

SOUTH EASTERN SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2020

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 3
Management's Discussion and Analysis	4 - 15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	22
Statement of Net Position - Proprietary Fund - Food Service	23
Statement of Revenues, Expenses and Change in Net Position - Proprietary Fund - Food Service	24
Statement of Cash Flows - Proprietary Fund - Food Service	25
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position - Private-Purpose Trust Fund	27
Notes to Financial Statements	28 - 66

CONTENTS (Continued)

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information - Schedule of Changes in OPEB Liability and Related Ratios - District Single Employer Plan	67
Required Supplementary Information - Schedule of District's Proportionate Share of the Net OPEB Liability - PSERS Cost Sharing Plan	68
Required Supplementary Information - Schedule of District's OPEB Contributions - PSERS Cost Sharing Plan	69
Required Supplementary Information - Schedule of District's Proportionate Share of the Net Pension Liability	70
Required Supplementary Information - Schedule of District's Pension Contributions	71

SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72 - 73
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance	74 - 75
Schedule of Findings and Questioned Costs	76 - 77
Schedule of Expenditures of Federal Awards	78 - 81
Notes to Schedule of Expenditures of Federal Awards	82
Summary Schedule of Prior Year's Audit Findings	83

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Eastern School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Eastern School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 and the required supplementary information as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

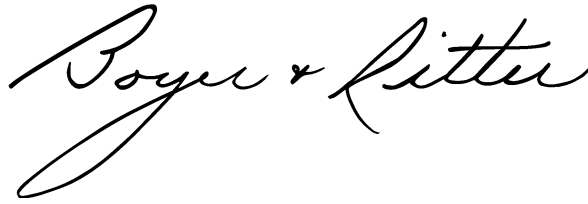
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Eastern Area School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020, on our consideration of South Eastern School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Eastern School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering South Eastern School District's internal control over financial reporting and compliance.

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

Camp Hill, Pennsylvania
November 4, 2020

**SOUTH EASTERN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2020**

The management discussion and analysis of South Eastern School District provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of the discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes in conjunction with the discussion and analysis to enhance their understanding of the School District's financial performance.

Overview of the Financial Statements

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

District-wide Statements

Statement of Net Position and Statement of Activities

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

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

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

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

Fund Financial Statements

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

Funds at South Eastern School District include:

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

Financial Highlights

- ✦ Total governmental net position increased by \$1,476,135, changing from a negative \$10.1 million in 2018-2019, to negative \$8.6 million in the 2019-2020 fiscal year. The District's share of retirement liability at the Public-School Employees' Retirement System (PSERS) is included in net position. See Notes 11 to 13 for detailed information on PSERS and Other Post-Employment Benefits.
- ✦ Total outstanding debt decreased by \$3,290,000 during 2019-2020, as principal payments were made on existing debt, and refunding of the General Obligation Bonds (GOB) of 2012. GOB 2012, was refunded by GOB 2020, resulting in a net present value savings of \$144,835. GOB 2020, will be paid in full on June 1, 2026.
- ✦ Actual governmental revenues increased by 1.43%, while governmental program expenditures increased by 3.70%. A transfer from general fund to the cafeteria fund in the amount of \$120,000 was completed to subsidize food service employee benefits and repairs.
- ✦ The school board committed an additional \$1,190,000 to the Fund Balance committed for retirement contributions and \$1,190,000 to the Fund Balance committed for Capital Projects.
- ✦ General Fund unassigned fund balance of \$4,366,655 at June 30, 2020, represents 7.89% of the 2019-2020 General Fund Approved Budget. General Fund non-spendable fund balance includes \$4,258,450 for medical insurance prepayments with Lincoln Benefit Trust (decreased by \$1,183,825, and \$26,589 for other prepaid 2020-2021 expenditures. General Fund committed fund balance increased by \$2,380,000 and includes \$11,753,238 for retirement contributions and \$7,440,000 for Capital Improvement Projects.
- ✦ Total governmental fund balances equaled \$30,380,291. The following shows the breakdown by fund:
 - General Fund Balance of \$27,844,931 (unassigned, committed, and non-spendable)
 - Capital Projects Fund Balance of \$2,535,360

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 2019-2020 compared to 2018-2019:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 35,437,572	\$ 35,772,715	\$ 249,563	\$ 249,553	\$ 35,687,135	\$ 36,022,268
Capital assets, net	61,969,685	61,224,401	14,402	45,635	61,984,087	61,270,036
Total assets	\$ 97,407,257	\$ 96,997,116	\$ 263,965	\$ 295,188	\$ 97,671,222	\$ 97,292,304
Deferred outflows of resources	\$ 12,869,142	\$ 11,040,306	\$ 39,389	\$ 34,289	\$ 12,908,531	\$ 11,074,595
Current and other liabilities	\$ 7,677,230	\$ 7,545,570	\$ 56,250	\$ 66,322	\$ 7,733,480	\$ 7,611,892
Long-term liabilities	110,112,941	105,725,489	304,164	299,219	110,417,105	106,024,708
Total liabilities	\$ 117,790,171	\$ 113,271,059	\$ 360,414	\$ 365,541	\$ 118,150,585	\$ 113,636,600
Deferred inflows of resources	\$ 2,549,000	\$ 3,353,000	\$ 8,000	\$ 11,000	\$ 2,557,000	\$ 3,364,000
Net Position						
Net investment in capital assets	\$ 36,086,235	\$ 37,323,548	\$ 14,402	\$ 45,635	\$ 36,100,637	\$ 37,369,183
Unrestricted	(46,149,007)	(45,910,185)	(79,462)	(92,699)	(46,228,469)	(46,002,884)
Total net position	\$ (10,062,772)	\$ (8,586,637)	\$ (65,060)	\$ (47,064)	\$ (10,127,832)	\$ (8,633,701)

Governmental Activities

On June 30, 2020, the School District had total net position from governmental activities of negative \$8,586,637, which is a positive change of 14.67% or \$1,476,135 from the prior \$10,062,772. Total governmental assets decreased by 0.42% or \$410,141, while governmental liabilities decreased by 3.84% or \$4,519,112. Factors that significantly affected net position in the 2019-2020 fiscal year were:

- ✚ General fund cash and investments increased by \$2,118,136 from the prior year. Capital project cash decreased by \$553,471 due to boiler replacement at Kennard-Dale High School (KDHS), switchgear replacement at South Eastern Middle School (SEMS), marching band uniforms and microphone equipment replacement. Capital Reserve cash decreased by \$213,487 due to new controls at KDHS and SEMS.
- ✚ Outstanding debt decreased by \$3,290,000 as principal was repaid on existing debt and the General Obligation Bond Series of 2012, was refunded by the General Obligation Bond Series of 2020. All bonds are at fixed rates, as described in Note 7 of the financial statements.
- ✚ Long-term liabilities decreased due to reduction in long-term debt obligations.

Table 2 reflects the change in net position for fiscal year 2019-2020 compared to fiscal year 2018-2019:

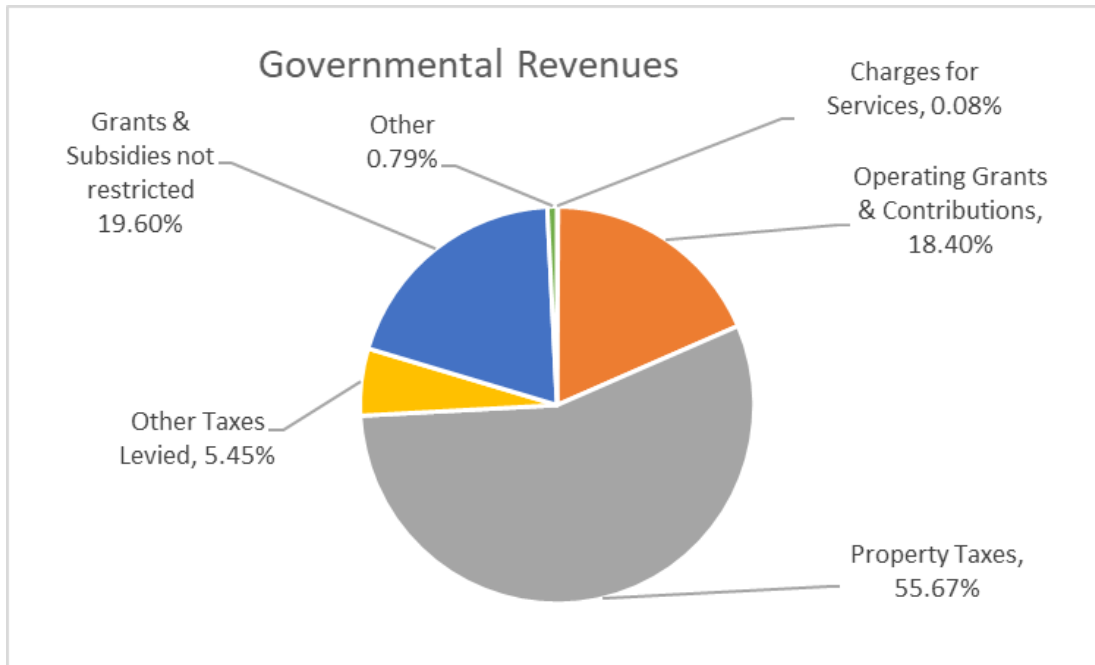
Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues						
Program revenues						
Charges for services	\$ 60,236	\$ 43,959	\$ 651,798	\$ 450,064	\$ 712,034	\$ 494,023
Operating grants and contributions	10,276,470	10,201,147	537,410	517,067	10,813,880	10,718,214
Total Program Revenue	10,336,706	10,245,106	1,189,208	967,131	11,525,914	11,212,237
General revenues						
Property taxes	30,458,101	30,861,163	-	-	30,458,101	30,861,163
Other taxes	3,124,966	3,023,346	-	-	3,124,966	3,023,346
Grants, subsidies and contributions not restricted	10,016,140	10,868,349	-	-	10,016,140	10,868,349
Investment earnings	721,134	502,270	-	-	721,134	502,270
Transfers	(131,000)	(120,000)	131,000	120,000	-	-
Miscellaneous	130,038	57,706	-	-	130,038	57,706
Total General Revenue	44,319,379	45,192,834	131,000	120,000	44,450,379	45,312,834
Total revenues	54,656,085	55,437,940	1,320,208	1,087,131	55,976,293	56,525,071
Expenses						
Instruction	32,399,613	34,489,717	-	-	32,399,613	34,489,717
Pupil and instruction staff	3,878,296	4,268,666	-	-	3,878,296	4,268,666
Board of Education, Administration and Fiscal	5,174,856	5,482,494	-	-	5,174,856	5,482,494
Operation and maintenance of plant	5,842,316	5,555,150	-	-	5,842,316	5,555,150
Pupil transportation	2,639,589	2,275,393	-	-	2,639,589	2,275,393
Extracurricular activities	1,266,851	1,122,492	-	-	1,266,851	1,122,492
Community	2,933	2,445	-	-	2,933	2,445
Interest on long-term debt	831,162	765,448	-	-	831,162	765,448
Food service	-	-	1,242,149	1,069,135	1,242,149	1,069,135
Total expenses	52,035,616	53,961,805	1,242,149	1,069,135	53,277,765	55,030,940
Changes in net position	\$ 2,620,469	\$ 1,476,135	\$ 78,059	\$ 17,996	\$ 2,698,528	\$ 1,494,131

Governmental revenue, excluding business-type activity transfers, increased by 1.41% from \$54.8 million to \$55.6 million. Reasons for the increase are primarily attributed to the following changes:

- ✚ Property tax revenues increased by 1.32% or \$403,062. This category includes current real estate taxes, interim real estate taxes, payments in lieu of current taxes and delinquent real estate taxes. Current real estate taxes slightly increased by 0.66% or \$189,519. Payment in Lieu of Taxes increased by \$102,149 as Calpine Connective started phase II of operations in March 2019. Interim real estate collections continued the trend of annual decline by decreasing 36.05% or \$131,754. Tax millage remained unchanged from the prior year at 22.2503. The district collected 96% of assessed taxes.
- ✚ Other taxes levied decreased by 3.25% or \$101,620, mostly due to a decrease in delinquent earned income tax. The prior year had aggressive delinquent earned income tax collection efforts and resulting revenue. This revenue was not projected to continue in future years. In addition to delinquent earned income tax, this category includes public utility, occupational privilege, real estate transfer tax and earned income tax collections.

- ✦ Operating grants and contributions decreased slightly by 0.73% or \$75,323. Revenue received from the state for reimbursement for retirement increased by 5.16% or \$194,422 as wages increased and the retirement contribution rate increased. Transportation subsidy increased by 43% or \$449,486 due to reimbursement for the 2018-2019 incorrect billing to the District. New federal CARES ACT grants helped to offset decreases in federal Title grant awards.
- ✦ Grants and subsidies not restricted remained flat; however, Basic Education Subsidy increased by 1.00% or \$89,663.
- ✦ Investment earnings decreased by 30.35% or \$218,864. This is attributed to the low interest rate environment and less capital money invested as projects are completed.



Property taxes continue to provide the majority of governmental revenues at 55.67% in 2019-2020, flat from 55.73% of total governmental revenues in 2018-2019. Other major contributors to governmental revenue include operating grants and contributions at 18.40%, grants and subsidies not restricted at 19.60%, and other taxes levied decreased slightly to 5.45% of all revenues. The Other category in the chart above is reflective of decreased interest earnings on invested funds.

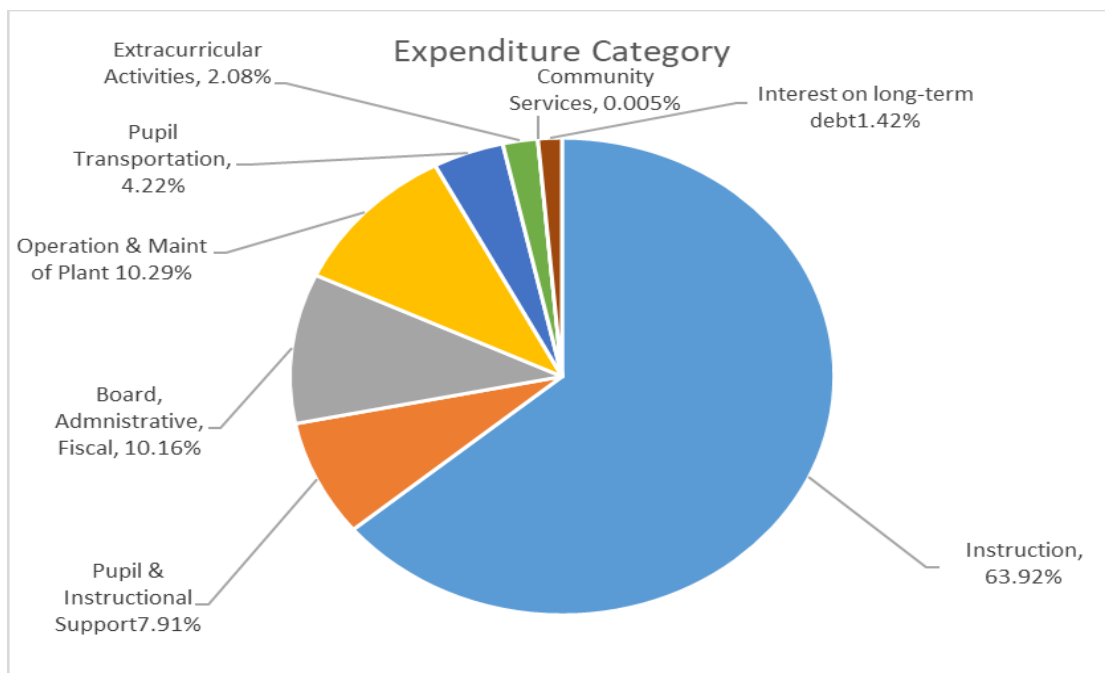
Governmental program expenditures increased by 3.70% from \$52 million to \$54 million. Major changes within the expenditure categories include:

- ✦ Total annual wages increased by 2.00% as a result of Board authorized raises.
- ✦ The PSERS employer contribution rate for employee retirement increased, moving from 33.43% in 2018-2019 to 34.29% in 2019-2020. Retirement expense increased by 4.79% or \$354,590. Retirement expense was 34.14% of total wages paid.
- ✦ Unemployment claims increased 2066.39% or \$32,024 as a result of the COVID-19 pandemic. While Act 13 required the District to pay all active employees as of March 13, 2020, claims from former employees who became unemployed from jobs taken subsequent to District employment were charged in part to the District.

- Total group insurance expenses for current employees and retirees on the plan increased by 33.72% or \$1,400,098 primarily due to healthcare claims that exceeded premium payments. The average of medical plan costs over the past three years results in an increase of 17.08%. The three-year average is a factor in determining future rates.
- Transportation expenses decreased by 13.41% or \$368,440 due to 4th quarter virtual instruction, resulting in a renegotiated agreement to pay 89% of the District’s annual contracts, and in savings on transportation provided by the Lincoln Intermediate Unit and others.
- Debt interest payments decreased by 11.12% or \$104,632 primarily as a result of the refunding of the General Obligation Bond of 2012.
- Student tuition costs increased by 4.46% or \$128,902 with the increase attributed to additional enrollment of 107 students from 102 students the prior year at the York County School of Technology and expelled students enrolled at River Rock in 2019-2020. Table 3 compares tuition expenses from the 2019-2020 to the 2018-2019 fiscal year.

Table 3
Tuition Costs

Description	2019	2020	Dollar Change	Percent of Change
Other Public Schools	\$ 55,501	\$ 55,509	\$ 8	0.01%
Charter Schools	1,096,676	1,082,124	(14,552)	-1.33%
Vocational Tech Schools	1,368,653	1,494,101	125,448	9.17%
Special Education Placement	363,314	350,195	(13,119)	-3.61%
Private Schools/PRRIs	8,889	40,007	31,118	350.05%
	<u>\$ 2,893,034</u>	<u>\$ 3,021,936</u>	<u>\$ 128,902</u>	<u>4.46%</u>



Instructional costs contributed to 63.92% of total program expenses for governmental activities for South Eastern School District in fiscal year 2019-2020.

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

Table 4
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2020	2019	2020
Instruction	\$ 32,399,613	\$ 34,489,717	\$ 24,951,957	\$ 27,583,657
Support Services				
Pupil and instruction staff	3,878,296	4,268,666	3,363,024	3,716,422
Board of Education,				
Administrative and fiscal	5,174,856	5,482,494	4,566,503	4,859,476
Operation and maintenance of plant	5,842,316	5,555,150	5,537,874	5,263,192
Pupil transportation	2,639,589	2,275,393	1,568,463	753,696
Extracurricular activities	1,266,851	1,122,492	1,086,289	963,171
Community	2,933	2,445	2,933	2,445
Interest on long-term debt	831,162	765,448	621,867	574,640
Total expenses	\$ 52,035,616	\$ 53,961,805	\$ 41,698,910	\$ 43,716,699

Only 18.99% of the 2019-2020 total cost of services for the governmental activities was funded by charges for services, grants and contributions. The remaining costs were funded by local tax revenues and the basic instructional subsidy received from the state.

Business-Type Activities

The business-type activity at South Eastern School District is the food service operation. The District provides both breakfast and lunch programs for grades K through 12, and breakfast for Pre-K morning and afternoon students through a contract with Chartwells, a division of Compass Group USA. Beginning March 13, 2020, the Governor shut down all schools for two weeks. A virtual platform was in place for student education for the remainder of the 2019-2020 year. Food Service operated under the Seamless Summer Option (SSO) from the end of March 2020 through June 30, 2020. The SSO program and multiple food service waivers by US Department of Agriculture allowed the District to provide free breakfast and lunch to all students who chose the “to go” meal delivery option. The food service program had revenues of \$967,131, a transfer in from the general fund of \$120,000 and expenses of \$1,069,135 for the 2019-2020 fiscal year.

School lunch, breakfast and milk prices did not increase in 2019-2020. The School District received 53.46% of its revenues from grants and contributions from the federal and state reimbursable breakfast and lunch programs. Compared to the prior year, revenue from state and federal subsidies decreased by 3.79% or \$20,343. Total operating revenues decreased 30.95% or \$201,734. Expenditures decreased by 13.93% or \$173,014.

Total net position improved with a reduction from negative \$65,060 to negative \$47,064. The District provided free breakfast to all students in pre-kindergarten, kindergarten and first grade through the 3rd quarter of 2019-2020. As noted above, all students were eligible for free meals in the 4th quarter of 2019-2020. The SSO program has been extended to June 2021.

General Fund Budgeting Highlights

For the 2019-2020 fiscal year, general fund revenue was higher than the current budget, reflecting an increase of 2.84% or \$1,535,097. Local revenue was greater than budgeted by 2.08% or \$718,947 as a result of a new developments in Hopewell Township and Stewartstown Borough and phase II operation startup at Calpine Connectiv. State funded revenue was greater than budget by 2.92% or \$554,183 principally from return of incorrect charges for the 2018-2019 transportation billing and a small increase in basic education subsidy. Federal revenue was greater than budget by 50.93% or \$261,987 with reduction in Title grants offset by CARES ACT Covid-19 grants and unbudgeted medical access funding received.

Total general fund expenditures were under the current budget by 1.88% or \$1,039,386. Total other financing sources and uses of funds were under budget by 47.64% or \$108,781 since budgetary reserve was not needed. Other significant expenditure budget variances are noted below.

- ✚ Salaries and benefits were lower than budget due to professional staff on unpaid leave, outsourcing the athletic trainer position and lower substitute costs and overtime charges as the COVID-19 pandemic began and the fourth quarter was required to be on a virtual platform.
- ✚ Tuition to other schools was under budget by 49.73% or \$266,469 from a combination of reduction in payments to other districts, reduction in payments for outside placements, and less spending for professional services at the intermediate unit. The COVID-19 pandemic played a large role in these reductions.
- ✚ Curriculum and Instruction spending stopped with the declaration of the COVID-19 pandemic as the focus became virtual instruction needs. Technology department spending focused on virtual curricular needs. Additionally, Technology department savings came from unbudgeted CARES ACT grant funding and delay of equipment procurement to the next fiscal year; equipment was in short supply.
- ✚ Transportation costs were under budget by 10.26% or \$259,591 due to the COVID-19 pandemic as a result of a negotiated agreement to pay 89% of the annual contracts, and fourth quarter in-person activities and athletics eliminated.
- ✚ Buildings and Grounds was under budget by 2.38% or \$102,686 principally due to savings on electricity with low 4th quarter occupancy, mild winter, and locked in pricing; in-house mowing of fields and more lawn areas, and in-house staff trained to do the testing at the wastewater treatment plant for three of five days weekly.

Fixed Assets

At June 30, 2020, total net governmental capital assets decreased by \$745,284. The decrease in governmental capital assets resulted from depreciation expense of \$2,840,145 offsetting investment in machinery and equipment (technology equipment, high school auditorium rigging and HVAC equipment), building improvements (Stewartstown cafeteria floor, UV system at the wastewater plant), site improvement (roof and paving projects), vehicle (Ford F250 truck) and sports uniforms. Construction in Progress increased due to investment in the Turf Field project. Capital Reserve funds were spent on controls at Kennard-Dale High School and South Eastern Middle School. Capital Projects funds were spent on high school boilers, marching band uniforms, replacement of digital microphone equipment, and switchgear at SEMS. Business-type capital assets increased by \$31,233. The increase resulted from depreciation expense of \$6,822 offset with investment in replacement cafeteria kitchen equipment of \$38,055.

Table 5
Capital Assets at June 30, 2020
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Land	\$ 1,115,863	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863	\$ 1,115,863
Construction-in-progress	640,330	316,224	-	-	640,330	316,224
Site improvements	1,058,432	961,348	-	-	1,058,432	961,348
Building and building improvements	54,965,561	53,562,776	-	-	54,965,561	53,562,776
Machinery and equipment	4,189,499	5,268,190	14,402	45,635	4,203,901	5,313,825
Total capital assets	\$ 61,969,685	\$ 61,224,401	\$ 14,402	\$ 45,635	\$ 61,984,087	\$ 61,270,036

Debt

At June 30, 2020, the South Eastern School District had \$25,681,000 in bonds outstanding. Table 6 summarizes and compares bonds outstanding for the 2019-2020 and 2018-2019 fiscal years. The Series of 2012 bonds were refunded in February 2020, with the Series of 2020 bonds, providing a net present value savings of \$144,835. The Series A of 2013 bonds will be refunded in June of 2021, with the Series of 2021 bonds. Projected net present value savings on the Series of 2021 bonds is \$1,043,417. The District's bonds are rated AA Stable.

Table 6
Bonds Outstanding

General Obligation Bonds:	2019	2020
Series of 2002 - Refunding of Series of 2000	\$ 2,201,000	\$ 1,481,000
Series of 2012 - Refunding of Series A of 2008	8,350,000	-
Series of 2013 - Refunding of Series of 2005, Series A of 2005 and Series of 2008	1,780,000	720,000
Series A of 2013 - Elementary Renovations and projects	16,640,000	16,295,000
Series of 2020 - Refunding of Series of 2012	-	7,185,000
Total Outstanding Debt	\$ 28,971,000	\$ 25,681,000

Ancillary Required Debt Disclosure Data

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

DISCLOSURE OF OPERATIONAL DATA

Year	PUPIL ENROLLMENT		
	Elementary	Secondary	Total
2016-2017 Beginning	1,376	1,204	2,580
2016-2017 Year End	1,353	1,221	2,574
2017-2018 Beginning	1,360	1,170	2,530
2017-2018 Year End	1,333	1,189	2,522
2018-2019 Beginning	1,328	1,175	2,503
2018-2019 Year End	1,302	1,185	2,487
2019-2020 Beginning	1,333	1,157	2,490
2019-2020 Beginning	1,317	1,166	2,483
2020-2021 Beginning			
Pandemic Active	1,239	1,102	2,341
2022-2023 Projected	1,440	1,081	2,521
2023-2024 Projected	1,463	1,079	2,542
2024-2025 Projected	1,502	1,056	2,558

Projections from Pennsylvania Department of Education

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

Bond covenants require disclosure of the District's top ten taxpayers. Accordingly, the ten largest tax assessments by fiscal year from 2017-2018 to 2020-2021, are provided in the chart below. Please note that the District, Municipality, and County are still reviewing with Exelon Generation Company LLC its largest property's assessed value.

DISCLOSURE OF OPERATIONAL DATA TOP TEN TAXPAYERS

Name	Property Assessed Value			
	2017-2018	2018-2019	2019-2020	2020-2021
JOHNSON CONTROLS INC.	\$ -	\$ 39,540,720	\$ 39,540,720	\$ 39,540,720
EXELON GENERATION COMPANY LLC	15,000,000	33,406,640	33,406,640	33,406,640
CONNECTIV MID MERIT LLC	11,200,650	11,200,650	11,200,650	15,362,400
HOME DEPOT USA INC.	4,840,000	5,000,000	5,000,000	5,000,000
STEWARTSTOWN COURTYARD LP	4,656,690	4,656,690	4,656,690	4,656,690
STONEBRIDGE HOSPITALITY PARTNERSHIP	3,838,960	3,838,960	3,838,960	3,838,960
TWOTON INCORPORATED	2,694,010	3,440,520	3,440,520	3,440,520
RIACH FAMILY LIMITED PARTNERSHIP	2,301,750	2,301,750	2,301,750	2,301,750
WELLSPAN PROPERTIES INC.	2,261,600	2,261,600	2,261,600	2,261,600
STONEBRIDGE FLEX I LTD PARTNERSHIP	2,249,000	2,249,000	2,249,000	2,249,000
STEWARTSTOWN STATION VILLAGE	2,133,290	-	-	-
	<u>\$ 51,175,950</u>	<u>\$ 107,896,530</u>	<u>\$ 107,896,530</u>	<u>\$ 112,058,280</u>

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

Year	Milage	Assessed value of taxable real estate	Total market value of taxable real estate	Common Level Ratio	Real estate levy imposed	Amount of real estate taxes collected current year	Percent of current tax levy	Amount of real estate taxes collected for prior years	Total amount of real estate collected	Percent of current tax levy
2015-2016	22.2503	\$ 1,365,724,279	\$1,573,415,068	86.8%	\$ 28,884,101	\$27,695,624	95.9%	\$ 1,060,270	\$ 28,755,894	99.6%
2016-2017	22.2503	1,369,755,265	1,594,592,858	85.9%	29,430,567	27,859,525	94.7%	1,014,141	28,873,666	98.1%
2017-2018	22.2503	1,379,308,465	1,684,137,320	81.9%	29,598,727	28,115,212	95.0%	960,581	29,075,793	98.2%
2018-2019	22.2503	1,395,886,751	1,466,159,933	95.2%	31,058,923	28,952,412	93.2%	942,296	29,894,708	96.3%
2019-2020	22.2503	1,400,816,370	*	*	31,168,589	29,138,005	93.5%	1,009,788	30,147,793	96.70%

* Data available August 2020

Economic Impact/Future Concerns

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

The Public-School Employees' Retirement System (PSERS) rate for 2019-2020 was 34.29%, and for 2020-2021 is 34.51%. PSERS has published future rate projections of 34.95%, 35.62%, and 36.12% for fiscal years 2021-2022 to 2023-2024, respectively. To prepare for future rate increases, the District has been successful in managing staffing needs and maintaining a committed fund balance of \$11,753,238 as of June 30, 2020.

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

In the Commonwealth of Pennsylvania, decision making that occurs at the state level has the potential to significantly impact South Eastern School District economically. Changes to state funding, particularly if it is based upon student enrollment, could have implications since South Eastern School District has seen a pattern of declining enrollment over the past decade. Changes to local property tax law could also have significant impact on operations. As medical costs continue to rise, a District Alternative Healthcare committee is researching options for future health care plan design.

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

In the Commonwealth of Pennsylvania, decision making that occurs at the state level has the potential to significantly impact South Eastern School District economically. Changes to state funding, particularly if it based upon student enrollment, could have implications since South Eastern School District has seen a pattern of declining enrollment over the past decade. Changes to local property tax law could also have significant impact on operations. Changes to the Affordable Care Act in the next several years may have substantial impact on the District's healthcare costs. A District Alternative Healthcare committee is researching options for future health care plans.

Plans for the district include consideration of the redistribution of students to maximize investment in building maintenance and renovation, expansion of blended learning opportunities for students requiring improved broadband internet throughout the community, and strategic replacement of devices in the long term. Additionally, the Board of Directors has authorized providing free breakfast and lunch to students in grades Pre-K to grade 4 for the 2019-2020 year and refunding of General Obligation Bonds of 2012, if the interest rate decreases to provide at least \$80,000 in net savings.

Contacting the School District's Financial Management

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

SOUTH EASTERN SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,150,803	\$ 158,687	\$ 6,309,490
Investments	21,983,765	-	21,983,765
Receivables	3,353,109	30,030	3,383,139
Inventories	-	40,143	40,143
Prepaid expenses	4,285,038	20,693	4,305,731
Capital assets			
Land and construction-in-progress	1,432,087	-	1,432,087
Other capital assets, net of depreciation	59,792,314	45,635	59,837,949
Total capital assets	61,224,401	45,635	61,270,036
Total assets	\$ 96,997,116	\$ 295,188	\$ 97,292,304
Deferred Outflows of Resources			
Deferred amounts on pension liability	\$ 10,008,000	\$ 32,000	\$ 10,040,000
Deferred amounts on OPEB liabilities	794,634	2,289	796,923
Deferred amounts on refunding debt	237,672	-	237,672
Total deferred outflows of resources	\$ 11,040,306	\$ 34,289	\$ 11,074,595
Liabilities			
Accounts payable and accrued expenses	\$ 4,539,729	\$ 22,587	\$ 4,562,316
Unearned revenues	97,841	43,735	141,576
Long-term liabilities			
Due within one year	2,908,000	-	2,908,000
Due in more than one year	24,882,823	11,265	24,894,088
Net pension liability	75,144,000	270,000	75,414,000
OPEB liabilities	5,698,666	17,954	5,716,620
Total long-term liabilities	108,633,489	299,219	108,932,708
Total liabilities	\$ 113,271,059	\$ 365,541	\$ 113,636,600
Deferred Inflows of Resources			
Deferred amounts on pension liability	\$ 3,216,000	\$ 11,000	\$ 3,227,000
Deferred amounts on OPEB liabilities	137,000	-	137,000
Total deferred inflows of resources	\$ 3,353,000	\$ 11,000	\$ 3,364,000
Net Position			
Net investment in capital assets	\$ 37,323,548	\$ 45,635	\$ 37,369,183
Unrestricted	(45,910,185)	(92,699)	(46,002,884)
Total net position	\$ (8,586,637)	\$ (47,064)	\$ (8,633,701)

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 34,489,717	\$ 23,757	\$ 6,882,303	\$ -	\$ (27,583,657)	\$ -	\$ (27,583,657)
Instructional student support	4,268,666	-	552,244	-	(3,716,422)	-	(3,716,422)
Administration and financial support	5,482,494	-	623,018	-	(4,859,476)	-	(4,859,476)
Operation and maintenance of plant	5,555,150	20,202	271,756	-	(5,263,192)	-	(5,263,192)
Pupil transportation	2,275,393	-	1,521,697	-	(753,696)	-	(753,696)
Student activities	1,122,492	-	159,321	-	(963,171)	-	(963,171)
Community services	2,445	-	-	-	(2,445)	-	(2,445)
Interest on long-term debt	765,448	-	190,808	-	(574,640)	-	(574,640)
Total governmental activities	53,961,805	43,959	10,201,147	-	(43,716,699)	-	(43,716,699)
Business-Type Activities:							
Food service	1,069,135	450,064	517,067	-	-	(102,004)	(102,004)
Total primary government	\$ 55,030,940	\$ 494,023	\$ 10,718,214	\$ -	\$ (43,716,699)	\$ (102,004)	\$ (43,818,703)
General Revenues							
Property taxes, levied for general purposes, net					\$ 30,861,163	\$ -	\$ 30,861,163
Public utility realty, earned income, and other Sec 679 and Act 511 taxes					3,023,346	-	3,023,346
Grants, subsidies and contributions not restricted					10,868,349	-	10,868,349
Investment earnings					502,270	-	502,270
Transfers					(120,000)	120,000	-
Miscellaneous income					57,706	-	57,706
Total general revenues					45,192,834	120,000	45,312,834
Changes in net position					1,476,135	17,996	1,494,131
Net Position - July 1, 2019					(10,062,772)	(65,060)	(10,127,832)
Net Position - June 30, 2020					\$ (8,586,637)	\$ (47,064)	\$ (8,633,701)

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,995,443	\$ 155,360	\$ -	\$ 6,150,803
Investments	19,603,765	2,380,000	-	21,983,765
Receivables				
Taxes	1,342,308	-	-	1,342,308
Federal subsidies	312,118	-	-	312,118
State subsidies	1,555,782	-	-	1,555,782
Other	142,901	-	-	142,901
Prepaid expenses	4,285,038	-	-	4,285,038
Total assets	\$ 33,237,355	\$ 2,535,360	\$ -	\$ 35,772,715
Liabilities				
Accounts payable	\$ 243,342	\$ -	\$ -	\$ 243,342
Accrued salaries and benefits	3,971,329	-	-	3,971,329
Payroll withholdings	126,709	-	-	126,709
Unearned revenues	97,841	-	-	97,841
Total liabilities	4,439,221	-	-	4,439,221
Deferred Inflows of Resources				
Delinquent property taxes	953,203	-	-	953,203
Fund Balances				
Restricted for capital projects	-	2,535,360	-	2,535,360
Nonspendable	4,285,038	-	-	4,285,038
Committed	19,193,238	-	-	19,193,238
Unassigned	4,366,655	-	-	4,366,655
Total fund balances	27,844,931	2,535,360	-	30,380,291
Total liabilities, deferred inflows of resources and fund balances				
	\$ 33,237,355	\$ 2,535,360	\$ -	\$ 35,772,715

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

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

June 30, 2020

Total fund balances - governmental funds	\$ 30,380,291
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$100,400,939, and the accumulated depreciation is \$39,176,538.	61,224,401
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows in the funds.	953,203
The difference between the reacquisition price and the net carrying amount of the old debt is a deferred outflow of resources, which is not reported in the funds.	237,672
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore, are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote for detail):	
Deferred inflows	(3,216,000)
Deferred outflows	10,008,000
Deferred inflows and outflows of resources related to OPEB are applicable to future periods and, therefore, are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote for detail):	
Deferred inflows	(137,000)
Deferred outflows	794,634
Bond discounts and premiums are reported in the governmental funds when debt is issued. The Statement of Net Position reports these items as assets or liabilities with amortization over the life of related debt.	
Unamortized bond premiums	(992,885)
	<u>(992,885)</u>
Long-term liabilities, including bonds payable, arbitrage-rebate liabilities, compensated absences and net pension liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable	(25,681,000)
Accrued interest	(198,349)
Compensated absences	(1,116,938)
Net pension liability	(75,144,000)
Other post-employment benefits	(5,698,666)
	<u>(107,838,953)</u>
Total net position - governmental activities	\$ <u>(8,586,637)</u>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Local sources	\$ 35,213,531	\$ 52,775	\$ -	\$ 35,266,306
State sources	19,562,252	-	-	19,562,252
Federal sources	776,383	-	-	776,383
Total revenues	55,552,166	52,775	-	55,604,941
Expenditures				
Instructional	33,031,436	45,035	-	33,076,471
Support services	15,904,669	462,480	137,512	16,504,661
Operation of noninstructional services	1,094,907	50,000	-	1,144,907
Capital outlay	489,497	287,200	-	776,697
Debt service	3,690,422	-	41,509	3,731,931
Refund of prior-year receipts	1,228	-	-	1,228
Total expenditures	54,212,159	844,715	179,021	55,235,895
Excess (deficiency) of revenues over (under) expenditures	1,340,007	(791,940)	(179,021)	369,046
Other Financing Sources (Uses)				
Interfund transfers in	419	-	-	419
Interfund transfers out	(120,000)	(419)	-	(120,419)
Issuance of refunding bonds	-	-	7,915,000	7,915,000
Payment to refunded-bond escrow agent	-	-	(8,350,000)	(8,350,000)
Bond premium	-	-	614,021	614,021
Total other financing sources (uses)	(119,581)	(419)	179,021	59,021
Net changes in fund balances	1,220,426	(792,359)	-	428,067
Fund Balances:				
July 1, 2019	26,624,505	3,327,719	-	29,952,224
June 30, 2020	\$ 27,844,931	\$ 2,535,360	\$ -	\$ 30,380,291

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Net changes in fund balances - all governmental funds	\$ 428,067
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	2,094,861	
Less depreciation expense	(2,840,145)	(745,284)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" in the governmental funds. Deferred tax revenues increased by this amount this year. (45,770)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the Statement of Activities over the amount due is shown here. 12,506

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

District pension and OPEB contributions (PSERS)	7,745,000
Cost of benefits earned net of employee contributions (PSERS)	(8,518,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(124,349)	
Other post-employment benefits (District Plan)	(50,991)	(175,340)

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

Issuance of general obligation debt	(8,529,021)	
Refunding of general obligation debt	8,350,000	
Repayment of long-term debt	2,855,000	
Amortization of refunding loss	(41,542)	
Amortization of premiums and discounts - net	140,519	2,774,956

Change in net position of governmental activities	\$ 1,476,135
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See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 34,495,271	\$ 34,494,584	\$ 35,213,531	\$ 718,947
State sources	19,007,382	19,008,069	19,562,252	554,183
Federal sources	514,416	514,416	776,383	261,967
Total revenues	54,017,069	54,017,069	55,552,166	1,535,097
Expenditures				
Instructional	32,924,748	32,890,972	33,031,436	(140,464)
Support services	15,856,057	16,583,398	15,904,669	678,729
Operation of noninstructional services	1,270,386	1,271,203	1,094,907	176,296
Capital outlay	100,000	546,413	489,497	56,916
Debt services	3,850,774	3,850,774	3,690,422	160,352
Refund of prior-year receipts	-	-	1,228	(1,228)
Total expenditures	54,001,965	55,142,760	54,212,159	930,601
Excess (deficiency) of revenues over (under) expenditures	15,104	(1,125,691)	1,340,007	2,465,698
Other Financing Sources (Uses)				
Operating transfers in	-	-	419	(419)
Operating transfers out	(120,000)	(120,000)	(120,000)	-
Budgetary reserve	(1,249,157)	(108,362)	-	(108,362)
Total other financing uses	(1,369,157)	(228,362)	(119,581)	(108,781)
Net changes in fund balance	\$ (1,354,053)	\$ (1,354,053)	1,220,426	\$ 2,356,917
Fund Balance:				
July 1, 2019			26,624,505	
June 30, 2020			<u>27,844,931</u>	

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE
June 30, 2020

Assets	
Cash and cash equivalents	\$ 158,687
Receivables	
Federal subsidies	28,816
State subsidies	1,214
Inventories	40,143
Prepaid expenses	20,693
Other capital assets, net of depreciation	45,635
Total assets	<u><u>\$ 295,188</u></u>
 Deferred Outflows of Resources	
Deferred amounts on pension liability	\$ 32,000
Deferred amounts on OPEB liabilities	2,289
Total deferred outflows of resources	<u><u>\$ 34,289</u></u>
 Liabilities	
Accounts payable	\$ 22,587
Unearned revenues	43,735
Long-term liabilities	
Compensated absences	11,265
Net pension liability	270,000
OPEB liabilities	17,954
Total long-term liabilities	<u>299,219</u>
Total liabilities	<u><u>\$ 365,541</u></u>
 Deferred Inflows of Resources	
Deferred amounts on pension liability	<u><u>\$ 11,000</u></u>
 Net Position	
Net investment in capital assets	\$ 45,635
Unrestricted	(92,699)
Total net position	<u><u>\$ (47,064)</u></u>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2020**

Operating Revenues	
Food service revenues	\$ 450,064
Operating Expenses	
Salaries	73,017
Employee benefits	57,350
Purchased property service	6,900
Other purchased services	835,377
Supplies	89,669
Depreciation	6,822
Total operating expenses	<u>1,069,135</u>
Operating loss	(619,071)
Nonoperating Revenues	
State sources	44,286
Federal sources	472,781
Total nonoperating revenues	<u>517,067</u>
Interfund Transfer In	<u>120,000</u>
Change in net position	17,996
Net Position:	
July 1, 2019	(65,060)
June 30, 2020	<u>\$ (47,064)</u>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND - FOOD SERVICE
 Year Ended June 30, 2020**

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 466,394
Cash payments to employees for services	(127,212)
Cash payments for goods and services	(852,115)
Net cash used in operating activities	<u>(512,933)</u>
Cash Flows From Noncapital Financing Activities	
Federal and state sources	452,269
Interfund transfers in	120,000
Net cash provided by noncapital financing activities	<u>572,269</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of property and equipment	<u>(38,055)</u>
Net increase in cash and cash equivalents	21,281
Cash and Cash Equivalents:	
July 1, 2019	137,406
June 30, 2020	<u>\$ 158,687</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (619,071)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	6,822
Value of donated commodities	89,669
(Increase) decrease in:	
Inventories	(9,581)
Other receivables	656
Prepaid expenses	5,345
Deferred outflow resources	5,100
(Decrease) increase in:	
Accounts payable	(5,602)
Unearned revenues	15,674
Compensated absences	991
Net pension liability	(6,000)
OPEB liabilities	64
Deferred inflow of resources	3,000
Net cash used in operating activities	<u>\$ (512,933)</u>
Supplemental Disclosure	
Noncash noncapital financing activity:	
USDA donated commodities	<u>\$ 82,183</u>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Agency Fund	Private-Purpose Trust Fund
Assets		
Cash and cash equivalents	\$ 103,839	\$ -
Investments	-	10,000
Other receivables	-	422
Total assets	<u>\$ 103,839</u>	<u>\$ 10,422</u>
Liabilities		
Due to student groups	<u>\$ 103,839</u>	<u>\$ -</u>
Net Position		
Restricted for student scholarship funds	\$ -	\$ 10,422
Total net position	<u>\$ -</u>	<u>\$ 10,422</u>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PRIVATE-PURPOSE TRUST FUND**

Year Ended June 30, 2020

	Private-Purpose Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 103
Change in net position	<u>103</u>
Net Position - July 1, 2019	10,319
Net Position - June 30, 2020	<u><u>\$ 10,422</u></u>

See Notes to Financial Statements.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

The District reports the following major governmental funds:

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

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

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

The District maintains the following fiduciary fund types:

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

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budget and Budgetary Accounting

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

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

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

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

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

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

A physical inventory of the Proprietary Fund food and supplies was taken as of June 30, 2020. The inventory consisted of government donated commodities, which were valued at estimated fair market value, and purchased commodities and supplies, both valued at costs using the first-in, first-out (FIFO) method. The District has adopted a single-inventory recordkeeping system which does not distinguish between donated and purchased commodities. Accordingly, no unearned revenues for donated commodities have been recorded.

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

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

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets and Depreciation (Continued):

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

Land (site) improvements	40 years
Buildings and building improvements	40 - 45 years
Furniture and equipment	5 - 20 years

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

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

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

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

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

The balances of the District's OPEB obligations and deferred resources at June 30, 2020, are as follows:

	Governmental Activities	Business-Type Activities	Total
OPEB Obligations			
PSERS Cost Sharing Plan - OPEB Liabilities (note 13)	\$ 3,417,000	\$ 11,000	\$ 3,428,000
District Plan - OPEB Liabilities (note 12)	2,281,666	6,954	2,288,620
Total	\$ 5,698,666	\$ 17,954	\$ 5,716,620
Deferred Outflows of Resources			
PSERS Cost Sharing Plan Liability	\$ 373,000	\$ 1,000	\$ 374,000
District OPEB Plan Liability	421,634	1,289	422,923
Total	\$ 794,634	\$ 2,289	\$ 796,923
Deferred Inflows of Resources			
PSERS Cost Sharing Plan Liability	\$ 137,000	\$ -	\$ 137,000
District OPEB Plan Liability	-	-	-
Total	\$ 137,000	\$ -	\$ 137,000

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported to PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value.

Interfund Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various due from and due to accounts.

On fund financial statements, short-term, interfund loans are classified as interfund balances. These amounts are eliminated in the Statement of Net Position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

Deferred Inflows of Resources - Pensions: The District recognizes the difference between expected and actual experience, the net difference between projected and actual investment earnings and changes in proportion as deferred inflows of resources. These amounts are amortized over the average remaining services lives of active and inactive members.

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Fund Balance:

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

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

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

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

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

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

F. Other

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 4, 2020, the date the financial statements were available to be issued. See Note 18.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

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

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

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

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank default, the District's investments may not be returned to it. A summary of the District's deposits at June 30, 2020, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	M&T Bank
Insured (FDIC)	3,680,000	3,680,000	Various Banks CD's
Uninsured and collateralized by assets maintained in conformity with Act 72	493,831	753,816	
	<u>\$ 4,423,831</u>	<u>\$ 4,683,816</u>	

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Deposits: Custodial-Credit Risk (Continued)

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

Investments

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

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
<hr/>			
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
PSDMAX	AAAm	.195	\$ 5,679,498
PSDLAF US Treasury Bill	NA	NA	4,998,765
PSDLAF Full Flex Pool	NA	.025	13,305,000
			<hr/>
			<u>\$ 23,983,263</u>

Portfolio Assets

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDMAX, at amortized cost.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities and repurchase agreements, collateralized by such securities and contracted with highly rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Portfolio Assets (Continued)

The PSDLAF Full Flex Pool, as part of the Fixed Term Series at PSDLAF, are fixed term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed Term Series are fixed term investment vehicles with maturities depending upon the maturity date of each particular Fixed Term Series. All investments in a Fixed Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed Term Series, however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed Term Series are invested is registered in the name of that particular Fixed Term Series. Certificates of deposit used for Fixed Term Series (i) are normally in principal amounts in excess of the FDIC insurance limit of \$250,000, (ii) are collateralized in accordance with law and (iii) the collateral is held by a third-party custodian pursuant to a custody agreement among the Fund, the bank that issues the certificate of deposit and the third-party custodian. In some instances, the collateral consists of an Irrevocable Letter of Credit issued by the applicable Federal Home Loan Bank. At present, The Bank of New York serves as the third-party custodian with respect to all such collateralized certificates of deposit.

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

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Portfolio Assets (Continued)

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

Weighted-Average Maturity

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

Interest Rate Risk

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

Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments and the District maintains an investment policy to reduce credit risk through diversification and other means of limiting the risk.

Note 3. Property Taxes

Property taxes are levied on July 1. Taxes are collected at a discount until August 31, at their face amount from September 1 until October 31, and include a penalty thereafter. The District tax rate for all purposes in 2019-2020 was 22.25 mills (\$22.2503 per \$1,000 assessed valuation). Ninety-six percent of the assessed taxes were collected. The York County Tax Claim Bureau collects delinquent taxes for the District.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 4. Taxes Receivable and Deferred Inflows of Resources

A summary of the taxes receivable and related accounts at June 30, 2020, follows:

	Amount
Taxes Receivable	\$ 1,342,308
Taxes to be collected within 60 days	\$ 389,105
Deferred inflows of resources - delinquent property taxes	953,203
Taxes receivable	\$ 1,342,308
Deferred Inflow of Resources	
Delinquent taxes	\$ 953,203
Total deferred inflow of resources	\$ 953,203

Note 5. Interfund Accounts and Transfers

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances are expected to be repaid within the following year. As of June 30, 2020, there were no interfund receivable/payable balances.

Individual fund transfers during the fiscal year ended June 30, 2020, are as follows:

	Transfers in	Transfers out
Governmental Activities		
General Fund	\$ 419	\$ 120,000
Capital Projects Fund	-	419
Business-Type Activities - Food Service	120,000	-
	\$ 120,419	\$ 120,419

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

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

	July 1, 2019	Increases	Decreases	June 30, 2020
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863
Construction-in-progress	640,330	316,224	(640,330)	316,224
Total capital assets, not being depreciated	1,756,193	316,224	(640,330)	1,432,087
Capital assets being depreciated				
Site improvements	3,875,376	12,000	-	3,887,376
Buildings and building improvements	81,642,263	285,494	-	81,927,757
Furniture and equipment	11,744,655	2,121,473	(712,409)	13,153,719
Total capital assets being depreciated	97,262,294	2,418,967	(712,409)	98,968,852
Less accumulated depreciation				
Site improvements	2,816,944	109,084	-	2,926,028
Buildings and building improvements	26,676,702	1,688,279	-	28,364,981
Furniture and equipment	7,555,156	1,042,782	(712,409)	7,885,529
Total accumulated depreciation	37,048,802	2,840,145	(712,409)	39,176,538
Total capital assets being depreciated, net	60,213,492	(421,178)	-	59,792,314
Total Governmental Activities, Capital Assets - Net	\$ 61,969,685	\$ (104,954)	\$ (640,330)	\$ 61,224,401
Business-Type Activities:				
Capital assets being depreciated				
Furniture and equipment	\$ 798,042	\$ 38,055	\$ -	\$ 836,097
Less accumulated depreciation for machinery and equipment	783,640	6,822	-	790,462
Total Business-Type Activities, Capital Assets - Net	\$ 14,402	\$ 31,233	\$ -	\$ 45,635

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

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

	Amount
Governmental Activities:	
Instruction	\$ 845,831
Instructional student support	5,351
Administration and financial support	405,286
Operation and maintenance of plant	1,545,642
Student activities	38,035
Total Governmental Activities	<u>2,840,145</u>
Business-Type Activities:	
Food Service	6,822
Total Primary Government	<u><u>\$ 2,846,967</u></u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations

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

	Balances			Balances	
	July 1, 2019	Increases	Decreases	June 30, 2020	Due within one year
General Obligation Bonds					
Series of 2002	\$ 2,201,000	\$ -	\$ (720,000)	\$ 1,481,000	\$ 733,000
Series of 2012	8,350,000	-	(8,350,000)	-	-
Series of 2013	1,780,000	-	(1,060,000)	720,000	720,000
Series A of 2013	16,640,000	-	(345,000)	16,295,000	490,000
Series of 2020	-	7,915,000	(730,000)	7,185,000	965,000
Bond premium (discount)	509,469	614,021	(130,605)	992,885	-
Total General Obligation Bonds	29,480,469	8,529,021	(11,335,605)	26,673,885	2,908,000
Compensated absences	1,002,863	125,340	-	1,128,203	-
Totals	\$ 30,483,332	\$ 8,654,361	\$ (11,335,605)	\$ 27,802,088	\$ 2,908,000

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

General Obligation Bonds - Series of 2012 - During fiscal 2012-2013, the District issued General Obligation Bonds - Series of 2012, in the principal amount of \$9,735,000. The proceeds were used to fully refund the Series A of 2008 Bonds. The economic gain on the refunding of the Series A of 2008 Bonds was \$1,439,179. The bonds bear annual interest rates ranging from .30% to 2.35%. Interest is payable semi-annually and the bonds mature serially in amounts ranging from \$5,000 to \$1,710,000. During 2019, the obligation was refunded in full.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

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

General Obligation Bonds - Series A of 2013 - During fiscal 2012-2013, the District issued General Obligation Bonds - Series A of 2013, in the principal amount of \$18,110,000. The proceeds were used to finance various capital projects of the District. The bonds bear annual interest rates ranging from .30% to 5.00%. Interest is payable semi-annually and the bonds mature serially in amounts ranging from \$5,000 to \$3,280,000. The bonds were approved for future refunding in June of 2021.

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

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

Years	General Obligation Debt		
	Principal	Interest	Total
2020-2021	\$ 2,908,000	\$ 872,686	\$ 3,780,686
2021-2022	2,833,000	805,960	3,638,960
2022-2023	2,720,000	738,125	3,458,125
2023-2024	3,670,000	627,000	4,297,000
2024-2025	2,015,000	602,650	2,617,650
2025-2029	11,535,000	1,051,200	12,586,200
	<u>\$ 25,681,000</u>	<u>\$ 4,697,621</u>	<u>\$ 30,378,621</u>

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Compensated Absences

Under the terms of the School District's employment policies, employees are reimbursed for accrued vacation upon retirement or other termination of employment. The reimbursement rate is established by the employment contract and varies by employee classification. In addition, employees are granted sick days per school year and any unused sick days are permitted to be carried over to future years. Upon retirement from the School District, employees are reimbursed for accumulated sick days equal to the number of unused days multiplied by an amount established by the employment contract. The employees are also offered options regarding retirement payouts as prescribed in the contract if certain conditions are met. The total liability for accrued vacation, sick leave and retirement bonuses has been reflected in the Statement of Net Position.

Note 8. Fund Balance Designations

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

<u>Description of committed</u>	<u>Amount</u>
General Fund	
PSERS	\$ 11,753,238
Capital Improvement Projects	7,440,000
	<u>\$ 19,193,238</u>
<u>Description of nonspendable</u>	<u>Amount</u>
General Fund	
Lincoln Benefit Trust deposit	\$ 4,258,450
Prepaid trainings and licensing	26,588
	<u>\$ 4,285,038</u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Lincoln Benefit Trust

The School District is exposed to risk of loss related to employee health care. In July 1989, the District joined the Lincoln Benefit Trust, a public-entity risk pool currently operating as a claim servicing pool for member school districts and the intermediate unit. The School District is liable for all claims up to \$150,000. Claims incurred for \$150,001-\$300,000 are paid from a stop-loss pool fund on a shared risk basis. Claims incurred for \$300,001-\$500,000 are paid from a stop-loss insurance policy purchased by the Trust. Stop-loss insurance is purchased through an insurance carrier for \$500,000 and above, per individual. At June 30, 2020, the District's funding for claims exceeded the payments to date; accordingly, the District has a prepaid balance of \$4,279,143 with Lincoln Benefit Trust, which is recorded in the General and Food Service Funds as an asset. The District has reserved fund balance for this amount.

The following is a summary of the financial information of the Lincoln Benefit Trust as of June 30, 2020:

	Amount
Net assets available for benefits	<u>\$ 99,063,582</u>
Accumulated plan benefits	<u>\$ 7,995,300</u>

The accumulated plan benefits represent estimated claims incurred, but not reported to the Plan Administrator at June 30, 2020. It is reasonably possible that actual benefit claims for all participating members will differ from the estimated amount and the difference may be material to the District's financial position taken as a whole.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Lease Rental Obligation

The District has entered into a five-year copier agreement with Marco Technologies, LLC, that consists of quarterly payments of either \$17,034 or \$17,387. The District also entered into a two-year Managed Print Service Program Agreement with Marco Technologies, LLC, which calls for quarterly payments of \$2,993. Both leases will expire in July 2021. The future minimum lease payments are as follows:

Years	Amount
2020-2021	\$ 81,166

Note 11. Defined-Benefit Pension Plan

Plan Description

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

Benefits Provided

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Benefits Provided (Continued)

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

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

Contribution Rates

Member Contributions:

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

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

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

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

Employer Contributions:

The District's contractually required contribution rate for the fiscal year ended June 30, 2020, was 34.29% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 34.29% rate is composed of a contribution rate of 33.45% for pension benefits and .84% for healthcare insurance premium assistance (OPEB benefits).

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Contribution Rates (Continued)

Employer Contributions (Continued):

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan, relating to pension benefits, for the year ended June 30, 2020, was \$7,580,118, and is equal to the required contribution for the year. For the year ended June 30, 2020, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$3,976,590.

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

At June 30, 2020, the District reported a liability of \$75,414,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the new pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one year reported covered payroll. At June 30, 2019, the District's proportion was .1612 percent, which was a increase of .0002% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$8,350,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources in the governmental funds and propreitary fund:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 415,000	\$ 2,500,000
Changes in assumptions	721,000	-
Net difference between projected and actual investment earnings	1,281,000	467,000
Changes in proportion	-	216,000
Difference between employer contributions and proportionate share of total contributions	43,000	44,000
Contributions subsequent to the measurement date	7,580,000	-
	<u>\$ 10,040,000</u>	<u>\$ 3,227,000</u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

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

\$7,580,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to measurement date and will be recognized as an increase of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2021	\$ 1,058,000
2022	(1,233,000)
2023	(727,000)
2024	135,000
	<u>\$ (767,000)</u>

Actuarial Assumptions

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

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

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

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

For the year ended June 30, 2019, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability	\$ 93,936,000	\$ 75,414,000	\$ 59,730,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2020, the District has payables to the PSERS pension plan of \$2,485,369. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2020.

Pension Reform

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Plan Description and Benefit Terms

The District provides retiree health, vision and dental-care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. Benefits are provided to all faculties, academic staff and support staff who meet the requirements listed in the chart below. Currently, the plan has 359 active participants and 12 retired participants. The plan does not issue a separate, stand-alone set of financial statements.

Funding Policy

Group	Eligibility	Coverage and Premium Sharing	Duration
I. Former Business Manager	N/A - Already Retired	Coverage: Medical Prescription Drug, Dental and Vision Premium Sharing District pays 100% cost for member and spouse.	Coverage is provided for life for member and spouse
II. Former Superintendent	N/A - Already Retired	Coverage: Medical Prescription Drug, Dental and Vision Premium Sharing: With 5 or more years of service with the District, District pays 100% of cost for member. Otherwise, member pays 100% of cost. Dependent coverage available if member pays 100% of extra premium.	Coverage for member is provided until Medicare eligibility. Coverage for dependents is provided until earlier of member Medicare eligibility and member death.
III. Current Superintendent, Assistant Superintendent, Current Business Manager and Act 93	Must retire from PSERS with 5 years of service with District	Coverage: Medical Prescription Drug, Dental and Vision Premium Sharing: With 15 or more years of service with the District, District pays \$100 per month, and member pays the remainder. Otherwise, member pays 100% of cost. Dependent coverage available if member pays 100% of extra premium.	Same as II.
IV. Teachers A) ERIP for 2010-2011 school year	N/A - Already Retired	Coverage: Medical Prescription Drug, Dental and Vision Premium Sharing: With 34 or more years of service with the District, District pays 100% of cost for member and 100% of cost for dependents if member pays \$100 PSERS supplement. With 30 or more years of PSERS service, member pays \$100 PSERS supplement and 100% of cost for Dental and District pays the remainder for 5 years. Member pays 100% of cost for dependent coverage.	Same as II.
B) All other Teachers	Must retire from PSERS	Coverage: Medical Prescription Drug, Dental and Vision Premium Sharing: With 34 or more years of service with the District as of December 31, 2014, member pays \$100 per month and District pays the remainder. Otherwise, member pays 100% of cost. Dependent coverage available if member pays 100% of extra premium.	Same as II.
V. Support Staff	Must retire from PSERS with 20 years of service with District	Act 110/43	Same as II.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Funding Policy (Continued)

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

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

At June 30, 2020, the District reported a liability of \$2,288,620 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2018. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 2,268,773
Service cost	141,824
Interest	69,819
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(66,864)
Estimated Benefit payments	(124,932)
Net changes	19,847
Total OPEB Liability, ending	<u>\$ 2,288,620</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$172,221. At June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 276,398
Changes in assumptions	25,459
Benefit payments subsequent to the measurement date	121,066
	<u>\$ 422,923</u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$121,066 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year	Total
2021	\$ 22,299
2022	22,299
2023	22,299
2024	22,299
2025	22,299
Thereafter	128,641
	<u>\$ 240,136</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%
- Salary Increases - 2.5% cost of living adjustment, 1% real wage growth and for teachers and administrators a merit increases which varies by age from 2.75 to 0%.
- Investment rate of return - 3.36%. Based on S&P Municipal Bond 20-year High Grade Rate Index at 7/1/2019.
- Health care cost trend rate - 6.0% in 2018, and 5.5% in 2019-2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retirees' Share of Benefit Related Costs - Retiree contributions are assumed to increase at the same rate as Health Care Cost Trend Rate.

Mortality rates are separate and assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

The following presents the total OPEB liability of the District calculated using the discount rate of 3.36%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.36%) or one percentage higher (4.36%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.36%	3.36	4.36%
Total OPEB liability	\$ 2,467,831	\$ 2,288,620	\$ 2,120,204

The discount rate used to measure the Total OPEB liability increased from 2.98% as of July 1, 2018 to 3.36% as of July 1, 2019.

The following presents the total OPEB liability of the District calculated using the health care cost trend rate of (6.0% in 2018 decreasing to 3.8% in 2075), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rate that is one-percentage point lower or one-percentage higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 2,009,113	\$ 2,288,620	\$ 2,620,935

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

System Administration

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

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Plan Description and Benefits Provided - Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 0.84% 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 \$190,353 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$3,428,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one year reported covered payroll as it relates to the total one year reported covered payroll. At June 30, 2019, the District's proportion was .1612% percent, which was a increase of .0002% from its proportion measured as of June 30, 2018.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$170,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 19,000	\$ -
Changes in assumptions	114,000	102,000
Changes in proportion	45,000	30,000
Net difference between projected and actual investment earnings	6,000	-
Difference between employer contributions and proportionate share of total contributions	-	5,000
Contributions subsequent to the measurement date	190,000	-
	<u>\$ 374,000</u>	<u>\$ 137,000</u>

\$190,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years	Amount
2021	\$ 7,000
2022	7,000
2023	6,000
2024	5,000
2025	22,000
Thereafter	10,000
	<u>\$ 57,000</u>

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017, determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Investments

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

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

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

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Change in Actuarial Assumptions

The discount rate used to measure the total OPEB liability decreased from 2.98% as of June 30, 2018, to 2.79% as of June 30, 2019.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7.75%) that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 3,428,000	\$ 3,428,000	\$ 3,429,000

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

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

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
Total OPEB liability	\$ 3,906,000	\$ 3,428,000	\$ 3,033,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2020, the District has payables to the OPEB plan of \$62,413.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Joint Ventures

York County School of Technology

The District is one of 14-member school districts participating in the operation of the York County School of Technology (YCST). YCST is operated, administered and managed by a joint operating committee consisting of board members from the "14-member school districts." Member districts are responsible for funding the major portion of YCST's operating budget. The District's share of annual operating costs for YCST is based on the number of students attending the school from the District and is reflected as instructional expenditures of the District's General Fund. For the year ended June 30, 2020, the District paid \$1,360,854 for its estimated share of the operating budget.

The York County School of Technology formed The York County School of Technology Authority (the Authority) on March 29, 1967, as a financing medium for the construction, improvement and maintenance of YCST. The Authority has issued Lease Revenue Bonds, Series of 2003 for the purpose of the funding of the renovations, alterations and additions to the school facilities constructed in previous years and to refund the Guaranteed Revenue Note, Series of 2002. The Authority will lease the school facilities to YCST under a lease agreement dated May 15, 2003, under which YCST will operate and maintain the school facilities and will be obligated to pay the lease rentals to the Authority in fixed amounts sufficient to pay the principal and interest on the Lease Revenue Bonds, Series of 2003. The District's obligation for lease payments is calculated annually based on its pro-rata share of assessed market value of real estate located within the 14 member districts. Pursuant to the Restated Articles of Agreement for the formation of the joint venture, withdrawal by a member district does not relieve the district of its obligations incurred while a member district, such as the required payment of funds for the lease rentals of YCST. These bonds were refinanced in June of 2017, as two separate issuances, Series A and Series B of 2017. As of June 30, 2020, the District's pro-rata share represented 5.60% of total assessed value. The District made a lease rental payment to YCST in the amount of \$183,299 the payment is included in the instructional expenditures of the District's General Fund.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Joint Ventures (Continued)

As of the report date, audited financial statements for the York County School of Technology for the year ended June 30, 2020, are not yet available. The following is condensed financial information for the YCST, excerpted from the June 30, 2019, audited financial statements, available for inspection at the School District's Business Office:

	Amount
Total assets and deferred outflows	\$ 14,381,811
Total liabilities and deferred inflows	52,685,689
Net assets	
Investments in capital assets, net of related debt	2,596,386
Unrestricted	(40,900,264)
Total net assets	<u>\$ (38,303,878)</u>
Total revenues (including \$19,292,478 from member districts)	\$ 28,891,534
Total expenses	<u>29,499,434</u>
Change in net assets	<u>\$ (607,900)</u>

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

Year Ending	Principal	Interest	Total
September 30			
2021	\$ 125,720	\$ 57,799	\$ 183,519
2022	131,880	51,523	183,403
2023	138,320	44,938	183,258
2024	145,320	38,031	183,351
2025	109,200	30,773	139,973
2026-2030	459,760	84,959	544,719
2031-2032	148,680	6,046	154,726
Total	<u>1,258,880</u>	<u>\$ 314,069</u>	<u>\$ 1,572,949</u>
Less: due within one year	125,720		
Total long-term outstanding	<u>\$ 1,133,160</u>		

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Joint Ventures (Continued)

York/LIU Joint Authority

The District is one of 13 York County School Districts which are included within the Lincoln Intermediate Unit (LIU), which provides classes and other programs to students within each of the member school districts. In 2005, the LIU determined that it needed a facility in York County to house classes and other programs which it provides to York County students. During March 2006, the York/LIU Joint Authority (the Authority) was created with the purpose of purchasing the property and leasing it to the LIU. The LIU and the school districts which formed the Authority are not liable or responsible for the debts or obligations of the Authority. The Authority leases the property to the LIU for a monthly rental fee which is sufficient to provide the Authority with funds to pay (a) all interest and other payments which are due with respect to the debt incurred by the Authority and (b) the other costs and expenses which the Authority will incur. Total liabilities include a Construction Loan Note - Series of 2017, with a balance of \$1,661,757 as of June 30, 2020.

Note 15. Construction Commitments

The District has approved \$1,286,048 of construction projects as of June 30, 2020. The District expended approximately \$316,114 during the 2019-2020 year which is shown in expenditures in the governmental funds. The remaining \$969,824 is an outstanding commitment of the District.

Note 16. Tax Abatements

In 2012, South Eastern School District entered into an agreement to participate in the Stonebridge Tax Increment Finance District, a geographic area within Township of Hopewell where certain business will be located. The financing district is authorized under the Pennsylvania Tax Increment Financing Act of 1990, and provides that local governments may grant tax abatements to businesses to assist in the revitalization and economic growth of the community. As part of the agreement, the District agreed to allocate 70% of the incremental property tax revenues to the Stonebridge Tax Increment Finance. The District collects the real estate taxes and portions are to be paid to the Redevelopment Authority of the County of York for debt service. As part of the agreement, the project developer paid the District a total of \$600,000 during the 2013-2015 fiscal years.

For the fiscal year ended June 30, 2020, the District abated property taxes totaling \$592,799. The District will be foregoing tax revenue through the 20-year period running from 2017-2038.

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 17. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions. Most significant losses are covered by commercial insurance for major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years. During the year ended June 30, 2020, the District did not incur any significant losses that were not covered by insurance.

Note 18. Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH EASTERN SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
DISTRICT SINGLE EMPLOYER PLAN**

Year Ended June 30

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

Notes to Schedule:

Changes of Assumptions: The discount rate changed from 2.98% to 3.36%.

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

Note: This information will be shown for the most recent 10 years, when available. June 30, 2020, was the third year of implementation.

SOUTH EASTERN SCHOOL DISTRICT

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

Year Ended June 30

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

Note: This information will be shown for the most recent 10 years, when available. June 30, 2020, was the third year of implementation.

SOUTH EASTERN SCHOOL DISTRICT

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

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

Note: This information will be shown for the most recent 10 years, when available. June 30, 2020, was the third year of implementation.

SOUTH EASTERN SCHOOL DISTRICT

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

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.1612%	0.1610%	0.1630%	0.1596%	0.1528%	0.1577%
District's proportionate share of the net pension liability	<u>\$ 75,414,000</u>	<u>\$ 77,288,000</u>	<u>\$ 80,503,000</u>	<u>\$ 79,093,000</u>	<u>\$ 66,185,000</u>	<u>\$ 62,418,000</u>
District's covered payroll	<u>\$ 22,230,186</u>	<u>\$ 21,676,522</u>	<u>\$ 21,703,884</u>	<u>\$ 20,671,111</u>	<u>\$ 19,656,472</u>	<u>\$ 20,128,744</u>
District's proportionate share of net pension liability as a percentage of its covered payroll	339.24%	356.55%	370.92%	382.63%	336.71%	310.09%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

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

SOUTH EASTERN SCHOOL DISTRICT

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

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

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

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of South Eastern School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise South Eastern School District's basic financial statements, and have issued our report thereon dated November 4, 2020.

Internal Control over Financial Reporting

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

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

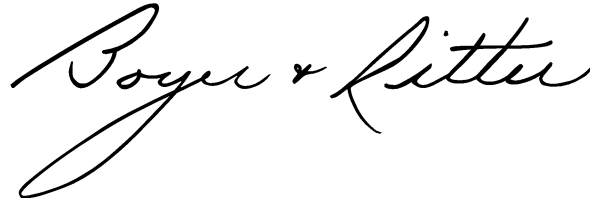
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

Camp Hill, Pennsylvania
November 4, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited South Eastern School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of South Eastern School District's major federal programs for the year ended June 30, 2020. South Eastern School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, South Eastern School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

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

Camp Hill, Pennsylvania
November 4, 2020

**SOUTH EASTERN SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

SOUTH EASTERN SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

Identification of the major programs:

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

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

Auditee qualified as low-risk auditee? X Yes ___ No

Section II -- Financial Statement Findings

A. Significant Deficiency (ies) in Internal Control

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

B. Compliance Findings

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

Section III -- Federal Award Findings and Questioned Costs

A. Compliance Findings

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

B. Significant Deficiency (ies) in Internal Control

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

SOUTH EASTERN SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020**

	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
U.S. Department of Education				
Passed through the Pennsylvania Department of Education:				
Title I - Grants to Local Education Agencies	84.010	013-19-0395	18-19	\$ 405,692
Title I - Grants to Local Education Agencies	84.010	013-20-0395	19-20	\$ 358,103
Title II - Supporting Effective Instruction State Grants	84.367	020-19-0395	18-19	\$ 78,725
Title II - Supporting Effective Instruction State Grants	84.367	020-20-0395	19-20	\$ 75,030
Title IV - Student Support and Academic Enrichment Grant	84.424	144-20-0395	19-20	\$ 30,363
Elementary & Secondary School Emergency Relief Fund (Cares Act)	84.425D	200-20-0395	19-20	\$ 294,126
Total passed through the Pennsylvania Department of Education				
Passed through the Lincoln Intermediate Unit:				
Title III - English Language Acquisition Grants	84.365	010-20-0612	19-20	\$ 769
Special Education Cluster				
Special Education - Grants to States	84.027	N/A	19-20	\$ 515,576
Early Intervention - Special Education Preschool Grants	84.173	N/A	19-20	\$ 3,520
Total Special Education Cluster				
Total passed through the Lincoln Intermediate Unit				
Total U.S. Department of Education				

(Continued)

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2019	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2020	Provided to Subrecipients
\$ 54,939	\$ 54,939	\$ -	\$ -	\$ -	\$ -
358,103	-	358,103	358,103	-	-
413,042	54,939	358,103	358,103	-	-
5,084	5,084	-	-	-	-
75,030	-	75,030	75,030	-	-
80,114	5,084	75,030	75,030	-	-
30,363	-	30,363	30,363	-	-
30,363	-	30,363	30,363	-	-
-	-	86,631	86,631	86,631	-
-	-	86,631	86,631	86,631	-
523,519	60,023	550,127	550,127	86,631	-
769	-	769	769	-	-
515,576	-	515,576	515,576	-	-
3,520	-	3,520	3,520	-	-
519,096	-	519,096	519,096	-	-
519,865	-	519,865	519,865	-	-
1,043,384	60,023	1,069,992	1,069,992	86,631	-

SOUTH EASTERN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2020

	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
U.S. Department of Treasury				
Passed through the Pennsylvania				
Commission on Crime & Delinquency:				
School Health & Security Grant (Cares Act)	21.019	2020-CS-01-33439	19-20	\$ 225,487

Total U.S Department of Treasury

U.S. Department of Agriculture

Passed through the Pennsylvania

Department of Education:

National School Lunch Program*	10.555	N/A	18-19	N/A
National School Lunch Program*	10.555	N/A	19-20	N/A
School Breakfast Program*	10.553	N/A	18-19	N/A
School Breakfast Program*	10.553	N/A	19-20	N/A

Total passed through the Pennsylvania
Department of Education

Passed through the Pennsylvania

Department of Agriculture:

National School Lunch Program - Food Donation*	10.555	N/A	19-20	N/A
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Total U.S. Department of Agriculture

Total Expenditures of Federal Awards

* Programs in the Child Nutrition Cluster

National School Lunch Program	\$ 282,777
School Breakfast Program	107,866
National School Lunch Program - Food Donation	82,138
	<u>\$ 472,781</u>

See Notes to Schedule of Expenditures of Federal Awards.

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2019	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2020	Provided to Subrecipients
\$ -	\$ -	\$ 225,487	\$ 225,487	\$ 225,487	\$ -
-	-	225,487	225,487	225,487	-
-	-	225,487	225,487	225,487	-
37,991	37,991	-	-	-	-
264,114	-	282,777	282,777	18,663	-
302,105	37,991	282,777	282,777	18,663	-
12,557	12,557	-	-	-	-
97,713	-	107,866	107,866	10,153	-
110,270	12,557	107,866	107,866	10,153	-
412,375	50,548	390,643	390,643	28,816	-
82,138	-	82,138	82,138	-	-
494,513	50,548	472,781	472,781	28,816	-
\$ 1,537,897	\$ 110,571	\$ 1,768,260	\$ 1,768,260	\$ 340,934	\$ -

SOUTH EASTERN SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District's under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the District's operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2. Significant Accounting Policies

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

SOUTH EASTERN SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2020

There were no prior year's audit findings.