEBT (Continued)

Year Ended June 30,	General Obligation Bonds		
	Interest	Principal	Total
2024	\$ 623,683	\$ 770,000	\$ 1,393,683
2025	604,301	58,000	662,301
2026	540,142	106,000	646,142
2027	474,977	171,000	645,977
2028	469,761	177,000	646,761
2029-2032	<u>1,364,692</u>	<u>15,225,000</u>	<u>16,589,692</u>
	<u>\$ 4,077,556</u>	<u>\$ 16,507,000</u>	<u>\$ 20,584,556</u>

General Obligation Bonds/Notes consisted of the following as of June 30, 2023:

<u>Title of Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Principal Balance Outstanding</u>
Series of 2022	\$ 15,807,000	2.15% to 3.125%	March 1, 2032	\$ 15,802,000
Series A of 2021	26,850,000	2.0% to 3.0%	March 1, 2046	26,845,000
Series B of 2021	2,990,000	1.0% to 2.0%	March 1, 2025	1,530,000
Series A of 2015	30,435,000	2.0% to 5.0%	March 1, 2029	21,245,000
Series B of 2015	17,900,000	.550% to 5.0%	March 1, 2032	2,740,000
Series of 2014 (Note)	6,324,000	Variable*	April 25, 2024	705,000

*See Note 10.

Lease Liability

In July 2022, 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, 2023, the District paid \$111,092 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, 2023, the District paid \$3,447 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, 2023, the District paid \$2,468 on this lease.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Lease Liability - Copiers	\$ --	\$ 468,644	\$ 111,092	\$ 357,552
Lease Liability - Postage Machine	7,872	--	3,447	4,425
Lease Liability - Subaru Legacy	<u>3,513</u>	<u>--</u>	<u>2,468</u>	<u>1,045</u>
Total Lease Liability	<u>\$ 11,385</u>	<u>\$ 468,644</u>	<u>\$ 117,007</u>	<u>\$ 363,022</u>

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - LONG-TERM DEBT (Continued)

Lease Liability (Continued)

The future minimum payments are as follows:

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	\$ 10,371	\$ 119,618	\$129,989
2025	6,223	120,030	126,253
2026	<u>1,986</u>	<u>123,374</u>	<u>125,360</u>
	<u>\$ 18,580</u>	<u>\$ 363,022</u>	<u>\$381,602</u>

Subscription Liability

The District has entered into several information technology subscription agreements for the use of various software services. Initial leases were recorded in the amount of \$900,400, and include discounts of 3.5%.

The future minimum payments are as follows:

<u>Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	\$ 10,500	\$ 300,015	\$ 310,515
2025	<u>--</u>	<u>310,515</u>	<u>310,515</u>
	<u>\$ 10,500</u>	<u>\$ 610,530</u>	<u>\$ 621,030</u>

Defeasance of Debt

The District has refunded certain bond issues by establishing escrow accounts to pay off the bonds as they become due or callable. This action resulted in a defeasance of debt and these bonds are no longer reported in the financial statements of the District. The refunded bond issues, along with the amount outstanding at June 30, 2023, are detailed below:

General Obligation Bonds, Series B of 2015	\$ 14,760,000
--	---------------

Compensated Absences

The balance of accrued compensated absences at June 30, 2023 was composed of accrued vacation/paid leave in the amount of \$1,275,553.

NOTE 10 - DELVAL INTEREST RATE SWAP AGREEMENT

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

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

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MANCHESTER, PENNSYLVANIA
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NOTE 10 - DELVAL INTEREST RATE SWAP AGREEMENT (Continued)

DelVal has entered into interest rate swap agreements with Bank of America, N.A., Barclays Bank PLC, Citibank, N.A., PNC Bank, National Association, Royal Bank of Canada, and Toronto-Dominion Bank (the Counterparties) related to DelVal's Bonds and fixed rate loans. The market value is the estimated price that DelVal would receive (pay) if the agreements were terminated as of June 30, 2023. If DelVal were obligated to make a payment and sufficient funds were not available, DelVal could assess each borrower its allocable share of the termination payment.

<u>Description</u>	<u>Average Loan Rate</u>	<u>Principal Outstanding 06/30/23</u>	<u>Market Value of Related Interest Rate Swap Agreements</u>	
			<u>Fixed Rate Loans</u>	<u>DelVal Bonds</u>
2014 Note	1.631%	\$ 705,000	\$ 11,267	\$ 32,171

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

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

DelVal would seek to replace any terminated swap agreement related to DelVal'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. DelVal may not be able to secure a replacement interest rate swap if the swap market is not functioning normally or if DelVal does not have access to the swap market. The long term, unsecured, senior debt ratings of DelVal are currently A1 and A+ by Moody's Investors Service and Standard & Poor's, respectively. As of June 30, 2023, DelVal would have received a payment of approximately \$119 million if the swap agreements related to the DelVal Series and borrowers' fixed rate loans were terminated.

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

NOTE 11 - OPERATING LEASES

The District signed a lease rental agreement with the York County School of Technology Authority in which the District agreed to make payments of their pro-rated share of the Authority's debt service. The District's pro-rated share is calculated annually based on assessed market value. During the year ended June 30, 2023, the District paid \$213,038 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>	
2024	\$ 213,146
2025	162,719
2026	126,595
2027	126,644
2028	126,774
2029-2032	<u>433,093</u>
	<u>\$ 1,188,971</u>

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
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JUNE 30, 2023**

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.

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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

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

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

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

Contributions

Member Contributions:

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

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - PENSION PLAN (Continued)

Contributions (Continued)

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit Contribution Rate	Defined Contribution Rate	Total Contribution
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% (prior 7/1/21) 8.00% (after 7/1/21)
T-F	On or after 7/1/2011	10.3% base w/ SR*	N/A	10.30% (prior 7/1/21) 10.80% (after 7/1/21)
T-G	On or after 7/1/2019	5.50% base w/ SR*	2.75%	8.25% (prior 7/1/21) 9.00% (after 7/1/21)
T-H	On or after 7/1/2019	4.50% base w/ SR*	3.00%	7.50% (prior 7/1/21) 8.25% (after 7/1/21)
DC	On or after 7/1/2019	N/A	7.50%	7.50%

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

Employer Contributions:

The district's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the district were \$10,659,347 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$90,742,071 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was .2041 percent, which was a decrease of .0033 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$6,189,668. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - PENSION PLAN (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ --	\$ 1,539,613
Net difference between projected and actual experience	41,149	784,820
Changes in assumptions	2,709,610	--
Changes in proportions	553,448	1,236,743
Contributions subsequent to the measurement date	10,659,347	--
Difference between employer contributions and proportionate share of total contributions	18,928	--
	<u>\$ 13,982,482</u>	<u>\$ 3,561,176</u>

\$10,659,347 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2024	\$ 123,853
2025	224,323
2026	(2,738,647)
2027	2,152,430

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.75%.
- 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 was 7.00% as of June 30, 2021 and as of June 30, 2022.
- 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.
 - 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.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - PENSION PLAN (Continued)
Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2022 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private Equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLP's	9.0%	5.4%
Real Estate	11.0%	4.6%
Absolute Return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	(11.0)%	0.5%
	100.0%	

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, 2022.

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:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 117,366,000	\$ 90,742,071	\$ 68,291,000

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.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2022, 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

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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.

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.

Employer Contributions

The district's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% 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 \$231,658 for the year ended June 30, 2023.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

PSERS Health Insurance Premium Assistance Program (Continued)

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

At June 30, 2023, the District reported a liability of \$3,746,806 or its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was .2035 percent, which was a decrease of .0033 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$117,084. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 10,186	\$ --
Changes in Assumption	415,905	884,705
Changes in proportions	60,431	75,517
Difference between expected and actual experience	34,495	20,069
Difference between employer contributions and proportionate share of total contributions	1,577	1,457
Contributions subsequent to the measurement date	231,658	--
	\$ 754,252	\$ 981,748

\$231,658 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2024	\$ (87,050)
2025	(62,216)
2026	(89,387)
2027	(104,702)
2028	(115,799)

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - 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.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

PSERS Health Insurance Premium Assistance Program (Continued)

Actuarial Assumptions (Continued)

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- 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: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- 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.

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

<u>OPEB - Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Expected Real Rate of Return</u>
Cash	<u>100.0%</u>	0.5%

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, 2022.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. 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 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, 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, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 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, 2022, 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 Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB liability	\$ 3,745,588	\$ 3,746,806	\$ 3,746,274

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current rate:

	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
District's proportionate share of the net OPEB liability	\$ 4,236,000	\$ 3,746,806	\$ 3,336,000

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.

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.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

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

Benefits Provided (Continued)

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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Inactive employees entitled to but not yet receiving benefit payments	--
Active Employees	<u>432</u>
	<u>442</u>

Total OPEB Liability

The district's total OPEB liability of \$3,834,345 was measured as of July 1, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2022 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	4.06 percent
Salary increases	2.5 percent cost of living adjustment, 1.5 percent real wage growth, and merit increases which varies from 2.75% to 0%
Withdrawal	Rates for new employees start at 25.93% for men and 27.46% for women 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	6.5 percent in 2022, 6 percent in 2023 and 5.5 percent in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9 in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
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.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

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

Changes in the Total OPEB Liability

Balance at July 1, 2021	\$ 4,687,407
Service Cost	338,802
Interest	113,711
Differences between Expected and Actual Experience	(77,380)
Changes of Assumptions	(1,156,419)
Benefit Payments	<u>(71,776)</u>
Net Changes	<u>(853,062)</u>
Balance at July 1, 2022	<u>\$ 3,834,345</u>

Changes of assumptions reflect a change in the discount rate from 2.28% to 4.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$245,242. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumption	\$ 131,831	\$ 1,508,197
Differences Between Expected and Actual Experience	--	886,006
Contributions subsequent to the measurement date	<u>89,767</u>	<u>--</u>
	<u>\$ 221,598</u>	<u>\$ 2,394,203</u>

\$89,767 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, 2023. 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:

2024	\$ (207,271)
2025	(207,271)
2026	(207,271)
2027	(207,271)
2028	(207,271)
Thereafter	(1,226,017)

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 (3.06 percent) or 1-percentage point higher (5.06 percent) than the current rate:

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

	1% Decrease 3.06%	Current Discount Rate 4.06%	1 % Increase 5.06%
Total OPEB Liability	\$ 4,145,174	\$ 3,834,345	\$ 3,539,592

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:

	1% Decrease	Healthcare Cost Trend Rate	1 % Increase
Total OPEB Liability	\$ 3,395,191	\$ 3,834,345	\$ 4,347,660

Reconciliation to the Financial Statements

	Deferred Outflows	Deferred Inflows	OPEB Payable
PSERS Health Insurance Premium Assistance Program	\$ 754,252	\$ 981,748	\$ 3,746,806
Northeastern School District Postemployment Benefits Plan	221,598	2,394,203	3,834,345
	\$ 975,850	\$3,375,951	\$ 7,581,151

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, 2023 and the two previous fiscal years, no settlements exceeded insurance coverage.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, 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, 2023 and 2022 are detailed below:

	2023	2022
Net Position, Beginning	\$ 3,572,375	\$ 4,440,087
Contributions	6,632,760	6,561,464
Interest Allocation	66,631	4,965
Claims Paid	(7,303,119)	(6,531,277)
PA Trust Reimbursement/Refund	971,720	--
Stop-Loss Reimbursement	665,814	187,437
Stop-loss Insurance	(616,914)	(430,957)
Other deductions	(783,513)	(659,344)
Net Position, Ending	<u>\$ 3,205,754</u>	<u>\$ 3,572,375</u>

The Lincoln Benefit Trust had net position of \$74,533,387 at June 30, 2023, and a decrease in net position of \$2,603,633 as of and for the year ended June 30, 2023. 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, 2023, the District paid \$807,555 to Questeq, Inc.

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

2024	\$ 827,744
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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 2029. 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, 2023, the District amortized \$269,298 as a component of interest expense.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, 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.

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, 2023, the District abated property taxes totaling \$1,634,919 under this program.

NOTE 20 – COMMITMENTS

As of June 30, 2023, the District is involved in construction projects. The District had the following commitments as of June 30, 2023:

	Contract Amounts	Amounts Paid	Commitments Outstanding
High School Project:			
General Construction – Lobar, Inc.	\$ 18,467,058	\$ 18,267,058	\$ 200,000
Electrical Construction – Lobar, Inc.	3,485,324	3,477,069	8,255
Plumbing – Jay R. Reynolds, Inc.	1,940,652	1,936,152	4,500
Siemens Industry, Inc.	185,435	45,000	140,435
Spring Forge Boiler Replacement:			
3B Services, Inc.	192,300	189,800	2,500
	<u>\$ 24,270,769</u>	<u>\$ 23,915,079</u>	<u>\$ 355,690</u>

NOTE 21 – SUBSEQUENT EVENT

In October 2023, the District awarded bids totaling \$714,148 for the Conewago Elementary chiller replacement.

REQUIRED SUPPLEMENTARY INFORMATION

OF

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

JUNE 30, 2023

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Revenues				
Real Estate Taxes and Penalties	\$ 44,010,011	\$ 44,010,011	\$ 46,056,123	\$ 2,046,112
Other Taxes	5,166,509	5,166,509	6,155,523	989,014
Interest	147,000	147,000	800,950	653,950
Revenues from Intermediate Sources	703,562	703,562	1,111,133	407,571
Tuition	67,000	67,000	37,690	(29,310)
Revenue from Student Activities	61,262	61,262	99,137	37,875
Other Revenue	124,027	124,027	159,800	35,773
Refund of Prior Year's Expenditures	--	--	12,609	12,609
Total Local Sources	50,279,371	50,279,371	54,432,965	4,153,594
State Sources	26,288,219	26,288,219	27,938,697	1,650,478
Federal Sources	3,593,000	3,593,000	2,989,249	(603,751)
TOTAL REVENUES	80,160,590	80,160,590	85,360,911	5,200,321
EXPENDITURES				
Instruction				
Regular Programs	32,883,133	33,189,839	33,115,223	74,616
Special Programs	12,373,649	12,821,885	12,818,753	3,132
Vocational Education	3,275,441	3,598,966	3,598,514	452
Other Instructional Programs	316,911	643,539	640,706	2,833
Nonpublic School Programs	--	3,500	3,473	27
Support Services				
Student Services	2,815,052	2,893,604	2,893,353	251
Instructional Staff Services	3,529,078	3,424,995	3,422,422	2,573
Administrative Services	6,759,014	4,937,107	4,926,597	10,510
Pupil Health	1,255,055	1,266,552	1,266,522	30
Business Services	560,867	603,887	530,701	73,186
Operation and Maintenance of Plant Services	4,726,780	4,711,405	4,710,962	443
Student Transportation Services	3,050,069	2,830,522	2,830,440	82
Central Support Services	247,365	312,093	269,209	42,884
Other Support Services	22,000	5,725	5,709	16
Operation of Noninstructional Services				
Student Activities	871,940	1,101,580	1,101,536	44
Community Services	--	3,046	3,045	1
Capital Outlay				
Facilities Acquisition, Construction and Improvement Services	--	183,400	183,317	83
Debt Service				
Principal	3,819,000	4,231,039	4,230,877	162
Interest and Fiscal Charges	1,893,236	1,852,906	1,842,994	9,912
TOTAL EXPENDITURES	78,398,590	78,615,590	78,394,353	221,237

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,762,000</u>	<u>1,545,000</u>	<u>6,966,558</u>	<u>5,421,558</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	<u>(1,762,000)</u>	<u>(1,545,000)</u>	<u>(5,001,561)</u>	<u>(3,456,561)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,762,000)</u>	<u>(1,545,000)</u>	<u>(5,001,561)</u>	<u>(3,456,561)</u>
Changes in Fund Balances	--	--	1,964,997	1,964,997
Fund Balances – July 1, 2022	<u>15,800,460</u>	<u>15,800,460</u>	<u>15,800,460</u>	--
Fund Balances – June 30, 2023	<u>\$15,800,460</u>	<u>\$ 15,800,460</u>	<u>\$ 17,765,457</u>	<u>\$ 1,964,997</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)

	Measurement Date				
	<u>6/30/22</u>	<u>06/30/21</u>	<u>06/30/20</u>	<u>06/30/19</u>	<u>06/30/18</u>
District's proportion of net pension liability (asset)	0.2041%	0.2074%	0.2051%	0.2059%	0.2062%
District's proportionate share of the net pension liability (asset)	<u>\$ 90,742,071</u>	<u>\$ 85,153,477</u>	<u>\$ 100,991,041</u>	<u>\$ 96,327,209</u>	<u>\$ 98,988,057</u>
District's covered-employee payroll	\$ 30,887,706	\$ 29,321,076	\$ 28,655,024	\$ 28,400,687	\$ 27,773,611
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	293.78%	290.42%	352.37%	339.17%	356.41%
Plan fiduciary net position as a percentage of the total pension Liability	61.34%	63.67%	54.32%	55.66%	54.00%
	<u>6/30/17</u>	<u>06/30/16</u>	<u>06/30/15</u>	<u>06/30/14</u>	
District's proportion of net pension liability (asset)	0.2026%	0.2003%	.01994%	.01971%	
District's proportionate share of the net pension liability (asset)	<u>\$ 100,062,728</u>	<u>\$ 99,261,985</u>	<u>\$ 86,370,385</u>	<u>\$ 78,013,254</u>	
District's covered-employee payroll	\$ 26,842,041	\$ 25,938,869	\$ 25,650,370	\$ 25,147,736	
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	372.78%	382.68%	336.72%	310.22%	
Plan fiduciary net position as a percentage of the total pension Liability	51.84%	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)**

	<u>Contractually Required Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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%
2023	\$ 10,659,347	\$ 10,659,347	\$ --	\$ 30,887,706	34.51%

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)

	Measurement Date				
	<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>
District's proportion of net OPEB liability (asset)	0.2035%	0.2068%	0.2047%	0.2059%	0.2062%
District's proportionate share of the net OPEB liability (asset)	\$ <u>3,746,806</u>	\$ <u>4,901,343</u>	\$ <u>4,422,958</u>	\$ <u>4,379,181</u>	\$ <u>4,299,178</u>
District's covered-employee payroll	\$ 30,887,706	\$ 29,321,076	\$28,655,024	\$28,400,687	\$27,773,611
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	12.13%	16.72%	15.44%	15.42%	15.48%
Plan Fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%
	<u>6/30/2017</u>				
District's proportion of net OPEB liability (asset)	.2026%				
District's proportionate share of the net OPEB liability (asset)	\$ <u>4,127,806</u>				
District's covered-employee payroll	\$ 26,842,041				
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	15.79%				
Plan Fiduciary net position as a percentage of the total OPEB liability	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%. Changes in assumption used in the measurement of the total OPEB liability beginning June 30, 2022 resulted from adjusting the discount rate from 2.18% to 4.09%.

See accompanying independent auditor's report.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

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

	<u>Contractually Required Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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%
2023	\$ 231,658	\$ 231,658	\$ --	\$ 30,887,706	0.75%

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>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Total OPEB Liability					
Service Cost	\$ 338,802	\$ 341,327	\$ 294,196	\$ 295,853	\$ 381,404
Interest	113,711	89,013	148,125	125,634	166,707
Changes of Benefit Terms	--	--	--	--	--
Differences between Expected and Actual Experience	(77,380)	--	(95,413)	--	(1,149,845)
Changes of Assumptions	(1,156,419)	(149,785)	75,174	(131,847)	(329,492)
Benefit Payments	<u>(71,776)</u>	<u>(81,708)</u>	<u>(104,331)</u>	<u>(84,828)</u>	<u>(103,557)</u>
Net Change	(853,062)	198,847	317,751	204,812	(1,034,783)
Total OPEB Liability – Beginning	4,687,407	4,488,560	4,170,809	3,965,997	5,000,780
Total OPEB Liability – Ending	<u>\$ 3,834,345</u>	<u>\$ 4,687,407</u>	<u>\$ 4,488,560</u>	<u>\$ 4,170,809</u>	<u>\$ 3,965,997</u>
Covered-Employee Payroll	\$ 28,757,224	\$ 28,217,855	\$ 28,217,855	\$ 25,744,585	\$ 25,744,585
Total OPEB Liability as a % of Covered-Employee Payroll	13.33%	16.61%	15.91%	16.20%	15.41%
Total OPEB Liability					
Service Cost	<u>\$ 367,770</u>				
Interest	119,362				
Differences between Expected and Actual Experience	--				
Changes of Assumptions	121,283				
Benefit Payments	<u>(73,147)</u>				
Net Change	535,268				
Total OPEB Liability – Beginning	4,465,512				
Total OPEB Liability – Ending	<u>\$ 5,000,780</u>				
Covered-Employee Payroll	\$ 25,001,694				
Total OPEB Liability as a % of Covered-Employee Payroll	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%. Changes in assumptions used in the measurement of the total OPEB liability beginning June 30, 2023 resulted from adjusting the discount rate from 2.28% to 4.06%.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION
OF
NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
JUNE 30, 2023

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**COMBINING BALANCE SHEET – CAPITAL PROJECTS FUND
JUNE 30, 2023**

	Capital Reserve Fund	Capital Projects Fund 31	Capital Projects Fund 39	Capital Total
ASSETS				
Investments	\$ 3,168,784	\$ --	\$ --	\$ 3,168,784
Investments	17,328,908	--	--	17,328,908
Due from Other Funds	--	56,251	--	56,251
TOTAL ASSETS	<u>\$20,497,692</u>	<u>\$ 56,251</u>	<u>\$ --</u>	<u>\$20,553,943</u>
LIABILITIES				
Accounts Payable	\$ 498,194	\$ 13,990	\$ --	\$ 512,184
Retainage Payable	2,500	209,500	--	212,000
Due to Other Funds	6,471,964	--	--	6,471,964
TOTAL LIABILITIES	6,972,658	223,490	--	7,196,148
FUND BALANCES				
Restricted	13,525,034	(167,239)	--	13,357,795
TOTAL FUND BALANCES	13,525,034	(167,239)	--	13,357,795
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,497,692</u>	<u>\$ 56,251</u>	<u>\$ --</u>	<u>\$20,553,943</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, 2023**

	Capital Reserve Fund	Capital Projects Fund 31	Capital Projects Fund 39	Capital Total
REVENUES				
Local Sources				
Interest	\$ 510,094	\$ 47,456	\$ --	\$ 557,550
Contributions	<u>1,610</u>	<u>--</u>	<u>--</u>	<u>1,610</u>
Total Local Sources	<u>511,704</u>	<u>47,456</u>	<u>--</u>	<u>559,160</u>
TOTAL REVENUES	<u>511,704</u>	<u>47,456</u>	<u>--</u>	<u>559,160</u>
EXPENDITURES				
Current				
Instruction	2,499	--	468,644	471,143
Support Services	<u>315,030</u>	<u>20,928</u>	<u>900,400</u>	<u>1,236,358</u>
Total Current	<u>317,529</u>	<u>20,928</u>	<u>1,369,044</u>	<u>1,707,501</u>
Capital Outlay				
Facilities Acquisition, Construction and Improvement Services	<u>592,981</u>	<u>8,530,194</u>	<u>--</u>	<u>9,123,175</u>
Total Capital Outlay	<u>592,981</u>	<u>8,530,194</u>	<u>--</u>	<u>9,123,175</u>
Debt Service				
Principal	5,000	--	--	5,000
Interest and Fiscal Charges	<u>805,300</u>	<u>--</u>	<u>--</u>	<u>805,300</u>
Total Debt Service	<u>810,300</u>	<u>--</u>	<u>--</u>	<u>810,300</u>
TOTAL EXPENDITURES	<u>1,720,810</u>	<u>8,551,122</u>	<u>1,369,044</u>	<u>11,640,976</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(1,209,106)</u>	<u>(8,503,666)</u>	<u>(1,369,044)</u>	<u>(11,081,816)</u>
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	--	--	1,369,044	1,369,044
Insurance Recoveries	--	233,734	--	233,734
Transfer In	5,000,000	4,684,577	--	9,684,577
Transfer Out	<u>(4,684,577)</u>	<u>--</u>	<u>--</u>	<u>(4,684,577)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>315,423</u>	<u>4,918,311</u>	<u>1,369,044</u>	<u>6,602,778</u>
Changes in Fund Balances	(893,683)	(3,585,355)	--	(4,479,038)
Fund Balances – July 1, 2022	<u>14,418,717</u>	<u>3,418,116</u>	<u>--</u>	<u>17,836,833</u>
Fund Balances – June 30, 2023	<u>\$13,525,034</u>	<u>\$ (167,239)</u>	<u>\$ --</u>	<u>\$13,357,795</u>

See accompanying independent auditor's report.

NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Football Athletic Fund	Student Activity Funds	Debt Service Fund	Total Nonmajor Funds
ASSETS				
Cash and Cash Equivalents	\$ 59,575	\$ 149,081	\$ --	\$ 208,656
TOTAL ASSETS	<u>\$ 59,575</u>	<u>\$ 149,081</u>	<u>\$ --</u>	<u>\$ 208,656</u>
LIABILITIES				
Due to Other Funds	\$ --	\$ 25,979	\$ --	\$ 25,979
FUND BALANCES				
Assigned	59,575	123,102	--	182,677
TOTAL FUND BALANCES	<u>59,575</u>	<u>123,102</u>	<u>--</u>	<u>182,677</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 59,575</u>	<u>\$ 149,081</u>	<u>\$ --</u>	<u>\$ 208,656</u>

NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Football Athletic Fund	Student Activity Funds	Debt Service Fund	Total Nonmajor Funds
REVENUES				
Local Sources				
Interest	\$ 426	\$ --	\$ --	\$ 426
Revenue from Student Activities	--	239,792	--	239,792
Contributions	7,969	--	--	7,969
Total Local Sources	8,395	239,792	--	248,187
TOTAL REVENUES	8,395	239,792	--	248,187
EXPENDITURES				
Current				
Support Services	--	--	116,504	116,504
Operation of Noninstructional Services	9,650	242,294	--	251,944
Total Current	9,650	242,294	116,504	368,448
Debt Service				
Interest and Fiscal Charges	--	--	930,496	930,496
Total Debt Service	--	--	930,496	930,496
TOTAL EXPENDITURES	9,650	242,294	1,047,000	1,298,944
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,255)	(2,502)	(1,047,000)	(1,050,757)
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	--	--	15,807,000	15,807,000
Refunding Bonds	--	--	(14,760,000)	(15,681,497)
TOTAL OTHER FINANCING SOURCES (USES)	--	--	1,047,000	1,047,000
Changes in Fund Balances	(1,255)	(2,502)	--	(3,757)
Fund Balances – July 1, 2022	60,830	125,604	--	186,434
Fund Balances – June 30, 2023	\$ 59,575	\$ 123,102	\$ --	\$ 182,677

See accompanying independent auditor's report.

NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2023

	<u>Zions View</u>	<u>Glatfelter</u>	<u>James P Dietz</u>	<u>Total Private</u>
	<u>Trust Fund</u>	<u>Scholarship</u>	<u>Music</u>	<u>Purpose</u>
	<u>Trust Fund</u>	<u>Scholarship</u>	<u>Fund</u>	<u>Trust Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 25,816	\$ --	\$ --	\$ 25,816
Investments	--	1,000	1,560,045	1,561,045
Due from Other Funds	--	151	--	151
	<u>\$ 25,816</u>	<u>\$ 1,151</u>	<u>\$ 1,560,045</u>	<u>\$ 1,587,012</u>
TOTAL ASSETS				
	\$ --	\$ --	\$ --	\$ --
LIABILITIES				
NET POSITION				
Held in Trust for				
Scholarships	25,816	1,151	120,896	147,863
Endowments	--	--	1,439,149	1,439,149
	<u>25,816</u>	<u>1,151</u>	<u>1,560,045</u>	<u>1,587,012</u>
TOTAL NET POSITION				
	<u>\$ 25,816</u>	<u>\$ 1,151</u>	<u>\$ 1,560,045</u>	<u>\$ 1,587,012</u>
TOTAL LIABILITIES AND NET POSITION				
	<u>\$ 25,816</u>	<u>\$ 1,151</u>	<u>\$ 1,560,045</u>	<u>\$ 1,587,012</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, 2023**

	Zions View Trust Fund	Glatfelter Scholarship	James P. Dietz Music Scholarship Fund	Total Private Purpose Trust Fund
ADDITION				
Earnings on Investments	13	\$ 1	\$ 26,627	\$ 26,641
Donations	--	--	<u>2,250</u>	<u>2,250</u>
TOTAL ADDITIONS	<u>13</u>	<u>1</u>	<u>28,877</u>	<u>28,891</u>
DEDUCTIONS				
Business Services	--	--	2,500	2,500
Scholarship Payouts	--	--	<u>32,500</u>	<u>32,500</u>
TOTAL DEDUCTIONS	<u>--</u>	<u>--</u>	<u>35,000</u>	<u>35,000</u>
Changes in Net Position	13	1	(6,123)	(6,109)
Net Position – July 1, 2022	<u>25,803</u>	<u>1,150</u>	<u>1,566,168</u>	<u>1,593,121</u>
Net Position – June 30, 2023	<u>\$ 25,816</u>	<u>\$ 1,151</u>	<u>\$ 1,560,045</u>	<u>\$ 1,587,012</u>

See accompanying independent auditor's report.

SINGLE AUDIT INFORMATION
OF
NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
JUNE 30, 2023

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Total Program or Award Amount	Received for the Year	Accrued or (Unearned) Revenue at July 1, 2022	Expenditures	Accrued or (Unearned) Revenue at June 30, 2023	Amount Provided to Subrecipients
<u>U.S. DEPARTMENT OF EDUCATION</u>										
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	\$ 145,519	\$ 143,678	\$ 1,841	\$ --	\$ --
Title I - Improving Basic Education	I	84.010	013-23-0295	7/25/22-9/30/23	523,174	453,594	--	518,570	64,976	--
Total Title I						599,113	143,678	520,411	64,976	--
Title II - Supporting Effective Instruction I	I	84.367	020-22-0295	7/6/21-9/30/22	101,409	32,248	14,381	17,867	--	--
Title II - Supporting Effective Instruction I	I	84.367	020-23-0295	7/25/22-9/30/23	79,821	58,398	--	79,821	21,423	--
Total Title II						90,646	14,381	97,688	21,423	--
Title IV - Student Support and Academic Enrichment Program	I	84.424	144-22-0295	7/6/21-9/30/22	43,693	8,759	2,481	6,278	--	--
Title IV - Student Support and Academic Enrichment Program	I	84.424	144-23-0295	7/25/22-9/30/23	45,114	42,975	--	32,790	(10,185)	--
Total Title IV						51,734	2,481	39,068	(10,185)	--
Elementary and Secondary School Emergency Relief (I) - COVID-19 American Rescue Plan - Elementary	I	84.425D	200-21-0295	3/13/20-9/30/23	2,145,510	1,496,867	995,195	501,672	--	--
And Secondary School Emergency Relief - COVID-19	I	84.425U	223-21-0295	3/13/20-9/30/24	4,339,746	867,950	(166,774)	1,748,878	714,154	--
American Rescue Plan - Elementary	I	84.425U	225-21-0295	3/13/20-9/30/24	337,296	153,316	(18,037)	81,532	(89,821)	--
And Secondary School Emergency Relief - COVID-19 - 7%	I	84.425W	181-21-2293	7/1/21-9/30/24	29,628	760	(2,279)	--	(3,039)	--
American Rescue Plan - Elementary	I	84.425W	181-21-2293	7/1/21-9/30/24	29,628	760	(2,279)	--	(3,039)	--
And Secondary School Emergency Relief - Homeless Children & Youth	I	84.425W	181-21-2293	7/1/21-9/30/24	29,628	760	(2,279)	--	(3,039)	--
Total Education Stabilization Fund						2,518,893	808,105	2,332,082	621,294	--

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Total Program or Award Amount	Received for the Year	Accrued or (Unearned) Revenue at July 1, 2022	Expenditures	Accrued or (Unearned) Revenue at June 30, 2023	Amount Provided to Subrecipients
U.S. DEPARTMENT OF EDUCATION (Continued)										
Passed through Lincoln Intermediate Unit No. 12										
Special Education – Grants to States (IDEA, Part B)	I	84.027	062-23-0012	7/1/22-9/30/23	784,996	--	--	784,996	784,996	--
Special Education – Grants to States (IDEA – Preschool)	I	84.173	131-23-0012	7/1/22-6/30/23	9,234	--	--	9,234	9,234	--
Total Special Education Cluster (IDEA)						3,260,386	968,645	3,783,479	1,491,738	--
TOTAL U.S. DEPARTMENT OF EDUCATION										
U.S. DEPARTMENT OF AGRICULTURE										
Passed through the Pennsylvania Department of Education										
P-EBT Administrative Costs Grants	I	10.649	N/A	9/1/22-9/30/22	N/A	628	--	628	--	--
National School Lunch Program (NSLP)	I	10.555	N/A	7/1/21-6/30/22	N/A	25,263	25,263	--	--	--
National School Lunch Program (NSLP)	I	10.555	N/A	7/1/22-6/30/23	N/A	1,284,710	(78,249)	1,284,710	--	--
NSLP – Supply Chain Assistance	I	10.555	N/A	5/13/22-6/30/23	N/A	--	--	78,249	--	--
NSLP – Supply Chain Assistance	I	10.555	N/A	12/9/22-6/30/24	N/A	106,045	--	--	(106,045)	--
School Breakfast Program (SBP)	I	10.553	N/A	7/1/21-6/30/22	N/A	7,854	7,854	--	--	--
School Breakfast Program (SBP)	I	10.553	N/A	7/1/22-6/30/23	N/A	468,787	--	468,787	--	--
Passed through the Pennsylvania Department of Agriculture										
NSLP - Value of USDA Donated Commodities	I	10.555	N/A	7/1/22-6/30/23	N/A	186,683	--	186,683	--	--
Total Child Nutrition Cluster						2,079,342	(45,132)	2,018,429	(106,045)	--
TOTAL U. S. DEPARTMENT OF AGRICULTURE										
TOTAL EXPENDITURES OF FEDERAL AWARDS										
						\$ 5,340,356	\$ 923,513	\$ 5,802,536	\$ 1,385,693	\$ --

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, 2023**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District has elected not to use the 10% de minimum indirect cost rate as allowed under The Uniform Guidance.

NOTE 2 - NON-MONETARY ASSISTANCE

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

NOTE 3 - ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal money but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the Schedule of Expenditures of Federal Awards, ACCESS reimbursements are not included on the Schedule. The amount of ACCESS funding received for the year ended June 30, 2023 was \$247,561.

NOTE 4 – SELECTION FOR FEDERAL PROGRAMS

Test of 40% Rule (Non-Low Risk Entity):
* Programs Selected for Testing

Education Stabilization Fund	\$ 2,332,082	
Title I	<u>520,411</u>	
Total Programs Selected for Testing	<u>\$ 2,852,493</u>	= 49.16%
Total Expenditures of Federal Awards	<u>\$ 5,802,536</u>	

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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, 2023, 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 February 26, 2024.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we not did identify any deficiencies that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be significant deficiencies.

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*.

Northeastern School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Northeastern School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Northeastern School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
February 26, 2024

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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, 2023. 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, 2023.

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 Northeastern 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit 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

Lancaster, Pennsylvania
February 26, 2024

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes ___X___ No
- Significant deficiencies identified? ___X___ Yes _____ None Reported
- Noncompliance material to financial statements noted? _____ Yes ___X___ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes ___X___ No
- Significant deficiencies identified? _____ Yes ___X___ None Reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund
84.010	Title I

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

2023-001 Significant Deficiency – Financial Close and Reporting

Criteria: School Districts are required to timely submit an annual financial report and annual audit report.

Cause: The district was unable to meet the extended deadline for filing the annual financial report, due to staff turnover and vacancies. The district experienced difficulty in closing the fiscal year and preparing the necessary reconciliations and schedules to prepare the annual audit and annual financial report in a timely manner.

Effect: The audit and annual financial report were delayed until the appropriate reconciliations and adjustments were made to the district’s financial records. The district is at risk of forfeiture penalties for failure to timely submit financial reporting.

Recommendation: While we understand the limitations on employees, we recommend that the district have a backup plan in place to meet required deadlines. Reconciliations should be completely monthly or quarterly to avoid large adjustments needed at fiscal year-end.

**NORTHEASTERN SCHOOL DISTRICT
MANCHESTER, PENNSYLVANIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023-001 Significant Deficiency – Financial Close and Reporting (Continued)

Views of responsible officials and planned corrective actions: The District acknowledges the late filing of required reports and worked as diligently as possible to ensure accurate reports were submitted. Extensions were requested and granted, and the district stayed in communication with the Department of Education until reports were submitted. The required reports were filed on February 2, 2024.

Section III – Federal Award Findings and Questioned Costs

There were no current year findings or questioned costs.



Northeastern School District

Mr. Brian K. Geller, Chief Finance & Operations Officer

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CORRECTIVE ACTION PLAN Year Ended June 30, 2023

Northeastern School District respectfully submits the following corrective action plan for the year ended June 30, 2023 in response to the auditors' significant deficiency citing.

2023-001 Significant Deficiency – Financial Close and Reporting

Corrective Action Planned: During the fiscal year, the district experienced a large volume of leadership transition due to retirements and resignations. I stepped into the role of Acting Superintendent, which created a shortage of business office staff. The district faced the challenge of replacing its Superintendent, Assistant Superintendent, seven building administrators, as well as vacancies in the business department.

The district acknowledges the late filing of required submissions. The district utilized the Annual Financial Report filing grace period, and was granted an extension through December 31, 2023. The district continued to openly communicate its difficulties with the Pennsylvania Department of Education throughout the month of January 2024.

The district will continue to complete reconciliations on a timely basis throughout the fiscal year as staffing levels have returned, and is confident that filing deadlines will be met for the year ended June 30, 2024.

Anticipated Completion Date: The district filed the completed Annual Financial Report on February 2, 2024.

Contact Person Responsible:

Leah Pritchett, Business Manager, (717) 266-3667; pritchettl@nebobcats.org

Sincerely,

Brian K. Geller, Chief Financial & Operations Officer