

NORTH EAST SCHOOL DISTRICT

***FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION***

FISCAL YEAR ENDED JUNE 30, 2023

***WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS***

NORTH EAST SCHOOL DISTRICT

2023 FINANCIAL STATEMENTS

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TRANSMITTAL LETTER

**Pennsylvania Department of Education
Bureau of Budgets and Fiscal Management
Bureau Director
333 Market Street – 4th Floor
Harrisburg, PA 17126-0333**

Gentlemen:

Enclosed you will find the audit package for the **North East School District** for the year ended June 30, 2023.

We have audited the financial statements of the **North East School District** for the year ended June 30, 2023 and have issued our report thereon dated December 21, 2023. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In addition, we have issued a management letter dated December 21, 2023, which is included in the audit package.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 21, 2023**

NORTH EAST SCHOOL DISTRICT
SCHEDULE OF REPORT DISTRIBUTION

<u>Agency</u>	<u>No. of Copies</u>
Board of Education North East School District North East, Pennsylvania	13
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Single Audit Clearinghouse 1201 E. 10 th Street Jeffersonville, Indiana 47132.....	1



INDEPENDENT AUDITOR'S REPORT

To the President and Members of
The Board of Education
North East School District
North East, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of **North East School District** as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise **North East School District's** basic financial statements as listed in the table of contents. We have also audited the fiduciary fund types of the **North East School District** as of June 30, 2023, as displayed in the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **North East School District**, as of June 30, 2023, and the respective changes in financial position and the respective budget comparison of the General Fund and the cash flows of the business-type activities for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **North East School District** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on Summarized Comparative Information

We have previously audited the **North East School District's** June 30, 2022 financial statements, and our report dated December 15, 2022, expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5 through 12), schedule of change in the District's net OPEB liability and related ratios – District Plan (page 45), schedule or change in the District's net OPEB liability and related ratios – PSERS Plan (page 46), schedule of District contributions – OPEB – District Plan (page 47), schedule of District contributions – OPEB – PSERS Plan (page 48), schedule of the District's proportionate share of the net pension liability (page 49), and schedule of District contributions – Pension (page 50) 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **North East School District's** basic financial statements. The supplementary information including the Comparative Statements of Revenue and Expenditures – General Fund, Statement of Cash Receipts and Disbursements – Activity Fund and Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information including the Comparative Statements of Revenue and Expenditures – General Fund, Statement of Cash Receipts and Disbursements – Activity Fund, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Comparative Statements of Revenue and Expenditures – General Fund, Statement of Cash Receipts and Disbursements – Activity Fund, and the Schedule of Expenditures of Federal Awards, and other schedules are 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 December 21, 2023 on our consideration of **North East School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **North East School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Olean, New York
December 21, 2023

I. Discussion and Analysis

The following is a discussion and analysis of the **North East School District's** financial performance for the year ended June 30, 2023. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the **North East School District** during the fiscal year ended June 30, 2023:

- Overall net position from operations of the District increased \$2,410,000 during the fiscal year ended June 30, 2023. This consisted of an increase in governmental activities in the amount of \$2,273,000 and an increase in business-type activities in the amount of \$137,000.
- The District's total revenue decreased approximately \$6,033,000 from \$35,488,000 during the year ended June 30, 2022 to \$29,455,000 during the year ended June 30, 2023. This decrease was primarily related to a decrease in operating grants including pandemic related grants/aid.
- The District's total expenses increased approximately \$78,000 from \$26,966,000 during the year ended June 30, 2022 to \$27,044,000 during the year ended June 30, 2023.
- The District had capital additions during the current fiscal year in the amount of \$2,857,000 in the governmental activities and \$108,000 in the business activities. The current year additions were primarily related to the purchase of equipment, technology equipment, and building renovations.

III. Overview of the Financial Statements

A. Reporting the School District as a Whole (District-wide Financial Statements):

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of **North East School District**.

The district-wide statements report information about the School District using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 13) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 14) shows amounts of program-specific and general District revenue used to support the various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including instruction, support services, non-instructional services, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources – is one way to measure the District's financial health

III. Overview of the Financial Statements (continued)

A. Reporting the School District as a Whole (District-wide Financial Statements) (continued):

2. Statement of Activities (continued)

or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

B. Reporting the District's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can

III. Overview of the Financial Statements (continued)

B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):

1. Governmental Funds (continued)

readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

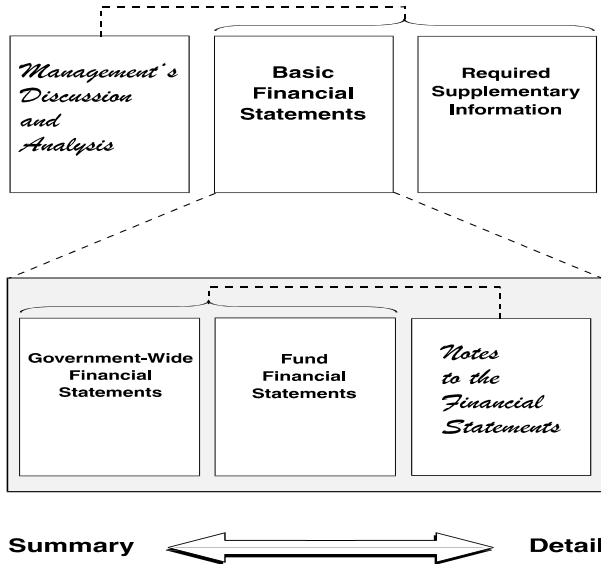
2. Fiduciary Funds

The District reports the activity of the North East Education Foundation as a private purpose trust fund in the fiduciary fund financial statements. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Funds used to account for resources held for the benefit of parties outside the District
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources /liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 - Required Components of the District's Annual Financial Report



IV. Analysis of the School District as Whole

Net Position - Deficit

The District's total reporting entity net position - deficit was approximately \$3,016,000 as of June 30, 2023. The components of net position include: invested in capital assets, net of related debt of \$17,595,000; restricted net position for capital reserve in the amount of \$2,794,000; board designated net position of \$7,337,000 and unrestricted net position - deficit of \$30,742,000.

Changes in Net Position

The District's total government-wide revenue decreased by less than 17% to \$29,455,000. Approximately 35%, 32%, and 28% of total revenue is derived from the property taxes, state sources and operating grants, respectively. The remaining 5% comes from interest earned, local sources, charges for services and other sources.

The total cost of all programs and services of the District increased 3% to \$27,044,000. The District's expenses cover a range of services, with 58% related to instruction and 34% related to support services.

Figure A-3 – Condensed Statement of Net Position

<i>North East School District</i>									
<i>Condensed Statement of Net Position (in thousands of dollars)</i>									
	Governmental Activities			Business-type Activities			Total		
	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
Assets									
Current and other assets	\$ 18,560	\$ 20,929	-11%	\$ 858	\$ 713	20%	\$ 19,418	\$ 21,642	-10%
Capital assets	28,258	27,131	4%	217	144	50%	28,475	27,275	4%
Total assets	46,818	48,060	-3%	1,075	857	25%	47,893	48,917	-2%
Deferred outflows of resources	7,280	6,719	8%	-	-	n/a	7,280	6,719	8%
Total assets & deferred outflows	\$ 54,098	\$ 54,779	-1%	\$ 1,075	\$ 857	25%	\$ 55,173	\$ 55,636	-1%
Liabilities									
Other liabilities	\$ 4,851	\$ 5,548	-13%	\$ 92	\$ 17	430%	\$ 4,943	\$ 5,565	-11%
Long-term debt outstanding	50,890	49,003	4%	22	16	35%	50,912	49,019	4%
Total liabilities	55,741	54,551	2%	114	33	241%	55,855	54,584	2%
Deferred inflows of resources	2,336	6,483	-64%	-	-	n/a	2,336	6,483	-64%
Net position									
Invested in capital assets, net of related debt	17,378	14,730	18%	217	144	50%	17,595	14,874	18%
Restricted	2,794	2,726	3%	-	-	n/a	2,794	2,726	3%
Board designated	7,337	7,141	3%	-	-	n/a	7,337	7,141	3%
Unrestricted (deficit)	(31,488)	(30,852)	2%	744	680	9%	(30,742)	(30,172)	2%
Total net position (deficit)	(3,979)	(6,255)	-36%	961	824	17%	(3,018)	(5,431)	-44%
Total liabilities, deferred inflows & net position (deficit)	\$ 54,098	\$ 54,779	-1%	\$ 1,075	\$ 857	26%	\$ 55,173	\$ 55,636	-1%

Figure A-4 – Changes in Net Position from Operating Results

<i>North East School District</i>									
<i>Changes in Net Position from Operating Results (in thousands of Dollars)</i>									
	Governmental Activities			Business-type activities			Total		
	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
Revenue									
Program revenue									
Charges for services	\$ 162	\$ 113	44%	\$ 275	\$ 61	350%	\$ 437	\$ 174	151%
Operating grants	7,743	14,679	-47%	835	1,129	-26%	8,578	15,808	-46%
General revenue									
Taxes	10,311	9,823	6%	-	-	n/a	10,311	9,823	5%
Interest earned	227	(440)	-152%	-	-	n/a	227	(440)	-152%
Local sources	470	1,109	-58%	-	-	n/a	470	1,109	-58%
State sources	9,432	9,014	5%	-	-	n/a	9,432	9,014	5%
Total revenue	<u>28,345</u>	<u>34,298</u>	<u>-17%</u>	<u>1,110</u>	<u>1,190</u>	<u>-7%</u>	<u>29,455</u>	<u>35,488</u>	<u>-17%</u>
Expenses									
Instruction	15,745	16,138	-2%	-	-	n/a	15,745	16,138	-2%
Support services	9,206	8,769	5%	-	-	n/a	9,206	8,769	5%
Non-instructional services	1,045	886	18%	-	-	n/a	1,045	886	18%
Other uses									
Debt service - interest	75	283	-73%	-	-	n/a	75	283	-73%
Business-type (food service fund)	-	-	n/a	973	890	9%	973	890	9%
Total expenses	<u>26,071</u>	<u>26,076</u>	<u>0%</u>	<u>973</u>	<u>890</u>	<u>9%</u>	<u>27,044</u>	<u>26,966</u>	<u>0%</u>
Change in net position	<u>\$ 2,274</u>	<u>\$ 8,222</u>		<u>\$ 137</u>	<u>\$ 300</u>		<u>\$ 2,411</u>	<u>\$ 8,522</u>	

IV. Financial Analysis of the School District as a Whole (continued)

Figure A-5 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities - Revenue

Revenue of the District's governmental activities decreased 17%, while total expenses increased 0%. The District's total net position increased approximately \$2,273,000 during the fiscal year ended June 30, 2023.

Figure A-4 presents the major sources of revenue of the District's governmental activities. Total revenue of the District was \$28,344,000 for the fiscal year ended June 30, 2023. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Tax revenue which represents approximately 35% of the District's total revenue for governmental activities increased 6% during the year ended June 30, 2023 due to an increase in tax levy.
- State sources (basic subsidy aid) which represents approximately 32% of the District's total revenue for governmental activities increased by 5% as compared with the prior year due to an increase in basic subsidy aid.
- Interest earned increased by approximately \$667,000 which can be largely attributed to an increase in interest rates during the year.

IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities - Revenue (continued)

- During the year ended June 30, 2023, the District saw a decrease in program revenue, which mostly resulted in a decrease in operating grants in the amount of \$6,936,000 and from an increase in charges for services in the amount of \$49,000. The decrease in operating grants was primarily related to decreases in COVID-19 pandemic related grants and aid.

Governmental Activities - Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; instruction, support services, non-instructional services, debt service and food service; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and Commonwealth of Pennsylvania by each of these functions. Total costs of the District's governmental activities were \$26,071,000.

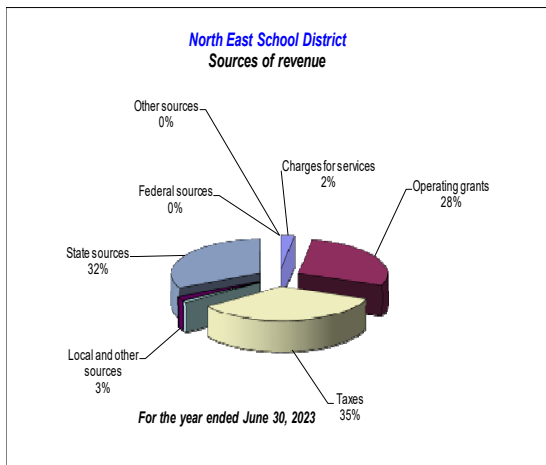
IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities - Expenses (continued)

The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's instruction costs decreased by approximately \$393,000 or 2% which was primarily due to a decrease in contractual expenses due to a decrease in payments to Erie County Technical School for the District's share of their construction project offset by an increase in pension expense.
- The District's support services costs increased by approximately \$437,000 or 5% during the year ended June 30, 2023 due to an increase in pension expense
- Non-instructional costs of the District increased approximately \$159,000 or 18% during the year ended June 30, 2023 due to an increase in student activity expenses.

Figure A-5 – District-wide Sources of Revenue



IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities - Expenses (continued)

- The District's other financing uses decreased \$208,000 during the current year ended June 30, 2023 due to a decrease in interest payments on outstanding debt.
- For governmental activities, the District received approximately \$7,905,000 of operating grants and charges for services from its state and federal grants which subsidized certain programs of the District.
- Most of the District's net costs (\$18.2 million) were financed by real property taxes and state aid.

Figure A-6 – District-wide Expenses

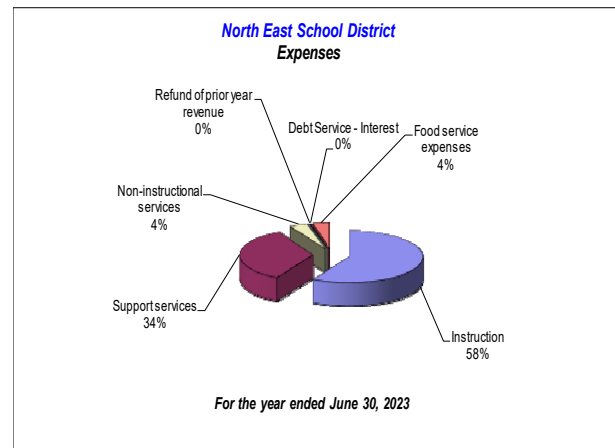


Figure A-7 – Expenditures Supported with Program Revenue

<i>North East School District Expenditures supported with program revenue (in thousands of dollars)</i>												
	Governmental Activities				Business-type Activities				Total			
	2023		2022		2023		2022		2023		2022	
Expenditures supported with general revenue (from taxes & other sources)	\$ 18,165	70%	\$ 11,284	43%	\$ (137)	-14%	\$ (300)	-34%	\$ 18,028	67%	\$ 10,984	41%
Expenditures supported with program revenue	7,906	30%	14,792	57%	1,110	114%	1,190	134%	9,016	33%	15,982	59%
Total expenditures related to governmental activities	\$ 26,071	100%	\$ 26,076	100%	\$ 973	100%	\$ 890	100%	\$ 27,044	100%	\$ 26,966	100%

Figure A-8 – Net Cost of Governmental Activities

<i>North East School District Net Cost of District-wide expenses (in thousands of dollars)</i>									
	Total cost of services			Net cost of services					
	2023	2022	Change	2023	2022	Change			
Instruction	\$ 15,745	\$ 16,138	\$ (393)	\$ 10,256	\$ 10,241	\$ 15			
Support services	9,206	8,769	437	7,220	3,273	3,947			
Non-instructional services	1,045	886	159	912	769	143			
Debt service - interest	75	283	(208)	(223)	(2,999)	2,776			
Food service	973	890	83	(137)	(300)	163			
Total	\$ 27,044	\$ 26,966	\$ 78	\$ 18,028	\$ 10,984	\$ 7,044			

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position are presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds.

Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund expenditures and other uses exceeded its revenues and other sources by approximately \$1,830,000.
- The District's general fund unassigned fund balance equated to approximately \$1,923,000 as of June 30, 2023.

**V. Financial Analysis of the School District's Funds
(continued)**

General Fund (continued)

- The District had assigned fund balance as of June 30, 2023 in the amount of approximately \$403,000.
- The District had committed fund balance of as of June 30, 2023 in the amount of \$7,192,000.
- The District's total assets decreased approximately \$2,075,000 while liabilities and deferred inflows decreased \$245,000 during the year ended June 30, 2023. The decrease in assets was primarily due to a decrease in intergovernmental receivables. The decrease in liabilities and deferred inflows was associated with a decrease in accrued liabilities.
- Total revenue in the District's general fund decreased \$20,102,000. This decrease was primarily related to decreases in Covid-19 pandemic related grants and aid, proceeds from bond refunding, and rental subsidy. Total expenditures and other uses decreased \$14,647,000, which resulted from a decrease in interfund transfers towards capital projects and payments towards a bond refunding.

**NORTH EAST SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**V. Financial Analysis of the School District's Funds
(continued)**

Capital Projects Fund

During the current year, the District had expenditures in its capital projects fund of approximately \$3,357,000. These expenditures were mainly attributed to technology equipment, vehicle purchases and building renovations.

VI. General Fund Budgetary Highlight

Figure A-9 summarizes the general fund revenues and expenditures comparing the revised budget to actual results. Figures A-10 and A-11 provide an explanation for major revenue and expenditure variances.

Figure A-9 – General Fund Budget Summary

<i>North East School District General Fund - Budget Summary</i>				
	Revised Budget	Actual	Difference	%
Revenue				
Real Estate Taxes	\$ 8,730,417	\$ 8,754,562	\$ 24,145	0.3%
Earned Income Taxes	1,139,540	1,295,310	155,770	13.7%
Other Taxes	154,100	200,703	46,603	30.2%
Other Local Revenue	498,600	821,874	323,274	64.8%
State Subsidies	15,698,656	16,062,270	363,614	2.3%
Federal Subsidies	814,067	801,183	(12,884)	-1.6%
Total revenue	\$ 27,035,380	\$ 27,935,902	\$ 900,522	3.3%
Expenditures				
Salaries & Benefits	\$ 20,300,849	\$ 19,375,689	\$ 925,160	4.6%
Purchased Services & Tuition	2,541,182	3,421,264	(880,082)	-34.6%
Utilities, Insurance and Other	672,787	771,101	(98,314)	-14.6%
Supplies & Equipment	1,278,517	1,252,867	25,650	2.0%
Debt service	1,611,150	1,611,150	-	0.0%
Fund Transfers & Reserves	833,700	3,333,700	(2,500,000)	-299.9%
Total expenditures	\$ 27,238,185	\$ 29,765,771	\$ (2,527,586)	-9.3%
Increase/(decrease) in fund balance	\$ (202,805)	\$ (1,829,869)	\$ (1,627,064)	

VI. General Fund Budgetary Highlight (continued)

Figure A-10 – Major Revenue Variances

<i>North East School District Major Revenue Variances</i>	
Revenues that were higher than anticipated:	
Earned Income Tax	\$ 155,770
PA Basic Education Subsidy	148,120
Erie County Pandemic Revenue	123,128
PCCD School Safety & Mental Health	105,669
Investment Earnings	100,331
PA PSERS Reimbursement	90,027
PA Special Education Subsidy	67,935
Real Estate Transfer Tax	46,578
Incarcerated Education Subsidy	40,777
Real Estate Tax	40,919
PA Smart Targeted STEM	38,003
Federal ESSER III ARP***	35,693
Transportation Services Income	21,266
Revenues that were lower than anticipated:	
PA Transportation Subsidy	(71,744)
Federal ACCESS	(46,614)
Non-Major Variances	4,664
	\$ 900,522

Figure A-11 – Major Expenditure Variances

<i>North East School District Major Expenditure Variances</i>	
Expenses that were higher than anticipated:	
Transfer to Capital Projects Fund*	\$ 2,500,000
Student Tuition - ECTS - Renovation*	522,021
Student Tuition - Cyber Charter Schools	166,328
Utilities	145,055
Purchased Professional Services	85,892
Equipment	75,498
Contracted IU Transportation Services	57,492
Purchased Property Services	52,712
Student Tuition - LEA's	27,097
Expenses that were lower than anticipated:	
Health Insurance Claims	(633,369)
Salaries	(139,187)
PSERS Employer Contributions	(146,534)
Software & Supplies	(60,945)
Travel	(54,486)
Student Tuition - Approved Private Schools	(41,239)
Oil, Gasoline & Diesel	(29,759)
Non-Major Variances	1,010
	\$ 2,527,586
Variance Less One Time Expenses	\$ (494,435)

* One Time Events

VII. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-12, as of June 30, 2023, the District had invested \$28,475,000 in a broad range of capital assets, including reconstruction projects and other equipment. Capital additions made during the year ended June 30, 2023, totaled approximately \$2,965,000 and were primarily due to equipment, technology purchases and building renovations. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-13, as of June 30, 2023, the District had approximately \$50,904,000 in bonds, net pension liability, compensated absences, and other post-employment benefits. The overall outstanding balance increased 4% as compared with the previous year. This increase was primarily the result of the District's proportionate share increase in the net pension liability due to an actuarial update offset by a decrease in bonds payable due to the District making regularly scheduled principal payments.

Figure A-12 – Capital Assets

<i>North East School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2023	2022	Change
Land and site improvements	\$ 1,003,178	\$ 1,033,731	-3%
Building and construction-in-progress	25,677,325	24,226,465	6%
Furniture and equipment	1,178,851	1,188,443	-1%
Transportation vehicles	615,776	826,485	-25%
Total Capital Assets, net	\$ 28,475,130	\$ 27,275,124	4%

Figure A-13 – Outstanding Long-term Debt

<i>North East School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2023	2022	Change
Bonds payable	\$ 10,880,234	\$ 12,401,043	-12%
Net pension liability	35,834,000	32,230,000	11%
Compensated absences	935,375	769,873	21%
Other post employment benefits	3,254,108	3,617,983	-10%
Total Long-Term Debt	\$ 50,903,717	\$ 49,018,899	4%

VIII. Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District is uncertain as to the level of state aid in future years as it moved out of the Covid-19 Pandemic.
- The District continues to note a decline in general student enrollment, however projections are showing that the decline has begun to level off.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

North East School District
District Administrative Offices
Attention: Mr. Jeffrey A. Fox, CPA
Business Administrator
50 East Division Street
North East, PA 16428

**NORTH EAST SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023**

	2023			2022 Total
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash				
Unrestricted	\$ 5,127,102	\$ 162,625	\$ 5,289,727	\$ 4,137,181
Restricted	3,159,827	-	3,159,827	3,598,445
Investments	6,464,755	-	6,464,755	6,969,009
Receivables				
Taxes, net	1,016,649	-	1,016,649	920,026
State and federal aid	2,035,215	1,394	2,036,609	4,275,924
Other receivables	67,550	15,500	83,050	805,766
Due from other governmental activities	-	639,354	639,354	633,431
Prepaid expenses	633,942	-	633,942	208,284
Inventories	54,900	39,292	94,192	94,279
Capital assets, net	28,257,969	217,161	28,475,130	27,275,124
Total assets	<u>46,817,909</u>	<u>1,075,326</u>	<u>47,893,235</u>	<u>48,917,469</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	6,292,888	-	6,292,888	6,112,700
Deferred outflows related to OPEB	987,596	-	987,596	606,602
Total deferred outflows of resources	<u>7,280,484</u>	<u>-</u>	<u>7,280,484</u>	<u>6,719,302</u>
Total assets and deferred outflows of resources	<u>\$ 54,098,393</u>	<u>\$ 1,075,326</u>	<u>\$ 55,173,719</u>	<u>\$ 55,636,771</u>
Liabilities				
Current liabilities				
Accounts payable and retainage payable	\$ 768,903	\$ 82,243	\$ 851,146	\$ 1,213,183
Accrued liabilities	3,324,521	5,038	3,329,559	3,584,863
Accrued interest	90,000	-	90,000	105,000
Due to other business-type activities	639,354	-	639,354	633,431
Unearned revenue	28,367	5,114	33,481	28,864
Long-term liabilities				
Portion due or payable within one year				
Bonds payable	1,310,000	-	1,310,000	1,265,000
Portion due or payable after one year				
Bonds payable	9,570,234	-	9,570,234	11,136,043
Net pension liability	35,834,000	-	35,834,000	32,230,000
Compensated absences	921,375	21,575	942,950	769,873
Other post employment benefits	3,254,108	-	3,254,108	3,617,983
Total liabilities	<u>55,740,862</u>	<u>113,970</u>	<u>55,854,832</u>	<u>54,584,240</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	1,302,000	-	1,302,000	6,225,000
Deferred inflows related to OPEB	1,034,381	-	1,034,381	257,600
Total deferred inflows of resources	<u>2,336,381</u>	<u>-</u>	<u>2,336,381</u>	<u>6,482,600</u>
Total liabilities and deferred inflows of resources	<u>58,077,243</u>	<u>113,970</u>	<u>58,191,213</u>	<u>61,066,840</u>
Net Position (Deficit)				
Invested in capital assets, net of related debt	17,377,735	217,161	17,594,896	14,874,081
Restricted for				
Capital	2,794,313	-	2,794,313	2,726,195
Board designated	7,336,621	-	7,336,621	7,141,394
Unrestricted (deficit)	(31,487,519)	744,195	(30,743,324)	(30,171,739)
Total net position (deficit)	<u>(3,978,850)</u>	<u>961,356</u>	<u>(3,017,494)</u>	<u>(5,430,069)</u>
Total liabilities, deferred inflows of resources & net position (deficit)	<u>\$ 54,098,393</u>	<u>\$ 1,075,326</u>	<u>\$ 55,173,719</u>	<u>\$ 55,636,771</u>

**NORTH EAST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	2023						2022
	Expenses	Indirect Expenses Allocation	Program Revenues Charges for Services	Operating Grants	Net (Expense) Governmental Activities	Revenue and Changes in Net Position Business-Type Activities	Net (Expense) Revenue and Changes in Net Position
Functions/Programs							
Governmental Activities:							
Instruction	\$ 14,791,044	\$ 953,815	\$ 133,106	\$ 5,356,049	\$ (10,255,704)	\$ -	\$ (10,240,856)
Instructional student support	2,013,662	132,417	-	455,551	(1,690,528)	-	(1,201,872)
Administrative and financial support services	2,347,763	154,333	-	561,190	(1,940,906)	-	(2,028,485)
Operation and maintenance of plant services	2,991,622	158,717	-	320,925	(2,829,414)	-	631,763
Pupil transportation	1,092,850	281,532	-	647,090	(727,292)	-	(643,861)
Other support services	32,088	-	-	-	(32,088)	-	(31,324)
Student activities	963,775	46,745	29,052	103,132	(878,336)	-	(730,535)
Community services	32,244	1,975	-	916	(33,303)	-	(38,192)
Debt service	75,341	-	-	298,458	223,117	-	2,999,346
Depreciation	1,729,534	(1,729,534)	-	-	-	-	-
Total governmental activities	26,069,923	-	162,158	7,743,311	(18,164,454)	-	(18,164,454)
Business-type activities:							
Food services	973,412	-	274,563	835,395	-	136,546	299,862
Total functions and programs	\$ 27,043,335	\$ -	\$ 436,721	\$ 8,578,706	(18,164,454)	136,546	(10,984,154)

General Revenues

Real property taxes, levied for general purposes	8,814,620	-	8,814,620	8,434,115
Other taxes levied	1,496,013	-	1,496,013	1,388,717
Interest earnings (loss)	227,208	-	227,208	(439,850)
Other local sources	470,480	-	470,480	1,108,553
State sources	9,432,162	-	9,432,162	9,013,525
	<hr/>			
Total general revenues	20,440,483	-	20,440,483	19,505,060
	<hr/>			
Change in net position	2,276,029	136,546	2,412,575	8,520,906
	<hr/>			
Net position (deficit) - beginning of year	(6,254,879)	824,810	(5,430,069)	(13,950,975)
	<hr/>			
Net position (deficit) - end of year	\$ (3,978,850)	\$ 961,356	\$ (3,017,494)	\$ (5,430,069)
	<hr/>			

See accompanying independent auditor's report and notes to financial statements.

**NORTH EAST SCHOOL DISTRICT
COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023**

	Governmental Funds				
	General	Special Revenue	Capital Projects	2023 (Memo only) Total	2022 (Memo only) Total
Assets					
Unrestricted cash and cash equivalents	\$ 4,982,131	\$ 144,971	\$ -	\$ 5,127,102	\$ 4,100,404
Restricted cash	-	-	3,159,827	3,159,827	3,598,445
Investments	6,464,755	-	-	6,464,755	6,969,009
Taxes receivable	1,034,649	-	-	1,034,649	938,026
Intergovernmental receivables	2,035,215	-	-	2,035,215	4,273,625
Other receivables	67,550	-	-	67,550	804,214
Prepaid expenses	633,942	-	-	633,942	208,284
Inventories	54,900	-	-	54,900	54,900
Total assets	<u>\$ 15,273,142</u>	<u>\$ 144,971</u>	<u>\$ 3,159,827</u>	<u>\$ 18,577,940</u>	<u>\$ 20,946,907</u>
Liabilities, Deferred Inflows of Resources and Fund Equity					
Liabilities					
Accounts payable	\$ 403,389	\$ -	\$ 365,514	\$ 768,903	\$ 1,213,183
Accrued salaries and benefits	3,151,847	-	-	3,151,847	3,442,814
Payroll deductions and withholdings	172,674	-	-	172,674	134,241
Due to proprietary fund	639,354	-	-	639,354	633,431
Unearned revenues	28,367	-	-	28,367	19,247
Total liabilities	<u>4,395,631</u>	<u>-</u>	<u>365,514</u>	<u>4,761,145</u>	<u>5,442,916</u>
Deferred Inflows of Resources					
Revenue not available - taxes	671,383	-	-	671,383	611,325
Fund Equity					
Nonspendable	688,842	-	-	688,842	263,184
Restricted	-	-	2,794,313	2,794,313	2,726,195
Committed	7,191,650	144,971	-	7,336,621	7,141,394
Assigned	402,677	-	-	402,677	213,410
Unassigned	1,922,959	-	-	1,922,959	4,548,483
Total fund equity	<u>10,206,128</u>	<u>144,971</u>	<u>2,794,313</u>	<u>13,145,412</u>	<u>14,892,666</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 15,273,142</u>	<u>\$ 144,971</u>	<u>\$ 3,159,827</u>	<u>\$ 18,577,940</u>	<u>\$ 20,946,907</u>

NORTH EAST SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
EQUITY - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Funds				
	General	Special Revenue	Capital Projects	2023 (Memo only) Total	2022 (Memo only) Total
Revenue					
Local sources	\$ 11,072,451	\$ 258,115	\$ 91,877	\$ 11,422,443	\$ 10,886,034
State sources	16,062,269	-	-	16,062,269	18,347,591
Federal sources	801,182	-	-	801,182	4,980,406
Other sources					
Proceeds from refunded debt	-	-	-	-	13,932,448
Interfund transfers	-	-	3,333,700	3,333,700	7,170,061
Total revenue and other sources	<u>27,935,902</u>	<u>258,115</u>	<u>3,425,577</u>	<u>31,619,594</u>	<u>55,316,540</u>
Expenditures					
Instruction	15,572,775	-	-	15,572,775	16,509,691
Support services	8,460,711	-	-	8,460,711	8,246,992
Noninstructional services	787,435	243,618	-	1,031,053	885,670
Facility acquisition, construction, and improvement services	-	-	3,357,459	3,357,459	5,314,141
Other financing uses					
Debt service	1,611,150	-	-	1,611,150	1,579,577
Payment of refunded debt	-	-	-	-	10,156,740
Interfund transfers	3,333,700	-	-	3,333,700	7,170,061
Total expenditures and other financing uses	<u>29,765,771</u>	<u>243,618</u>	<u>3,357,459</u>	<u>33,366,848</u>	<u>49,862,872</u>
Excess (deficiency) of revenue and other sources over expenditures and other financing uses	(1,829,869)	14,497	68,118	(1,747,254)	5,453,668
Fund equity, beginning of year	<u>12,035,997</u>	<u>130,474</u>	<u>2,726,195</u>	<u>14,892,666</u>	<u>9,438,998</u>
Fund equity, end of year	<u>\$ 10,206,128</u>	<u>\$ 144,971</u>	<u>\$ 2,794,313</u>	<u>\$ 13,145,412</u>	<u>\$ 14,892,666</u>

NORTH EAST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Revised Budget	Current Year's Actual	Favorable (Unfavorable) Revised Budget
Revenues				
Local sources	\$ 10,522,657	\$ 10,522,657	\$ 11,072,451	\$ 549,794
State sources	15,698,656	15,698,656	16,062,269	363,613
Federal sources	814,067	814,067	801,182	(12,885)
Total revenue	<u>27,035,380</u>	<u>27,035,380</u>	<u>27,935,902</u>	<u>900,522</u>
Expenditures				
Instruction				
Regular programs	11,337,285	11,337,285	10,888,493	448,792
Special programs	3,073,175	3,073,175	3,056,807	16,368
Vocational education programs	862,881	862,881	1,383,456	(520,575)
Other instructional programs	243,242	243,242	244,019	(777)
Total instruction	<u>15,516,583</u>	<u>15,516,583</u>	<u>15,572,775</u>	<u>(56,192)</u>
Support Services				
Pupil personnel	970,067	970,067	999,363	(29,296)
Instructional staff	997,548	997,548	900,145	97,403
Administration	2,138,812	2,138,812	2,074,431	64,381
Pupil health	270,503	270,503	262,250	8,253
Business	455,761	455,761	445,120	10,641
Operation and maintenance	2,325,115	2,325,115	2,591,117	(266,002)
Student transportation services	1,227,603	1,227,603	1,156,197	71,406
Other support services	31,324	31,324	32,088	(764)
Total support services	<u>8,416,733</u>	<u>8,416,733</u>	<u>8,460,711</u>	<u>(43,978)</u>
Noninstructional services				
Student activities	813,998	813,998	755,191	58,807
Community services	46,021	46,021	32,244	13,777
Total noninstructional services	<u>860,019</u>	<u>860,019</u>	<u>787,435</u>	<u>72,584</u>
Other financing uses				
Debt service	1,611,150	1,611,150	1,611,150	-
Interfund transfers *	833,700	833,700	3,333,700	(2,500,000)
Total other financing uses	<u>2,444,850</u>	<u>2,444,850</u>	<u>4,944,850</u>	<u>(2,500,000)</u>
Total expenditures and other financing uses	<u>27,238,185</u>	<u>27,238,185</u>	<u>29,765,771</u>	<u>(2,527,586)</u>
Excess (deficiency) of revenue and other sources over expenditures and other financing uses	<u>\$ (202,805)</u>	<u>\$ (202,805)</u>	<u>(1,829,869)</u>	<u>\$ (1,627,064)</u>
Fund equity, beginning of year			<u>12,035,997</u>	
Fund equity, end of year			<u>\$ 10,206,128</u>	

* The Board of Education approved additional transfers to the capital projects fund during the fiscal year ended June 30, 2023

NORTH EAST SCHOOL DISTRICT

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS – PRIVATE PURPOSE TRUST
AS OF JUNE 30, 2023**

	2023 Private Purpose Trust	2022 Private Purpose Trust
Assets		
Cash	\$ 148,286	\$ 84,855
Beneficial interest in investments held by Community Foundation	10,131	-
Total assets	<u>\$ 158,417</u>	<u>\$ 84,855</u>
Net position		
Restricted	155,766	72,903
Unrestricted	2,651	11,952
Total net position	<u>158,417</u>	<u>84,855</u>
Total liabilities and net position	<u>\$ 158,417</u>	<u>\$ 84,855</u>

NORTH EAST SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS – PRIVATE PURPOSE TRUST

AS OF JUNE 30, 2023

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	2023 Private Purpose Trust	2022 Private Purpose Trust
Additions		
Gifts and contributions	\$ 117,372	\$ 56,302
Other additions	882	104
Total additions	<u>118,254</u>	<u>56,406</u>
Deductions		
Innovative education grants and programs	30,938	6,318
Student assistance and scholarships	13,754	15,564
Total deductions	<u>44,692</u>	<u>21,882</u>
Change in net position	73,562	34,524
Net position - beginning of year	<u>84,855</u>	<u>50,331</u>
Net position - end of year	<u>\$ 158,417</u>	<u>\$ 84,855</u>

NORTH EAST SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
AS OF JUNE 30, 2023

	2023	2022
Assets		
Cash and cash equivalents	\$ 162,625	\$ 36,777
Intergovernmental receivables	1,394	2,299
Other receivables	15,500	1,552
Due from other funds	639,354	633,431
Inventories	39,292	39,379
Capital assets, net	217,161	144,402
	<hr/>	<hr/>
Total assets	\$ 1,075,326	\$ 857,840
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Accounts payable	\$ 82,243	\$ -
Accrued liabilities	5,038	7,808
Compensated absences	21,575	15,605
Unearned revenue	5,114	9,617
	<hr/>	<hr/>
Total liabilities	113,970	33,030
	<hr/>	<hr/>
Net Position		
Net investment in capital assets	217,161	144,402
Unrestricted	744,195	680,408
	<hr/>	<hr/>
Total net position	961,356	824,810
	<hr/>	<hr/>
Total liabilities and net position	\$ 1,075,326	\$ 857,840
	<hr/> <hr/>	<hr/> <hr/>

NORTH EAST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
Operating revenue		
Food service revenue	\$ 274,563	\$ 61,318
Operating expenses		
Salaries and benefits	389,861	354,307
Purchased food	407,093	377,074
Supplies	115,416	102,579
Depreciation	35,711	32,763
Other operating expenses	25,331	23,233
Total operating expenses	973,412	889,956
Net operating loss	(698,849)	(828,638)
Non-operating revenues		
State sources	86,819	30,275
Federal sources	748,576	1,098,225
Total non-operating revenues	835,395	1,128,500
Change in net position	136,546	299,862
Total net position, beginning	824,810	524,948
Total net position, ending	\$ 961,356	\$ 824,810

NORTH EAST SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
Cash flows from operating activities		
Cash received from sale of meals	\$ 260,615	\$ 65,661
Cash paid to or on behalf of employees	(386,661)	(376,775)
Cash paid to vendors	(378,903)	(422,237)
Cash received from (paid to) other funds	(5,923)	(392,841)
Net cash used in operating activities	(510,872)	(1,126,192)
Cash flows from non-capital financing activities		
Cash received from State sources	86,887	40,501
Cash received from Federal sources	658,303	1,064,933
Net cash provided by non-capital financing activities	745,190	1,105,434
Cash flows from investing activities		
Equipment purchases	(108,470)	-
Net change in cash	125,848	(20,758)
Cash balance, beginning of year	36,777	57,535
Cash balance, end of year	\$ 162,625	\$ 36,777
Reconciliation of net operating loss to net cash used in operating activities		
Net operating loss	\$ (698,849)	\$ (828,638)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	35,711	32,763
Donated commodities	91,110	67,828
Changes in assets and liabilities:		
(Increase) decrease in other receivables	(13,948)	4,343
(Increase) decrease in inventory	87	15,403
(Increase) decrease in due from other funds	(5,923)	(392,841)
Increase (decrease) in accounts payable	82,243	-
Increase (decrease) in accrued liabilities	3,200	(22,468)
Increase (decrease) in unearned revenue/student deposits	(4,503)	(2,582)
Net cash used in operating activities	\$ (510,872)	\$ (1,126,192)
Supplemental Schedule of Non-Cash Activities		
Activities not affecting cash flows are as follows:		
Surplus food (donated commodities)	\$ 91,110	\$ 67,828
Total non-cash activity	\$ 91,110	\$ 67,828

NORTH EAST SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

Total fund balances - governmental funds		\$ 13,145,412
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. Capital assets consist of the following at year-end:		
Cost of the assets	\$ 70,964,805	
Accumulated depreciation	<u>(42,706,836)</u>	28,257,969
Taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds. The District has also reserved approximately 5% or \$18,000 of delinquent taxes receivable.		653,383
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(90,000)
Net deferred (inflows) and outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the government funds, OPEB expense is based on required benefits paid.		(46,785)
Net deferred (inflows) and outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the government funds, pension expense is based on required contributions.		4,990,888
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:		
Bonds payable	(10,880,234)	
Other post employment benefits	(3,254,108)	
Net pension liability	(35,834,000)	
Compensated absences	<u>(921,375)</u>	<u>(50,889,717)</u>
Total net position (deficit) - governmental activities		\$ <u>(3,978,850)</u>

	Total Governmental Funds	Long-term Assets and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 8,286,929	\$ -	\$ -	\$ -	\$ 8,286,929
Investments	6,464,755	-	-	-	6,464,755
Taxes receivable	1,034,649	(18,000)	-	-	1,016,649
Intergovernmental receivable	2,035,215	-	-	-	2,035,215
Other receivables	67,550	-	-	-	67,550
Prepaid expenses	633,942	-	-	-	633,942
Inventories	54,900	-	-	-	54,900
Capital assets, net	-	28,257,969	-	-	28,257,969
Total assets	18,577,940	28,239,969	-	-	46,817,909
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	6,292,888	-	-	6,292,888
Deferred outflows related to OPEB	-	987,596	-	-	987,596
Total deferred outflows of resources	-	7,280,484	-	-	7,280,484
Total assets and deferred outflows of resources	\$ 18,577,940	\$ 35,520,453	\$ -	\$ -	\$ 54,098,393
Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position (deficit)					
Liabilities					
Accounts payable	\$ 768,903	\$ -	\$ -	\$ -	\$ 768,903
Accrued liabilities	3,324,521	-	-	-	3,324,521
Accrued interest	-	-	90,000	-	90,000
Due to other funds	639,354	-	-	-	639,354
Unearned revenue	28,367	-	-	-	28,367
Bonds payable	-	-	10,880,234	-	10,880,234
Net pension liability	-	-	35,834,000	-	35,834,000
Compensated absences	-	-	921,375	-	921,375
Other post employment benefits	-	-	3,254,108	-	3,254,108
Total liabilities	4,761,145	-	50,979,717	-	55,740,862
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	-	1,302,000	-	1,302,000
Deferred inflows related to OPEB	-	-	1,034,381	-	1,034,381
Revenue not available - taxes	671,383	-	(671,383)	-	-
Total deferred inflows of resources	671,383	-	1,664,998	-	2,336,381
Fund equity & net position (deficit)	13,145,412	35,520,453	(52,644,715)	-	(3,978,850)
Total liabilities, deferred inflows of resources & fund equity/net position (deficit)	\$ 18,577,940	\$ 35,520,453	\$ -	\$ -	\$ 54,098,393

NORTH EAST SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Total net change in fund balances - governmental funds \$ (1,747,254)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 2,856,781	
Depreciation expense	<u>(1,729,534)</u>	1,127,247

Because some taxes will not be collected for several months after the District's year end, they are not considered as "available" revenue in the governmental funds. In the statement of activities amounts are recognized as revenue as they are considered earned. Deferred inflows of resources changed by this amount during the year. 60,058

Repayment of bond principal (including refunding of debt) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This balance includes the net amortization of defeasement losses and bond premiums. 1,520,809

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, pension expense is based on the District's contribution to pension plan. 1,499,188

District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows related to OPEB are recorded in the statement of activities, whereas in the governmental funds OPEB expense is based on the District's required benefits paid to the OPEB plans. (31,912)

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 15,000

In the statement of activities, certain operating expenses - compensated absences and special termination benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. (167,107)

Change in net position of governmental activities \$ 2,276,029

	Total Governmental Funds	Long-term Assets and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 8,754,562	\$ 60,058	\$ -	\$ -	\$ 8,814,620
Other taxes levied	1,496,013	-	-	-	1,496,013
Interest and earnings	227,208	-	-	-	227,208
Other local sources	944,660	-	-	(474,180)	470,480
State sources	16,062,269	-	-	(6,630,107)	9,432,162
Federal sources	801,182	-	-	(801,182)	-
Total revenue	<u>28,285,894</u>	<u>60,058</u>	<u>-</u>	<u>(7,905,469)</u>	<u>20,440,483</u>
Expenditures					
Instruction	15,572,775	945,934	(773,850)	(5,489,155)	10,255,704
Instructional student support	2,161,758	129,495	(145,174)	(455,551)	1,690,528
Administrative and financial support services	2,519,551	154,333	(171,788)	(561,190)	1,940,906
Operation and maintenance of plant services	2,591,117	136,807	(110,976)	212,466	2,829,414
Pupil transportation	1,156,197	281,532	(63,347)	(647,090)	727,292
Other support services	32,088	-	-	-	32,088
Student activities	998,809	46,745	(35,034)	(132,184)	878,336
Community services	32,244	1,975	-	(916)	33,303
Facility acquisition, construction, and improvement services	3,357,459	(2,824,068)	-	(533,391)	-
Debt service	1,611,150	-	(1,535,809)	(298,458)	(223,117)
Total expenditures	<u>30,033,148</u>	<u>(1,127,247)</u>	<u>(2,835,978)</u>	<u>(7,905,469)</u>	<u>18,164,454</u>
Excess (deficiency) of revenue over expenditures	<u>(1,747,254)</u>	<u>1,187,305</u>	<u>2,835,978</u>	<u>-</u>	<u>2,276,029</u>
Other sources and uses					
Operating transfers in	3,333,700	-	-	(3,333,700)	-
Operating transfers out	(3,333,700)	-	-	3,333,700	-
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change for year	<u>\$ (1,747,254)</u>	<u>\$ 1,187,305</u>	<u>\$ 2,835,978</u>	<u>\$ -</u>	<u>\$ 2,276,029</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The *North East School District* is governed by the Education Law and other general laws of the State of Pennsylvania. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise School District operations, and are governed by or significantly influenced by, the Board of Education. Essentially, the primary function of the School District is to provide education for pupils. Support services such as transportation of pupils, administration, finance, and plant maintenance are also included. The financial reporting entity includes all funds, account groups, functions and organizations over which the School District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

B. Basis of Presentation

1. District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize double counting of internal transactions. Governmental activities generally are financed through taxes, state subsidy, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants. Business-type activities include the District's food service operation which is financed through sales and reimbursements of breakfasts and lunches.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

2. Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental, proprietary and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

a. Governmental Fund Types

Governmental funds are those funds used to account for and report the operations of the School District. The acquisition, use, and balances of financial resources and related assets and liabilities are reported therein. The measurement focus is the determination of changes in financial position rather than net income determination. The following funds and aggregate governmental fund types are employed in accounting for and reporting School District operations. The District reports the following major governmental funds:

General Fund - The General Fund is the principal operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for and report those revenues and expenditures that are committed for student activities.

Capital Projects Funds - The Capital Projects Funds are used to account for and report financial resources to be used for the acquisition or construction or renovation of major capital facilities or equipment. These projects are approved by the Pennsylvania Department of Education and a portion of the costs will be reimbursed with state subsidy in future years.

b. Proprietary Fund Types

Proprietary Fund Types are used to account and report activities that are similar to business operations in the private sector where the focus is on determining net income and cash flows. Proprietary Fund Types include the following fund:

Food Service Fund - Accounts for all revenue and expenses pertaining to cafeteria operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

c. Fiduciary Fund Types

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These activities are not included in the District-wide financial statements because their resources do not belong to the District, and are not available to be used. The District reports the activity of the North East Education Foundation (a 501c3 organization) as a fiduciary activity.

C. Measurement Focus and Basis of Accounting

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period, except for taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgeting Policies - Governmental Fund Types

1. General

The School District's policy relating to budgetary information as shown in the accompanying financial statements is for the School District administration to culminate a proposed budget for approval by the Board of Education prior to commencement of a new fiscal year. Appropriations established by adoption of the budget constitute a limitation on expenditures which may be incurred.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as a reservation of fund equity since such commitments will be honored through budget appropriations in the subsequent year. Encumbrances do not constitute expenditures or liabilities.

E. Local Taxes

Real property taxes are levied annually by the Board of Education and received by tax collectors by December 31. Uncollected real property taxes are subsequently enforced by the Erie County Tax Claim Bureau. An amount representing uncollected real property taxes transmitted to the County for re-levy is recorded as deferred inflows of resources in the governmental fund financial statements until collected by the County.

Per capita, earned income and realty transfer taxes are levied annually by the Board of Education. Uncollected taxes are subsequently enforced by the tax collectors.

F. Inventory

Inventories of food in the Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

Capital assets are reported at actual cost and estimated historical costs, based on an appraisal conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,500	Straight-line	20-50 years
Land improvements	\$ 1,500	Straight-line	20 years
Furniture and equipment	\$ 1,500	Straight-line	5-10 years
Transportation vehicles	\$ 1,500	Straight-line	10 years

H. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has several items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense. The second item is the District contributions to the pension system after the measurement date. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents actuarial differences that are deferred and amortized. The fourth item is the District contributions to the OPEB plans after the measurement date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has several items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting and is reported as unavailable revenue – taxes and other state aid. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of actuarial differences that are deferred and amortized. The third item relates to OPEB reporting in the district-wide Statement of Net Position and represents the actuarial differences that are deferred and amortized.

I. Long-Term Debt

1. Compensated Absences

The District provides compensated absences benefits for its employees based on various employment contracts. Teaching Professionals who retire with at least 15 years of service within the District can accrue up to 240 days at a rate of \$125 per day for a maximum of \$30,000. Also, Teaching Professionals who retire from the District with at least 10 years of service can receive a severance payment of \$100 per year of service up to a maximum of \$4,000. If payment is less than \$5,000, employees can elect to receive a lump sum payment, otherwise the funds are deposited into an HRA to be utilized for future health insurance premiums or to a tax-sheltered annuity (TSA) 403b employer contribution program. Administrative professionals who retire with at least 15 years of service within the District can accrue up to approximately 300 days at a rate of \$175 per day for a maximum of \$52,500. All other employee groups can accrue up to \$5,000 - \$10,000 based on contract provisions. In the district-wide statement of net position as of June 30, 2023, \$942,950 was accrued for compensated absences.

2. Vacation Pay

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The District has no liability for unused vacation pay since all vacation leave is used or lost if not taken each year.

3. General Long-Term Indebtedness

Bonds and general obligation notes and leases are recognized when issued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pensions

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

Plan description

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

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 to 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pensions (continued)

Benefits provided (continued)

members, the right to benefits is vested after ten years of service. 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 by 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. Class T-G and T-H consists of both a defined benefit and defined contribution component. Participants in these classes are entitled to a guaranteed defined monthly benefit, if vested, and the vested account balance of contributions and investment earnings, if any. Participants in Class DC are only entitled to the vested account balance of contributions and investment earnings, if any. Class T-G and T-H (defined benefit portion) members generally must work until age 67 with a minimum of 3 years of service. Benefits are generally equal to 1% or 1.25%, 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.

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

Contributions

Member contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (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 7.5% (Membership Class T-D) of the member's qualifying compensation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pensions (continued)

Contributions (continued)

Member contributions (continued):

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

Members who joined the System after July 1, 2019 contribute at 8.25% (default Membership Class T-G) or 7.5% (elected Membership classes T-H and DC). Membership Class T-G and T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-G contribution rate to fluctuate between 5.5% and 8.5% and Membership Class T-H contribution rate to fluctuate between 4.5% and 7.5%.

Employer contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2023 was 35.26% (34.31% - pension, .20% - Act 5 defined contribution and .75% - health care contributions) of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were approximately \$4,209,000 for the year ended June 30, 2023.

K. Other Postemployment Benefits

Plan Descriptions

The North East School District has two separate other post-employment benefit plans that are provided to District employees and retirees which include a District Plan based on bargaining agreements and the Health Insurance Premium Assistance Program offered through the Pennsylvania Public School Employees' Retirement System.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Other Postemployment Benefits (continued)

District Plan

General Information

The District maintains a single-employer defined benefit healthcare plan (the District Plan). The District Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The District Plan does not issue a publicly available financial report. Eligibility for the District Plan is established by the District and specified in the District's employment contracts. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan is determined on the basis of an actuarial valuation dated July 1, 2022.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2023 the plan had total active employees of 239 and retirees of 12.

PSERS Plan - Health Insurance Premium Assistance Program

General Information

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from 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.

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'

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Other Postemployment Benefits (continued)

PSERS Plan - Health Insurance Premium Assistance Program (continued)

General Information (continued)

Health Options Program. As of June 30, 2022 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan description

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

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022 there were no assumed future benefit increases to participating eligible retirees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Other Postemployment Benefits (continued)

PSERS Plan - Health Insurance Premium Assistance Program (continued)

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were approximately \$91,000 year ended June 30, 2023.

L. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). The District had nonspendable fund balance related to inventories and prepaid expenses of \$688,842 at June 30, 2023.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. The District's restricted reserves are as follows:

1. Capital Projects Reserve

This reserve is used to accumulate funds to finance future costs to be used for the acquisition or construction or renovation of major capital facilities or equipment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted

2. Private Purpose Trusts

Funds used in this account for must be used for the specific purpose of the original contribution such as for scholarships and other donor designated purposes.

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District's committed reserves are as follows:

1. Board Committed Fund Balance

The District's Board of Education established a reserve for future compensated absences, insurance, other post-retirement benefits, Erie County Technical School renovations, and capital projects. Designation of unreserved fund equity in governmental funds indicates that utilization of these resources in the ensuing year's budget or tentative plans for future use.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Administrator and Treasurer have been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (continued)

1. Governmental Funds (continued)

D. Assigned (continued)

2. Athletic Fund

The residual amount of athletic fund monies at year-end is reported as assigned fund balance.

3. Curriculum Development and Furniture and Equipment

The District has assigned fund balance for curriculum development and furniture and equipment purchases. Designation of unreserved fund equity in governmental funds indicates that utilization of these resources in the ensuing year's budget or tentative plans for future use.

4. Appropriated Fund Balance

General Fund – No amount has been appropriated to reduce taxes for the year ending June 30, 2024.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide Financial Statements

A. Invested in Capital Assets, Net of Related Debt

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (continued)

3. Order of Fund Balance Spending Policy (continued)

- a. Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

M. Interfund Activity

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, business-type activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

During the course of operations, the *North East School District* has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. Eliminations have been also made for amounts transferred to and from the same fund type.

N. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenditures/expenses.

O. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with original maturities of three months or less are considered as cash equivalents. This includes certificates of deposit, treasury notes and treasury bills.

P. Investments

Investments are carried at market value which approximates cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

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

A. Total Fund Equity of Governmental Funds vs. Net Position of Governmental Activities

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

Total fund equity of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

B. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of five broad categories, which are summarized below.

1. Long-term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when they are considered "measurable" and "available", whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**NORTH EAST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (CONTINUED)**

3. Long-term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension system.

5. OPEB Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

NOTE 3 - CASH AND INVESTMENTS

A. Deposits

The School District invests excess funds with banks or trust companies authorized to do business in Pennsylvania. During the year ended June 30, 2023, the School District's deposits included interest bearing checking and savings accounts (including money market type investments, certificates of deposit and deposits to the Pennsylvania School District Liquid Asset Fund (PSDLAF)). All funds were held by commercial banks and/or trust companies.

The District's cash and investments are required to be secured (for funds in excess of the FDIC insurance limitation of \$250,000) by a pledge of governmental securities having a market value at least equal to the amount on deposit. The banks use the pooling method to pledge securities for all public funds that are on deposit. This method allows the depository to pledge securities in one lump sum that covers all public funds on deposit at the bank.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, State statutes govern the District's investment policies. At June 30, 2023, the District's bank deposits were fully collateralized.

Total financial institution balances including investments at June 30, 2023, per the bank, were approximately \$15,157,000 which was secured by FDIC insurance and as required by Act 72 of 1971.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

B. Investments

The following is a summary of the carrying value and market value of the District's investments as of June 30, 2023. The investments below are held in a custodial account with FNB Wealth Management.

	<u>Carrying/ Market Value</u>
FNB:	
Cash and Equivalents	\$ 550,499
US Government (.5% – 2.25%)	1,874,903
Municipals (1.53% – 1.758%)	292,336
CD's (.45% - 5.15%)	3,726,854
Accrued Interest	<u>20,163</u>
Total Investments	<u>\$ 6,464,755</u>

These investments are held in the School District's name. The market value of the investments as of June 30, 2023 is based on unadjusted quoted prices in active markets for identical assets and liabilities.

NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023 were as follows:

	<u>Beginning Balance 06/30/22</u>	<u>Net Change</u>	<u>Ending Balance 06/30/23</u>
Governmental activities:			
Capital assets:			
Land	\$ 496,816	\$ --	\$ 496,816
Land improvements	2,601,513	31,920	2,633,433
Buildings and improvements	48,100,598	134,961	48,235,559
Construction in progress	6,972,238	2,596,875	9,569,113
Furniture, equipment and vehicles	<u>10,103,270</u>	<u>(73,386)</u>	<u>10,029,884</u>
Total historical cost	<u>68,274,435</u>	<u>\$ 2,690,370</u>	<u>70,964,805</u>
Accumulated depreciation:			
Land and land improvements	2,064,598	62,473	2,127,071
Building and improvements	30,846,371	1,280,976	32,127,347
Furniture, equipment and vehicles	<u>8,232,744</u>	<u>219,674</u>	<u>8,452,418</u>
Less accumulated depreciation:	<u>41,143,713</u>	<u>1,563,123</u>	<u>42,706,836</u>
Total net book value	<u>\$27,130,722</u>		<u>\$28,257,969</u>

**NORTH EAST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance 06/30/22	Net Change	Ending Balance 06/30/23
Proprietary/business-type activities:			
Building improvements, furniture and equipment	\$ 693,944	\$ 108,470	\$ 802,414
Less accumulated depreciation:	<u>549,542</u>	<u>\$ 35,711</u>	<u>585,253</u>
Total net book value	<u>\$ 144,402</u>		<u>\$ 217,161</u>
	<u>Governmental</u>	<u>Proprietary/ Business-type</u>	
Depreciation expense:			
Instruction	\$ 953,815	\$ -	
Support services	726,999	-	
Non-instructional services	<u>48,720</u>	<u>35,711</u>	
	<u>\$ 1,729,534</u>	<u>\$ 35,711</u>	

During the year-ended June 30, 2023 the District had capital additions in the amount of \$2,856,781 in the governmental activity funds and \$108,470 in business-type funds. Governmental activity additions were primarily related to the purchase of technology equipment and building renovations.

NOTE 5 - INDEBTEDNESS

A. Short-Term Debt

1. Tax and Revenue Anticipation Notes

The District did not issue any tax or revenue anticipation notes during the current fiscal year.

B. Long-Term Debt

1. Bonds Payable

The following is a description of the terms of the long-term bonds issued, and reported here under the terms of the financing agreement, in connection with the construction of the school building projects:

	<u>Amount Outstanding</u>
2021 Series Bonds (refunding of 2015 and 2016 series) that carry interest from 1%-4% and mature on September 2030.	\$ 9,920,000
Unamortized bond premiums	<u>960,234</u>
	10,880,234
Less: Current portion	<u>1,310,000</u>
	<u>\$ 9,570,234</u>

NOTE 5 – INDEBTEDNESS (CONTINUED)

B. Long-Term Debt (continued)

2. Summary of Long-Term Debt

The following is a summary of long-term liabilities outstanding at June 30, 2023:

<u>Description</u>	<u>Balance June 30, 2023</u>	<u>Amounts Due Within One Year</u>	<u>Balance June 30, 2022</u>
2021 Series Bonds	\$ 10,880,234	\$ 1,310,000	\$ 12,401,043
Other post - employment benefits	3,254,108	-	3,617,983
Net pension liability	35,834,000	-	32,230,000
Compensated absences	<u>942,950</u>	<u>-</u>	<u>769,873</u>
	<u>\$ 50,911,292</u>	<u>\$ 1,310,000</u>	<u>\$ 49,018,899</u>

The District made principal payments on serial bonds in the amount of \$1,265,000 during the current fiscal year and recorded amortization of bond premiums of \$255,809. The net change in other post-employment benefit liability was a decrease of \$363,875 and the increase in the net pension liability was \$3,604,000 due to actuarial updates. The District also had an increase in compensated absences in the amount of \$173,077.

3. Long-term Debt Interest

Interest expense, for the year ended June 30, 2023 amounted to approximately \$346,150, which related to the serial bonds and is recorded in the General Fund.

4. Maturity

A summary of principal and interest payments on the District's serial bonds is as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,310,000	\$ 307,300
2025	1,355,000	260,000
2026	1,395,000	221,650
2027	1,425,000	186,400
2028	1,475,000	143,400
2029-2031	<u>2,960,000</u>	<u>180,600</u>
	<u>\$ 9,920,000</u>	<u>\$ 1,299,350</u>

NOTE 5 – INDEBTEDNESS (CONTINUED)

B. Long-Term Debt (continued)

5. Refunding of Long-Term Debt

In prior years, the District defeased certain serial bonds and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

On August 26, 2021, the District issued general obligation bond series 2021 of \$12,580,000 (par value) with interest rates ranging from 1%-4% to refund the 2015 and 2016 series bonds. The net proceeds of \$13,932,448 (including premiums of \$1,352,448) were issued to currently refund \$10,050,000 outstanding principal amount (\$5,135,000 from 2015 series and \$4,915,000 from 2016 series) plus accrued interest and bond issuance costs. The net difference between refunding proceeds and refunding payments will be utilized to finance ongoing capital improvement projects.

6. Debt Issuance costs, bond premiums and amortization

Debt issuance costs resulting from bond and other debt refinancing are expensed in the year they are incurred.

Bond premiums earned resulting from bond and other debt refinancing are being amortized over the life of the related debt using the interest method. These premiums are deferred and added to the outstanding principal balances for the bonds.

NOTE 6 - CONTINGENCIES AND COMMITMENTS

A. Federal and State Grants

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

NOTE 6 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

B. Litigation

The School District, in the normal course of its operations, is involved in various litigation and arbitration cases. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the School District's financial position.

C. Self-Insurance

The School District is a participant in a multiple employer cost-sharing trust established for the purpose of self-insuring hospitalization expenses. The trust makes monthly premium payments to its program administrator who pays claims submitted. Monthly premiums are based on claims paid experience provided by the administrator, plus a premium stabilization amount. On a yearly basis, the administrator reconciles claims paid against premiums received.

D. Risk Financing and Related Insurance

1. General Information

The *North East School District* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

During the prior year, the District submitted a claim under its commercial policy related to roof damage sustained as a result of a storm. The District recorded approximately \$768,000 of insurance proceeds recoverable related to the storm as of June 30, 2022.

2. Risk Sharing Pools

For its employee health and accident coverage, *North East School District* is a participant in a self insurance plan that is administered by the Northwestern Region Employee Benefit Trust. The School District pays monthly premiums to the Plan for this health coverage.

The Plan provides health coverage for its members and all claims are paid from the total premiums contributed by the District. At year-end the difference between the amounts paid in premiums compared to claims incurred is recorded as a prepaid expense or payable. As of June 30, 2023, the District recorded prepaid expense in the amount of approximately \$632,000 in the Statement of Financial Position and Balance Sheets.

**NORTH EAST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 7 - INTERFUND TRANSACTIONS

Interfund receivable and payable balances as of June 30, 2023 and interfund revenue and expenditures for the year ended June 30, 2023 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 639,354
Food Service Fund	639,354	-
	<u>\$ 639,354</u>	<u>\$ 639,354</u>
	<u>Interfund Revenue</u>	<u>Interfund Expenditure</u>
General Fund	\$ -	\$ 3,333,700
Capital Projects Fund	3,333,700	-
	<u>\$ 3,333,700</u>	<u>\$ 3,333,700</u>

During the current year, the District transferred \$3,333,700 from the general fund to the capital project fund to be used toward various District projects.

NOTE 8 - RETIREMENT PLAN

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

At June 30, 2023, the District reported a liability of \$35,834,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was .0806%, which was an increase of .0021% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$2,484,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 8 - RETIREMENT PLAN (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 607,000
Changes in proportions	726,000	385,000
Change in assumptions	1,070,000	-
Difference between expected and actual experience	16,000	310,000
Contributions subsequent to the measurement date	4,480,888	-
	<u>\$ 6,292,888</u>	<u>\$ 1,302,000</u>

\$4,480,888 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2024	\$ 152,000
2025	201,000
2026	(692,000)
2027	849,000
Thereafter	-
Net deferred outflow/(inflow)	<u>\$ 510,000</u>

Changes in Actuarial assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

NOTE 8 - RETIREMENT PLAN (CONTINUED)

Change in Actuarial assumptions (continued)

- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
- Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Absolute return	6.0%	3.5%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Cash	3.0%	0.5%
Leverage	(11.0)%	0.5%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Discount rate

The discount rate used to measure the total pension liability was 7.0%. 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.

The following presents the net pension liability, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
District's proportionate share of the net pension liability	\$46,348,000	\$ 35,834,000	\$26,969,000

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.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS

District Plan

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

At June 30, 2023, the District reported a liability of \$1,759,608 (\$1,752,033 reported in the governmental activities and \$7,575 reported in the business-type activities). The net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$162,648. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NORTH EAST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

District Plan (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 155,004	\$ 78,782
Differences between expected and actual exp.	434,356	566,599
Contributions subsequent to the measurement date	77,236	-
Total	\$ 666,596	\$ 645,381

\$77,236 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 ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending:	
2024	\$ (2,354)
2025	(2,354)
2026	(2,354)
2027	(2,354)
2028	(2,354)
Thereafter	(44,251)
Total	\$ (56,021)

Actuarial Assumptions

The Total OPEB Liability for the July 1, 2022 actuarial valuation, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.06% - S&P 20 Year Municipal Bond Rate.
- Salary growth – composed of a 2.5% cost of living adjustment, 1% real wage growth and for teachers and administrators a merit increase which varies by age from 0% to 2.75%.
- Assumed Healthcare cost trends of 6.5% in 2022, 6.0% in 2023 and 5.5% in 2024 through 2025. Rates gradually decreased from 5.4% in 2026 to 3.9% in 2075.
- Mortality rates were similar rates assumed in the PSERS defined benefit pension plan actuarial valuation, projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

District Plan (continued)

Changes in the Total OPEB Liability

Service cost	\$ 123,228
Interest	41,774
Differences between expected and actual experience	-
Changes in benefit terms	416,459
Changes in assumptions	(507,101)
Benefit payments	(51,735)
Net changes	22,625
Net OPEB liability – beginning of year	1,736,983
Net OPEB liability – end of year	\$ 1,759,608

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

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

	1% Decrease 2.9%-5.5%	Current Assumption 3.9%-6.5%	1% Increase 4.9%-7.5%
Total District Plan OPEB liability	\$ 1,582,385	\$ 1,759,608	\$ 1,966,103

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

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

	1% Decrease 3.06%	Current Assumption 4.06%	1% Increase 5.06%
Total District Plan OPEB liability	\$ 1,888,046	\$ 1,759,608	\$ 1,637,834

**NORTH EAST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS
(CONTINUED)**

PSERS Plan - Health Insurance Premium Assistance Program

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

At June 30, 2023, the District reported a liability of \$1,502,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was .0816%, which was an increase of .0022% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$41,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 167,000	\$ 355,000
Net difference between projected and actual earnings	4,000	-
Difference between expected and actual exp.	14,000	8,000
Changes in proportion	39,000	26,000
Benefit payments subsequent to measurement date	97,000	-
Total	\$ 321,000	\$ 389,000

\$97,000 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 ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending:	
2024	\$ (42,000)
2025	(23,000)
2026	(29,000)
2027	(33,000)
2028	(38,000)
Thereafter	-
Total	\$ (165,000)

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

PSERS Plan - Health Insurance Premium Assistance Program (continued)

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Participation rate:

- Eligible retirees will elect to participate Pre age 65 at 50%
- Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

**NORTH EAST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

PSERS Plan - Health Insurance Premium Assistance Program (continued)

Actuarial Assumptions (continued)

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.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100%	0.5%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

PSERS Plan - Health Insurance Premium Assistance Program (continued)

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

	1% Decrease	Current Assumption	1% Increase
Total Health Insurance Premium Assistance OPEB liability	\$ 1,502,000	\$ 1,502,000	\$ 1,502,000

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

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

	1% Decrease 3.09%	Current Assumption 4.09%	1% Increase 5.09%
Total Health Insurance Premium Assistance OPEB liability	\$1,699,000	\$ 1,502,000	\$1,338,000

**NORTH EAST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

PSERS Plan - Health Insurance Premium Assistance Program (continued)

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.

NOTE 10 - RECEIVABLES

A. Taxes Receivable

In the governmental fund financial statements, taxes receivable amounted to \$1,034,649 at June 30, 2023 and consist of the estimated delinquent real property taxes, real estate transfer taxes, and earned income collected in the first two months of the 2024 fiscal year. The taxes are ultimately collectible either by payment from the property owner or from the proceeds of a public sale of the levied property. The District recorded an \$18,000 reserve for potential uncollectible delinquent real estate taxes on the district-wide financial statements.

B. Intergovernmental Receivable

Included in the intergovernmental receivable balance of \$2,035,215 in the General Fund and \$1,394 in the Food Service Fund as of June 30, 2023 are amounts due from grant receivables from the Federal and State governments, the Commonwealth of Pennsylvania Department of Education for reimbursement of social security, retirement, other subsidies, tuition receivable from various local school districts, and amounts due from the Northwest Tri-County Intermediate Unit 5.

NOTE 11 - COMPENSATED ABSENCES

The District does not accrue a liability in the governmental funds for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value of accumulating, non-vesting sick leave is considered a contingent liability.

In the district-wide statements, as of June 30, 2023, approximately \$943,000 was accrued for accumulating, vesting sick leave and longevity payments.

NOTE 12 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources are reported on the District's combined balance sheet. Deferred inflows of resources revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows of resources also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred inflows of resources is removed and revenue is recognized. Deferred inflows of resources in the General Fund amounted to \$671,383 as of June 30, 2023 which pertains to taxes receivable at the end of the fiscal year less amounts collected within sixty days subsequent to the year-end.

NOTE 13 - CAPITAL PROJECT FUND

During the year ended June 30, 2023, the District incurred approximately \$3,357,000 of capital project fund expenditures related to technology, vehicle purchases and other building improvements.

During the current year, the District transferred \$3,333,700 from the general fund to the capital project fund to be used towards the District's capital project fund expenditures.

NOTE 14 - RELATED PARTY

The School District is one of various school districts of the Erie County Technical School. Erie County Technical School is controlled and governed by a Board which is composed of school board members of the member school districts. Direct oversight of Erie County Technical School's operation is the responsibility of the Board. The School District's share of annual operating and capital costs for Erie County Technical School fluctuates based on a percentage enrollment in the school. The District paid approximately \$952,416 in tuition (\$430,395), and building renovations (\$522,021) for the year ended June 30, 2023, which is an expense recorded in the general fund.

Also, the Northwest Tri-County Intermediate Unit 5 provides several services to the School District. These services include special education, a local area network, and other miscellaneous services.

NOTE 15 – TAX ABATEMENTS

The District has a Local Economic Revitalization Tax Assistance (LERTA) program with three taxpayers. The program calls for exemptions on property improvements located in deteriorated areas for a period not to exceed five years. The tax abated will be on a sliding scale beginning with 100% abated in year one and decreasing annually by 20% until year five. The terms of the three agreements extend through 2022-2023. Tax abated under the program during the fiscal year ended June 30, 2023 totaled approximately \$21,000.

**NORTH EAST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 16 – FUND EQUITY

A. Classification

The District's fund equity is comprised of various components.

Category / Fund	Description	Balance June 30, 2023
Nonspendable:		
General	Inventories	\$ 54,900
General	Prepaid expense	633,942
		<u>\$ 688,842</u>
Restricted:		
Fiduciary Fund	Restricted for scholarships and other	\$ 155,766
Capital Projects	Capital Reserve	<u>\$ 2,794,313</u>
Committed:		
General	Compensated absences reserve	\$ 921,375
General	Health claims reserve	382,903
General	ECTS renovations	135,339
General	Capital projects	4,000,000
General	OPEB	1,752,033
		<u>\$ 7,191,650</u>
Assigned:		
General	Curriculum development	\$ 250,000
General	Furniture and equipment	150,000
General	Athletic account	2,677
		<u>\$ 402,677</u>

NOTE 17 – NEW ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2022, the District implemented the provisions of GASB Statement No. 96, Subscription Based Information Technology Arrangements which establishes that a subscription based information technology arrangements results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. This new standard did not have a material impact on the District.

Effective July 1, 2021, the District implemented the provisions of GASB Statement No. 87, Leases which establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, thereby, eliminating the distinction between operating and capital leases. As a result substantially all leases are reported on the district-wide statement of net position. This new standard did not have a material impact on the District.

NOTE 18 – COVID 19 PANDEMIC

In March 2020, the World Health Organization declared the novel strain of COVID-19 (coronavirus) a global pandemic and has become increasingly widespread in the United States. The coronavirus outbreak has had a significant impact on financial markets and general economic conditions. The District also provided free breakfast and lunches to all students (except those who opted out) through the Seamless Summer Option.

Also, in March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to Organizations including public school districts. The Pennsylvania Department of Education has allocated approximately \$424,000 of CARES Act (ESSER1 and GEER) assistance to the District which is for the funding period of March 13, 2020 through September 30, 2021. The District spent the entire allocation during the year ended June 30, 2021. Also, the Pennsylvania Commission on Crime and Delinquency allocated approximately \$184,000 of CARES Act assistance to the District which is for the funding period of March 1, 2020 through October 30, 2020. The District spent the entire allocation during the year ended June 30, 2021.

The District was also allocated an additional \$1,473,000 from the Coronavirus Response and Relief Supplemental Appropriations (CRRSA – ESSER2). As of June 30, 2022, the District has expended the entire portion of its allocation.

The District was also allocated \$3,222,000 from the American Rescue Plan Act. As of June 30, 2023, the District has expended approximately \$3,158,000 of its allocation.

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 21, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NORTH EAST SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF REVENUE AND EXPENDITURES - GENERAL FUND

<i>Fiscal years ended June 30,</i>	<u>2023</u>	<u>2022</u>
Revenue		
Local sources:		
Taxes:		
Current real estate taxes	\$ 8,401,336	\$ 8,063,419
Realty transfer and earned income	1,486,888	1,379,423
Public utility realty tax	9,125	9,294
Delinquent real estate taxes	353,226	287,957
Total tax revenue	<u>10,250,575</u>	<u>9,740,093</u>
Interest earnings (loss)	135,331	(387,162)
Federal revenue received from intermediate and local sources	303,253	355,875
State revenue received from intermediate sources	8,769	8,680
Rentals	46,322	31,737
Tuition and other reimbursement	92,329	92,883
Receipts from other LEAs in Pennsylvania	62,043	9,951
Miscellaneous	173,829	925,637
Total local sources	<u>11,072,451</u>	<u>10,777,694</u>
State sources:		
Basic instructional subsidy	9,431,357	9,013,210
Tuition	24,971	47,769
Rental	298,458	3,282,404
Transportation	471,256	493,775
Special education	1,333,101	1,269,818
Social security and retirement	3,337,671	3,253,574
School safety and security	105,668	109,970
PA smart targeted stem grant	38,003	-
Health services	29,986	31,341
Other state grants	287,610	287,120
Property tax relief subsidy	704,188	558,610
Total state sources	<u>16,062,269</u>	<u>18,347,591</u>
Federal sources:		
Title I	437,509	449,022
Title IIA	54,646	62,059
Title IV	35,232	30,001
Covid-19 - ESSER and GEER	241,688	4,389,089
Medical assistance reimbursement	32,107	50,235
Total federal sources	<u>801,182</u>	<u>4,980,406</u>
Other sources:		
Proceeds from refunding of debt	-	13,932,448
Total revenue and other sources	<u><u>\$ 27,935,902</u></u>	<u><u>\$ 48,038,139</u></u>

See accompanying independent auditor's report on supplementary information.

Fiscal years ended June 30,	2023	2022
Expenditures		
Instruction:		
Regular programs	\$ 10,888,493	\$ 11,165,247
Special programs	3,056,807	2,976,611
Vocational education programs	1,383,456	2,119,759
Other instructional programs	244,019	248,074
Total instruction	<u>15,572,775</u>	<u>16,509,691</u>
Support services:		
Pupil personnel	999,363	865,665
Instructional staff	<u>900,145</u>	<u>888,130</u>
Administration:		
Board services	152,771	155,958
Legal	101,675	62,399
Superintendent	429,251	400,378
Principals	1,390,734	1,491,262
Other administration	-	174,347
Total administration	<u>2,074,431</u>	<u>2,284,344</u>
Other support services		
Pupil health	262,250	307,479
Business	445,120	395,150
Operation and maintenance of plant services	2,591,117	2,341,901
Student transportation services	1,156,197	1,132,999
Other support services	32,088	31,324
Total other support services	<u>4,486,772</u>	<u>4,208,853</u>
Total support services	<u>8,460,711</u>	<u>8,246,992</u>
Noninstructional services:		
Student activities	755,191	713,382
Community services	32,244	36,595
Total noninstructional services	<u>787,435</u>	<u>749,977</u>
Other financing uses:		
Debt service	1,611,150	1,579,577
Payment of refunded debt	-	10,156,740
Interfund transfer to capital reserve	3,333,700	7,170,061
Total other financing uses	<u>4,944,850</u>	<u>18,906,378</u>
Total expenditures and other financing uses	<u>29,765,771</u>	<u>44,413,038</u>
Excess (deficiency) of revenue and other sources over expenditures and other financing uses	<u>\$ (1,829,869)</u>	<u>\$ 3,625,101</u>

NORTH EAST SCHOOL DISTRICT

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTIVITY FUND Page 44

	Balances June 30, 2022	Total Receipts 2022-23	Total Receipts & Balances	Total Payments 2022-23	Balances June 30, 2023
Intermediate					
Student Activities	\$ 17,724	\$ 51,268	\$ 68,992	\$ 47,552	\$ 21,440
Intermediate Total	17,724	51,268	68,992	47,552	21,440
Middle School Activities					
Entrepreneur's Club	639	444	1,083	-	1,083
Earth Force	99	-	99	-	99
Gettysburg Trip	30,343	41,343	71,686	51,347	20,339
Guidance	215	42	257	80	177
Yearbook	2,978	1,000	3,978	2,644	1,334
Student Government	696	1,665	2,361	6,959	(4,598)
Middle School Intramurals	8,811	21,405	30,216	16,644	13,572
MS Total	43,781	65,899	109,680	77,674	32,006
High School Activities					
AFS	3,189	59	3,248	2,308	940
Aquillo	11,623	7,899	19,522	570	18,952
American Gov't	118	39,150	39,268	39,091	177
Battle of the Books	2,755	-	2,755	-	2,755
Cheerleading-Football	2,439	7,044	9,483	3,863	5,620
Class of 2020	299	-	299	299	-
Class of 2021	10,387	5,193	15,580	15,580	-
Class of 2022	7,958	-	7,958	-	7,958
Class of 2023	1,868	31,700	33,568	28,019	5,549
Class of 2024	-	6,336	6,336	5,340	996
Class of 2025	-	1,755	1,755	1,074	681
Dance	10,755	6,398	17,153	8,413	8,740
Drama	9,325	30,868	40,193	11,721	28,472
Ecology	1,663	-	1,663	-	1,663
FBLA	535	2,648	3,183	340	2,843
Graffiti	214	-	214	-	214
Grapevine	337	-	337	-	337
TSA - Robotics	1,613	157	1,770	230	1,540
Life Smarts	209	-	209	-	209
Pep Club	313	194	507	275	232
Other	-	469	469	-	469
Student Council	2,771	363	3,134	556	2,578
Inspire - Ms. Wilson	598	715	1,313	713	600
HS Total	68,969	140,948	209,917	118,392	91,525
Total activity funds	\$ 130,474	\$ 258,115	\$ 388,589	\$ 243,618	\$ 144,971

NORTH EAST SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS – DISTRICT PLAN
FOR THE YEARS ENDED JUNE 30, 2017 THROUGH 2023

District Plan - Other Post Retirement Benefits

As of the measurement date of July 1,	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 123,228	\$ 125,392	\$ 106,208	\$ 108,038	\$ 96,271	\$ 94,450
Interest	41,774	33,206	53,772	46,764	45,960	34,506
Changes of benefit terms	-	-	-	-	(7,382)	-
Differences between expected and actual experience	416,459	-	(102,416)	-	81,142	-
Changes in assumptions	(507,101)	(51,179)	178,328	(42,063)	(42,387)	35,656
Benefit payments	(51,735)	(66,059)	(75,127)	(85,373)	(83,396)	(84,418)
Net change in total OPEB liability	22,625	41,360	160,765	27,366	90,208	80,194
Total OPEB liability - beginning	1,736,983	1,695,623	1,534,858	1,507,492	1,417,284	186,102
Prior period adjustment	-	-	-	-	-	1,150,988
Total OPEB liability - ending	\$ 1,759,608	\$ 1,736,983	\$ 1,695,623	\$ 1,534,858	\$ 1,507,492	\$ 1,417,284
Plan fiduciary net position						
Contributions - employer	\$ 51,735	\$ 66,059	\$ 75,127	\$ 85,373	\$ 83,396	\$ 84,418
Benefit payments	(51,735)	(66,059)	(75,127)	(85,373)	(83,396)	(84,418)
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's net OPEB liability	\$ 1,759,608	\$ 1,736,983	\$ 1,695,623	\$ 1,534,858	\$ 1,507,492	\$ 1,417,284
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 10,176,281	\$ 9,910,268	\$ 9,910,268	\$ 9,627,770	\$ 9,627,770	\$ 9,005,426
District's net OPEB liability as a percentage of covered-employee payroll	17.29%	17.53%	17.11%	15.94%	15.66%	15.74%

Notes to Schedule:

Changes in assumptions: Discount rate changed from 2.28% as of 7/1/2021 to 4.06% as of 7/1/2022

**NORTH EAST SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS – PSERS PLAN
FOR THE YEARS ENDED JUNE 30, 2017 THROUGH 2023**

PSERS Plan - Health Insurance Premium Assistance Program

As of the measurement date of June 30,	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 38,000	\$ 33,000	\$ 32,000	\$ 31,000	\$ 27,000	\$ 33,000
Interest	44,000	48,000	50,000	52,000	54,000	50,000
Difference between expected and actual experience	(11,000)	17,000	16,000	-	10,000	-
Net difference between projected and actual investment earnings	-	4,000	3,000	-	1,000	2,000
Changes in assumptions	(405,000)	175,000	32,000	43,000	39,000	(90,000)
Changes in proportions	50,000	(30,000)	(21,000)	(13,000)	(10,000)	(39,000)
Benefit payments	(95,000)	(92,000)	(94,000)	(92,000)	(90,000)	(90,000)
Net change in total OPEB liability	(379,000)	155,000	18,000	21,000	31,000	(134,000)
Total OPEB liability - beginning	1,881,000	1,726,000	1,708,000	1,687,000	1,656,000	-
Prior period adjustment	-	-	-	-	-	1,790,000
Total OPEB liability - ending	<u>\$ 1,502,000</u>	<u>\$ 1,881,000</u>	<u>\$ 1,726,000</u>	<u>\$ 1,708,000</u>	<u>\$ 1,687,000</u>	<u>\$ 1,656,000</u>
Plan fiduciary net position						
Contributions - employer	\$ 95,000	\$ 92,000	\$ 94,000	\$ 92,000	\$ 90,000	\$ 90,000
Benefit payments	(95,000)	(92,000)	(94,000)	(92,000)	(90,000)	(90,000)
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability	<u>\$ 1,502,000</u>	<u>\$ 1,881,000</u>	<u>\$ 1,726,000</u>	<u>\$ 1,708,000</u>	<u>\$ 1,687,000</u>	<u>\$ 1,656,000</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	<u>\$ 12,005,118</u>	<u>\$ 11,249,592</u>	<u>\$ 11,217,217</u>	<u>\$ 11,077,016</u>	<u>\$ 10,895,968</u>	<u>\$ 10,825,568</u>
District's net OPEB liability as a percentage of covered-employee payroll	12.51%	16.72%	15.39%	15.42%	15.48%	15.30%

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate from 2.18% as of 6/30/21 to 4.09% as of 6/30/22

NORTH EAST SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB – DISTRICT PLAN
FOR THE YEARS ENDED JUNE 30, 2017 THROUGH 2023

District Plan - Other Post Retirement Benefits

As of the measurement date July 1,	2022	2021	2020	2019	2018	2017
Actuarially determined contributions	\$ 51,735	\$ 66,059	\$ 75,127	\$ 85,373	\$ 83,396	\$ 84,418
Contributions in relation to the actuarially determined contribution	(51,735)	(66,059)	(75,127)	(85,373)	(83,396)	(84,418)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$10,176,281	\$ 9,910,268	\$ 9,910,268	\$ 9,627,770	\$ 9,627,770	\$ 9,005,426
Contributions as a percentage of District's covered-employee payroll	0.51%	0.67%	0.76%	0.89%	0.87%	0.94%

Notes to Schedule

Valuation date: July 1, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	4.06% as of July 1, 2022
Healthcare cost trend rates	6.5% in 2022, 6.0% in 2023 and 5.5% in 2024 through 2025. Rates gradually decreased from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Salary increases	Based on 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
Mortality	Based on PSERS defined benefit pension plan actuarial valuation.
Retiree Cost Sharing	District pays 85% for single and 82.5% for family - based on years of service
Participants	239 Active and 12 Retirees

**NORTH EAST SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB – PSERS PLAN
FOR THE YEARS ENDED JUNE 30, 2017 THROUGH 2023**

PSERS Plan - Health Insurance Premium Assistance Program

As of the measurement date of June 30,	2022	2021	2020	2019	2018	2017
Actuarially determined contributions	\$ 95,000	\$ 92,000	\$ 94,000	\$ 92,000	\$ 90,000	\$ 90,000
Contributions in relation to the actuarially determined contribution	(95,000)	(92,000)	(94,000)	(92,000)	(90,000)	(90,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 12,005,118	\$ 11,249,592	\$ 11,217,217	\$ 11,077,016	\$ 10,895,968	\$ 10,825,568
Contributions as a percentage of District's covered-employee payroll	0.79%	0.82%	0.84%	0.83%	0.83%	0.83%

Notes to Schedule:

Valuation date: June 30, 2021 and actuarially rolled forward to June 30, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	4.09% as of June 30, 2022
Healthcare cost trend rates	Premium Assistance reimbursement is capped at \$1,200 per year.
Salary increases	Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
Mortality	Based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

**NORTH EAST SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDING JUNE 30, 2013 THROUGH 2023**

Measurement date ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.0806%	0.0785%	0.0799%	0.0803%	0.0809%	0.0813%	0.0831%	0.0835%	0.0837%	0.0819%
District's proportionate share of the net pension liability	\$ 35,834,000	\$ 32,230,000	\$ 39,342,000	\$ 37,566,000	\$ 38,836,000	\$ 40,153,000	\$ 41,182,000	\$ 36,169,000	\$ 33,130,000	\$ 33,527,000
District's covered-employee payroll	\$ 11,822,816	\$ 11,138,021	\$ 11,186,112	\$ 11,077,016	\$ 10,895,968	\$ 10,825,568	\$ 10,766,615	\$ 10,742,130	\$ 10,680,471	\$ 10,506,769
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	303.0919%	289.3692%	351.7040%	339.1347%	356.4254%	370.9089%	382.4972%	336.7023%	310.1923%	319.0990%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

NORTH EAST SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
FOR THE YEARS ENDING JUNE 30, 2013 THROUGH 2023

Measurement date ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 4,018,575	\$ 3,732,351	\$ 3,731,687	\$ 3,611,107	\$ 3,458,380	\$ 3,161,066	\$ 2,691,654	\$ 2,202,137	\$ 1,708,875	\$ 1,208,278
Contributions in relation to the contractually required contribution	(4,018,575)	(3,732,351)	(3,731,687)	(3,611,107)	(3,458,380)	(3,161,066)	(2,691,654)	(2,202,137)	(1,708,875)	(1,208,278)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,822,816	\$ 11,138,021	\$ 11,186,112	\$ 11,077,016	\$ 10,895,968	\$ 10,825,568	\$ 10,766,615	\$ 10,742,130	\$ 10,680,471	\$ 10,506,769
Contributions as a percentage of covered-employee payroll	34.0%	33.5%	33.4%	32.6%	31.7%	29.2%	25.0%	20.5%	16.0%	11.5%

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **North East School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable programs and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

The accompanying **North East School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2023, the District reported in the Schedule of Federal Awards \$91,110 of donated commodities at fair market value received and disbursed.

Note 3 - Indirect costs

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

**NORTH EAST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Grantor/Pass Through Grantor	Source Code	Federal CFDA #	Pass-through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Grant Received	Revenue	Expenditure	Accrued or (Deferred) Revenue) 6/30/2023
United States Department of Education:									
Passed through the Pennsylvania Department of Education									
Title I	1	84.010	013-23-0287	7/01/22-9/30/23	\$ 437,509	\$ 407,478	\$ 437,509	\$ 437,509	\$ 30,031
Title IIA	1	84.367	020-23-0287	7/01/22-9/30/23	54,646	50,549	54,646	54,646	4,097
Title IV	1	84.424	144-23-0287	7/01/22-9/30/23	35,232	31,166	35,232	35,232	4,066
COVID-19, ARP, ESSER III	1	84.425U	223-21-0287	3/13/20-9/30/24	2,979,864	2,925,685	224,409	224,409	10,956
COVID-19, ARP, ESSER 7% - Summer Enrichment	1	84.425U	225-21-0287	3/13/20-9/30/24	33,086	4,210	2,406	2,406	(1,203)
COVID-19, ARP, ESSER 7% - After School	1	84.425U	225-21-0287	3/13/20-9/30/24	33,086	4,210	2,406	2,406	(1,203)
COVID-19, ARP, ESSER 7% - Learning Loss	1	84.425U	225-21-0287	3/13/20-9/30/24	165,430	21,055	11,748	11,748	(6,299)
COVID-19, ARP, HCY	1	84.425W	181-21-2285	3/13/20-9/30/24	10,670	1,094	719	719	9,576
					<u>3,749,523</u>	<u>3,445,447</u>	<u>769,075</u>	<u>769,075</u>	<u>50,021</u>
Passed through the Northwest Tri-County IU #5									
IDEA, 611 **	2	84.027	H027A210093	7/01/22-6/30/23	300,643	-	300,643	300,643	300,643
IDEA, 619 **	2	84.173	H027A210093	7/01/22-6/30/23	2,610	-	2,610	2,610	2,610
					<u>303,253</u>	<u>-</u>	<u>303,253</u>	<u>303,253</u>	<u>303,253</u>
Total U.S. Department of Education					<u>4,052,776</u>	<u>3,445,447</u>	<u>1,072,328</u>	<u>1,072,328</u>	<u>353,274</u>
Passed through the Pennsylvania Department of Education:									
Medical Assistance	3	93.778	044-00-7287	7/01/22-6/30/23	10,322	10,322	10,322	10,322	10,322
					<u>10,322</u>	<u>10,322</u>	<u>10,322</u>	<u>10,322</u>	<u>10,322</u>
Total U.S. Department of Health and Human Services					<u>10,322</u>	<u>10,322</u>	<u>10,322</u>	<u>10,322</u>	<u>10,322</u>
U.S. Department of Agriculture:									
Passed through the Pennsylvania Department of Education:									
National School Breakfast Program ***	4	10.553	365-367	7/01/22-6/30/23	n/a	138,093	138,093	138,093	-
National School Lunch Program ***	4	10.555	362	7/01/22-6/30/23	n/a	459,455	459,455	459,455	-
Summer Food Service Program ***	4	10.559	264	7/01/22-6/30/23	n/a	10,995	12,349	12,349	1,394
COVID-19 - Supply Chain Assistance ***	4	10.555	356	7/01/22-6/30/23	n/a	46,941	46,941	46,941	-
COVID-19 - P-EBT Local Admin Funds	4	10.649	358	7/01/22-6/30/23	n/a	628	628	628	-
					<u>n/a</u>	<u>656,112</u>	<u>657,466</u>	<u>657,466</u>	<u>1,394</u>
Passed through the Pennsylvania Department of Agriculture									
School Lunch Program - non-cash assistance ***	5	10.555	n/a	7/01/22-6/30/23	n/a	91,110	91,110	91,110	-
Total U.S. Department of Agriculture					<u>n/a</u>	<u>747,222</u>	<u>748,576</u>	<u>748,576</u>	<u>1,394</u>
Total Federal Assistance					\$ 4,063,098	\$ 4,202,991	\$ 1,831,226	\$ 1,831,226	\$ 364,990

Sources of Federal Funds are:

- (1) United States Department of Education passed through the Pennsylvania Department of Education
- (2) United States Department of Education passed through the Pennsylvania Department of Education, passed through to the Northwest Tri-County Intermediate Unit #5
- (3) United States Department of Health and Human Services passed through the Pennsylvania Department of Education
- (4) United States Department of Agriculture passed through the Pennsylvania Department of Education
- (5) United States Department of Agriculture value of donated food passed through the Pennsylvania Department of Agriculture

** Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures of \$ 303,253

*** Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 747,948

**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"**

**To the President and
Members of the Board of Education
North East School District
North East, 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, and each major fund of *North East School District* as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise *North East School District's* basic financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered *North East 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 *North East School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *North East 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether *North East 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 21, 2023**



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

**To the President and
Members of the Board of Education
North East School District
North East, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited *North East School District's* compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. *North East School District's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, *North East 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 major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on *North East School District's* compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about *North East School District* with the requirements of each major federal program as a whole.

Auditor's Responsibilities for the Audit of Compliance (continued)

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

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

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 21, 2023**

**NORTH EAST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

Type of auditor's opinion issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a) yes x no

Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 1,831,226</u>

Identification of Major Programs Tested:

National School Breakfast Program ***	10.553	\$ 138,093
National School Lunch Program ***	10.555	459,455
Summer Food Service Program ***	10.559	12,349
COVID-19 - Supply Chain Assistance ***	10.555	46,941
School Lunch Program - non-cash assistance ***	10.555	<u>91,110</u>
Total major programs tested		<u>\$ 747,948</u>
% of Federal programs tested		<u>40.8%</u>

*** Constitutes a cluster of Federal programs

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

Auditee qualified as low risk? x yes no

**NORTH EAST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

II. FINANCIAL STATEMENT AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2023

There are no findings related to internal control over financial reporting during the fiscal year ended June 30, 2023.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2023

There are no findings related to compliance and other matters during the fiscal year ended June 30, 2023.

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2023

There are no findings related to compliance during the fiscal year ended June 30, 2023.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2023

There are no findings related to internal control over compliance during the fiscal year ended June 30, 2023.

I. FINANCIAL STATEMENT AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2022

There were no findings related to internal control over financial reporting during the fiscal year ended June 30, 2022.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2022

There were no findings related to compliance and other matters during the fiscal year ended June 30, 2022.

II. MAJOR FEDERAL AWARD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2022

There were no findings related to compliance during the fiscal year ended June 30, 2022.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2022

There were no findings related to internal control over compliance during the fiscal year ended June 30, 2022.



**To the President and Members of
The Board of Education
North East School District
North East, Pennsylvania**

To the Board Members and Administration:

We have completed our audit of the District's financial statements for the fiscal year ended June 30, 2023 and have issued our reports thereon dated December 21, 2023. Our audit report expressed an unmodified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles in the United States of America for governments and school districts located in the Commonwealth of Pennsylvania. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *North East School District* for the year ended June 30, 2023, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

Attached to this letter is a summary of additional comments which we desire to bring to the Board and Administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. In addition, on page 61, is a summary of revenue and expense comparisons and analysis of fund equity for the school years ended June 30, 2019 through June 30, 2023.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 21, 2023**

NORTH EAST SCHOOL DISTRICT**REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND****EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)****Page 61**

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Revenue and other sources					
Tax revenue	\$ 10,251	\$ 9,740	\$ 9,396	\$ 9,323	\$ 9,275
Other local sources	822	1,038	415	773	870
State aid	16,062	18,348	15,093	14,770	14,514
Federal aid	801	4,980	1,191	621	658
Bond refunding and all other	-	13,932	-	-	-
	<u>27,936</u>	<u>48,038</u>	<u>26,095</u>	<u>25,487</u>	<u>25,317</u>
Expenditures and other uses					
Instruction	15,573	16,510	14,678	14,639	13,963
Administration	2,074	2,284	2,030	2,008	1,981
Other support services	6,386	5,963	5,898	4,959	5,179
Noninstructional services	787	750	598	607	597
Debt service	1,611	1,580	1,544	1,544	1,543
Bond refunding and all other	-	10,157	-	-	-
Transfers to other funds	3,334	7,170	2,719	1,691	5,199
	<u>29,766</u>	<u>44,412</u>	<u>27,467</u>	<u>25,448</u>	<u>28,463</u>
Excess (deficiency) of revenue over expenditures	(1,830)	3,626	(1,372)	38	(3,146)
Fund equity					
Beginning of year	<u>12,036</u>	<u>8,410</u>	<u>9,782</u>	<u>9,744</u>	<u>12,890</u>
End of year	<u>\$ 10,206</u>	<u>\$ 12,036</u>	<u>\$ 8,410</u>	<u>\$ 9,782</u>	<u>\$ 9,744</u>

**NORTH EAST SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Page 62

Segregation of Duties

District's that have a small/limited amount of staffing in its Business Office are exposed to greater risk of fraud or errors due to potential segregation/overlapping of duties. To guard against this, **North East School District** has implemented a system of checks and balances, that attempt to mitigate these risks. However, the District should continue to review its internal control processing to ensure proper segregation of duties is maintained.

Future Governmental Accounting Standards – GASB 101

Governmental Accounting Standards Board has issued Statement No. 101, Compensated Absences which will be effective for the fiscal year ending June 30, 2025. The standard provides guidance on how the District will account for and disclose obligations related to compensated absences, including vacation leave, sick leave, and other similar benefits. We recommend that the District begin to familiarize themselves with the new compensated absences standard, which may include continuing education, webinars and further training.

District response: The District will participate in trainings or webinars on the topics when they become available.

