

***NORTH EAST SCHOOL DISTRICT***

***FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION***

***FISCAL YEAR ENDED JUNE 30, 2022***

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

**NORTH EAST SCHOOL DISTRICT**

**2022 FINANCIAL STATEMENTS**

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**TRANSMITTAL LETTER**

**Pennsylvania Department of Education  
Bureau of Budgets and Fiscal Management  
Bureau Director  
333 Market Street – 4<sup>th</sup> 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, 2022.

We have audited the financial statements of the **North East School District** for the year ended June 30, 2022 and have issued our report thereon dated December 15, 2022. 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 15, 2022, which is included in the audit package.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
December 15, 2022**

**NORTH EAST SCHOOL DISTRICT**  
**SCHEDULE OF REPORT DISTRIBUTION**

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## **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, 2022, 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, 2022, 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, 2022, 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, 2021 financial statements, and our report dated December 16, 2021, 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, 2021, 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 15, 2022 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 15, 2022

**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, 2022. 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, 2022:

- Overall net position from operations of the District increased \$8,521,000 during the fiscal year ended June 30, 2022. This consisted of an increase in governmental activities in the amount of \$8,221,000 and an increase in business-type activities in the amount of \$300,000.
- The District's total revenue increased approximately \$8,632,000 from \$26,856,000 during the year ended June 30, 2021 to \$35,488,000 during the year ended June 30, 2022. This increase was primarily related to an increase in operating grants including pandemic related grants/aid.
- The District's total expenses increased approximately \$804,000 from \$26,162,000 during the year ended June 30, 2021 to \$26,966,000 during the year ended June 30, 2022. This increase is primarily related to increases in salaries and contractual expenses offset by a decrease in pension expense due to an actuarial update.
- The District had capital additions during the current fiscal year in the amount of approximately \$4,744,000 in the governmental activities and \$0 in the business activities. The current year additions were primarily related to the purchase of vehicles, 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**

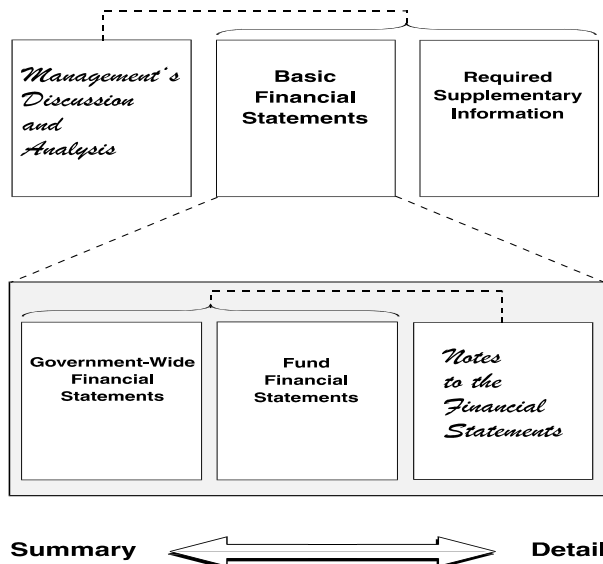
The District reports the activity of the North East Education Foundation as a private purpose trust fund in the fiduciary fund financial statements. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**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

**NORTH EAST SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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



**IV. Financial Analysis of the School District as Whole**

Net Position - Deficit

The District's total reporting entity net position - deficit was approximately \$5,431,000 as of June 30, 2022. The components of net position include: invested in capital assets, net of related debt of \$14,874,000; restricted net position for capital reserve in the amount of \$2,726,000; board designated net position of \$7,141,000 and unrestricted net position - deficit of \$30,172,000.

Changes in Net Position

The District's total government-wide revenue increased by less than 31% to \$35,488,000. Approximately 28%, 25%, and 44% of total revenue is derived from the property taxes, state sources and operating grants, respectively. The remaining 3% 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 \$26,966,000. The District's expenses cover a range of services, with 60% related to instruction and 33% 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		
	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change
<b>Assets</b>									
Current and other assets	\$ 20,929	\$ 14,220	47%	\$ 713	\$ 406	76%	\$ 21,642	\$ 14,626	48%
Capital assets	27,131	24,271	12%	144	177	-18%	27,275	24,448	12%
Total assets	48,060	38,491	25%	857	583	47%	48,917	39,074	25%
<b>Deferred outflows of resources</b>									
	6,719	6,612	2%	-	-	n/a	6,719	6,612	2%
Total assets & deferred outflows	<b>\$ 54,779</b>	<b>\$ 45,103</b>	<b>21%</b>	<b>\$ 857</b>	<b>\$ 583</b>	<b>47%</b>	<b>\$ 55,636</b>	<b>\$ 45,686</b>	<b>22%</b>
<b>Liabilities</b>									
Other liabilities	\$ 5,548	\$ 4,325	28%	\$ 17	\$ 43	-60%	\$ 5,565	\$ 4,368	27%
Long-term debt outstanding	49,003	53,577	-9%	16	16	-2%	49,019	53,593	-9%
Total liabilities	54,551	57,902	-6%	33	59	-44%	54,584	57,961	-6%
<b>Deferred inflows of resources</b>									
	6,483	1,677	287%	-	-	n/a	6,483	1,677	287%
<b>Net position</b>									
Invested in capital assets, net of related debt	14,730	14,298	3%	144	177	-18%	14,874	14,475	3%
Restricted	2,726	923	195%	-	-	n/a	2,726	923	195%
Board designated	7,141	6,864	4%	-	-	n/a	7,141	6,864	4%
Unrestricted (deficit)	(30,852)	(36,561)	-16%	680	347	96%	(30,172)	(36,214)	-17%
Total net position (deficit)	(6,255)	(14,476)	-57%	824	524	57%	(5,431)	(13,952)	-61%
Total liabilities, deferred inflows & net position (deficit)	<b>\$ 54,779</b>	<b>\$ 45,103</b>	<b>21%</b>	<b>\$ 857</b>	<b>\$ 583</b>	<b>47%</b>	<b>\$ 55,636</b>	<b>\$ 45,686</b>	<b>22%</b>

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

<i>North East School District Changes in Net Position from Operating Results (in thousands of Dollars)</i>									
	Governmental Activities			Business-type activities			Total		
	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change
<b>Revenue</b>									
Program revenue									
Charges for services	\$ 113	\$ 85	33%	\$ 61	\$ 58	6%	\$ 174	\$ 143	22%
Operating grants	14,679	7,693	91%	1,129	593	90%	15,808	8,286	91%
General revenue									
Taxes	9,823	9,457	5%	-	-	n/a	9,823	9,457	4%
Interest earned	(440)	19	-2415%	-	-	n/a	(440)	19	-2415%
Local sources	1,109	73	1419%	-	-	n/a	1,109	73	1419%
State sources	9,014	8,878	2%	-	-	n/a	9,014	8,878	2%
Total revenue	<u>34,298</u>	<u>26,205</u>	<u>31%</u>	<u>1,190</u>	<u>651</u>	<u>83%</u>	<u>35,488</u>	<u>26,856</u>	<u>32%</u>
<b>Expenses</b>									
Instruction	16,138	16,004	1%	-	-	n/a	16,138	16,004	1%
Support services	8,769	8,537	3%	-	-	n/a	8,769	8,537	3%
Non-instructional services	886	713	24%	-	-	n/a	886	713	24%
Other uses									
Refund of prior year revenue	-	-	n/a	-	-	n/a	-	-	n/a
Debt service - interest	283	252	12%	-	-	n/a	283	252	12%
Business-type (food service fund)	-	-	n/a	890	656	36%	890	656	36%
Total expenses	<u>26,076</u>	<u>25,506</u>	<u>2%</u>	<u>890</u>	<u>656</u>	<u>36%</u>	<u>26,966</u>	<u>26,162</u>	<u>3%</u>
<b>Change in net position</b>	<u>\$ 8,222</u>	<u>\$ 699</u>		<u>\$ 300</u>	<u>\$ (5)</u>		<u>\$ 8,522</u>	<u>\$ 694</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 increased 31%, while total expenses increased 2%. The District's total net position increased approximately \$8,221,000 during the fiscal year ended June 30, 2022.

Figure A-4 presents the major sources of revenue of the District's governmental activities. Total revenue of the District was \$34,297,000 for the fiscal year ended June 30, 2022. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Tax revenue which represents approximately 28% of the District's total revenue for governmental activities increased 5% during the year ended June 30, 2022 due to an increase in tax levy.
- State sources (basic subsidy aid) which represents approximately 25% of the District's total revenue for governmental activities increased by 2% as compared with the prior year.
- Interest earned declined by approximately \$459,000 which can be largely attributed to the decline in market conditions during the year.

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

Governmental Activities - Revenue (continued)

- During the year ended June 30, 2022, the District saw an increase in program revenue, which mostly resulted in an increase in operating grants in the amount of \$6,986,000 and from an increase in charges for services in the amount of \$28,000. The increase in operating grants was primarily related to increases 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 \$26,076,000.

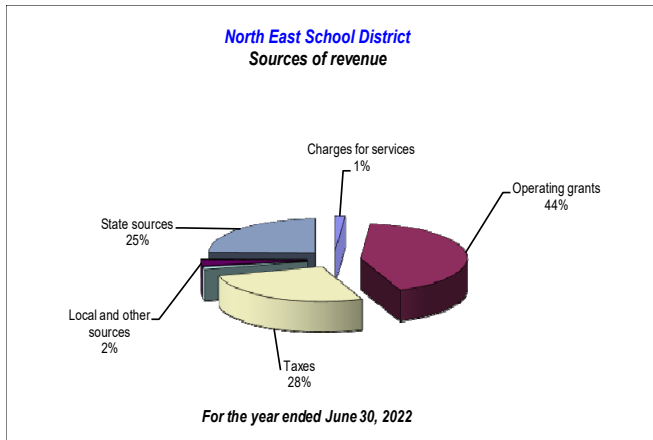
**IV. Financial Analysis of the School District as a Whole (continued)**

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 increased by approximately \$134,000 or 1% which was primarily due to an increase in wages and contractual expenses offset by a decrease in pension expense due to an actuarial update.
- The District's support services costs increased by approximately \$232,000 or 3% during the year ended June 30, 2022.
- Non-instructional costs of the District increased approximately \$173,000 or 24% during the year ended June 30, 2022 due to an increase in salaries and student activity expenses.

**Figure A-5 – District-wide Sources of Revenue**

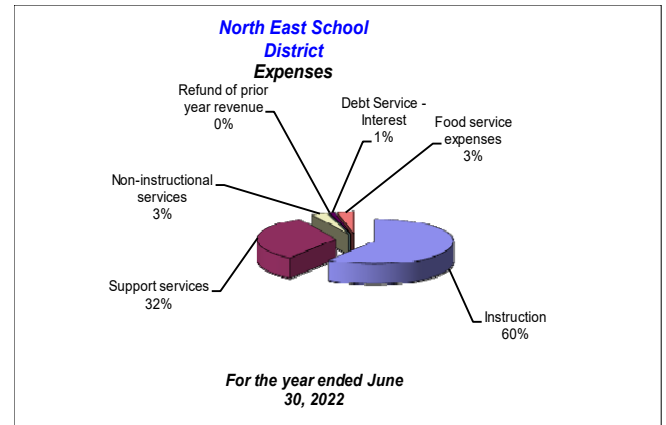


**IV. Financial Analysis of the School District as a Whole (continued)**

Governmental Activities - Expenses (continued)

- The District's other financing uses increased \$31,000 during the current year ended June 30, 2022 due to an increase in interest payments on outstanding debt.
- For governmental activities, the District received approximately \$14,792,000 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 (\$11.3 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</i>												
<i>Expenditures supported with program revenue (in thousands of dollars)</i>												
	Governmental Activities				Business-type Activities				Total			
	2022		2021		2022		2021		2022		2021	
Expenditures supported with general revenue (from taxes & other sources)	\$ 11,284	43%	\$ 17,728	70%	\$ (300)	-34%	\$ 5	1%	\$ 10,984	41%	\$ 17,733	68%
Expenditures supported with program revenue	14,792	57%	7,778	30%	1,190	134%	651	99%	15,982	59%	8,429	32%
<b>Total expenditures related to governmental activities</b>	<b>\$ 26,076</b>	<b>100%</b>	<b>\$ 25,506</b>	<b>100%</b>	<b>\$ 890</b>	<b>100%</b>	<b>\$ 656</b>	<b>100%</b>	<b>\$ 26,966</b>	<b>100%</b>	<b>\$ 26,162</b>	<b>100%</b>

**Figure A-8 – Net Cost of Governmental Activities**

<i>North East School District</i>											
<i>Net Cost of District-wide expenses (in thousands of dollars)</i>											
	Total cost of services						Net cost of services				
	2022		2021		Change		2022		2021		Change
Instruction	\$ 16,138	\$ 16,004	\$	134	\$ 10,241	\$ 11,184	\$	(943)			
Support services	8,769	8,537	232	3,273	6,051	(2,778)					
Non-instructional services	886	713	173	769	639	130					
Debt service - interest	283	252	31	(2,999)	(145)	(2,854)					
Food service	890	656	234	(300)	5	(305)					
<b>Total</b>	<b>\$ 26,966</b>	<b>\$ 26,162</b>	<b>\$ 804</b>	<b>\$ 10,984</b>	<b>\$ 17,734</b>	<b>\$ (6,750)</b>					

**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 revenues and other sources exceeded its expenses and other uses by approximately \$3,625,000.
- The District's general fund unassigned fund balance equated to approximately \$4,548,000 as of June 30, 2022.

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

General Fund (continued)

- The District had assigned fund balance as of June 30, 2022 in the amount of approximately \$213,000.
- The District had committed fund balance of as of June 30, 2022 in the amount of \$7,011,000.
- The District's total assets increased approximately \$4,201,000 while liabilities and deferred inflows increased \$575,000 during the year ended June 30, 2022. The increase in assets was primarily due to an increase in receivables. The increase in liabilities and deferred inflows was associated with an increase in due to other funds.
- Total revenue in the District's general fund increased \$21,942,000. This increase was primarily related to increases in Covid-19 pandemic related grants and aid, proceeds from bond refunding, and rental subsidy. Total expenditures and other uses increased \$16,945,000, which resulted from an increase in salaries, contractual expenses, 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, 2022**

**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 \$5,314,000. These expenditures were mainly attributed to technology equipment, vehicle purchases and building renovations. The District also had expenditures related to a bond refunding.

**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**

North East School District General Fund - Budget Summary				
	BUDGET	ACTUAL	DIFFERENCE	PERCENT CHANGE
<b>REVENUES (Adjusted for One Time Events)</b>				
Real Estate Taxes	\$ 8,344,209	\$ 8,351,375	\$ 7,166	0.09%
Earned Income Taxes	1,092,615	1,183,781	91,166	8.34%
Other Taxes	141,500	204,936	63,436	44.83%
Other Local Revenue*	503,928	270,092	(233,836)	-46.40%
State Subsidies*	15,158,404	15,358,873	200,469	1.32%
Federal Subsidies*	1,165,293	1,318,548	153,255	13.15%
	<u>26,405,949</u>	<u>26,687,605</u>	<u>281,656</u>	<u>1.07%</u>
<b>*One Time Revenues</b>				
Debt Refunding Proceeds		13,932,448	13,932,448	
PA Rental Reimb - MS PlanCon		2,988,718	2,988,718	
Federal ESSER III ARP		2,188,656	2,188,656	
Federal ESSER II		1,473,203	1,473,203	
Insurance Proceeds-Roof Wind Damage		767,509	767,509	
		<u>21,350,534</u>	<u>21,350,534</u>	
	<u>26,405,949</u>	<u>48,038,139</u>	<u>21,632,190</u>	<u>81.92%</u>
<b>EXPENDITURES (Adjusted for One Time Events)</b>				
Salaries & Benefits	19,485,136	19,138,384	(346,752)	-1.78%
Purchased Services**	2,968,599	3,096,882	128,283	4.32%
Utilities	348,650	375,743	27,093	7.77%
Supplies & Equipment	1,236,111	1,445,252	209,141	16.92%
Debt Service**	1,548,753	1,579,577	30,824	1.99%
Other**	818,700	818,700	-	0.00%
	<u>26,405,949</u>	<u>26,454,538</u>	<u>48,589</u>	<u>0.18%</u>
<b>**One Time Expenditures</b>				
Debt Service Refunding		10,156,740	10,156,740	
Transfer to Capital Projects Fund		6,351,361	6,351,361	
Student Tuition - ECTS - Renovation		1,276,052	1,276,052	
Debt Refunding Bond Issuance Costs		174,347	174,347	
		<u>17,958,500</u>	<u>17,958,500</u>	
	<u>26,405,949</u>	<u>44,413,038</u>	<u>18,007,089</u>	<u>68.19%</u>
Increase in Fund Balance - One Time Events		3,392,034	3,392,034	
Increase in Fund Balance		233,067	233,067	
Increase/Decrease in Fund Balance	\$ -	\$ 3,625,101	\$ 3,625,101	

**VI. General Fund Budgetary Highlight (continued)**

**Figure A-10 – Major Revenue Variances**

North East School District Major Revenue Variances	
<b>Revenues that were higher than anticipated:</b>	
Debt Refunding Proceeds*	\$ 13,932,448
PA Rental Reimb - MS PlanCon**	2,988,718
Federal ESSER III ARP***	2,188,656
Federal ESSER II***	1,473,203
Insurance Proceeds-Roof Wind Damage**	767,509
Federal ARP 7%	193,704
PA Basic Education Subsidy	137,498
Real Estate Tax	129,210
Earned Income Tax	91,166
PA PSERS Reimbursement	80,772
Federal Pass Thru-IDEA	77,625
Real Estate Transfer Tax	63,142
PA Special Education Subsidy	51,499
Erie County Pandemic Services	38,471
Student Tuition	21,383
PA Court Placed Children Subsidy	19,769
PCCD School Safety & Mental Health	11,420
<b>Revenues that were lower than anticipated:</b>	
Investment Earnings	(462,162)
Delinquent Taxes	(122,043)
Federal Access	(55,196)
<b>Non-Major Variances</b>	<u>5,398</u>
	<b>\$ 21,632,190</b>
Variance Less One Time Revenues	<b>\$ 281,656</b>

**Figure A-11 – Major Expenditure Variances**

North East School District Major Expenditure Variances	
<b>Expenses that were higher than anticipated:</b>	
Debt Service Refunding*	\$ 10,156,740
Transfer to Capital Projects Fund**	6,351,361
Student Tuition - ECTS - Renovation**	1,276,052
Debt Refunding Bond Issuance Costs*	174,347
Student Tuition - LEA's	127,900
Textbooks & Workbooks	127,610
Purchased Property Services	106,460
Software & Supplies	93,513
Salaries	51,748
Contracted Transportation Services - IU5	43,927
Utilities	27,092
<b>Expenses that were lower than anticipated:</b>	
Health Insurance Claims	(327,644)
Travel	(66,959)
PSERS Employer Contributions	(53,017)
Communications	(30,175)
Staff Tuition Reimbursement	(27,435)
Insurance	(24,985)
<b>Non-Major Variances</b>	<u>554</u>
	<b>\$ 18,007,089</b>
Variance Less One Time Expenses	<b>\$ 48,589</b>

\* Net Debt Service Refunding Proceeds 3,601,361  
 \*\* One Time Events  
 \*\*\* Federal Revenue for 20-21 Expenses 1,995,653

**VII. Capital Asset and Debt Administration**

Capital Assets

As depicted in Figure A-12, as of June 30, 2022, the District had invested \$27,275,000 in a broad range of capital assets, including reconstruction projects and other equipment. Capital additions made during the year ended June 30, 2022, totaled approximately \$4,744,000 and was primarily due to vehicle and 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, 2022, the District had approximately \$49,019,000 in bonds, net pension liability, compensated absences, and other post-employment benefits. The overall outstanding balance decreased 9% as compared with the previous year. This decrease was primarily the result of the District's proportionate share decrease in the net pension liability due to an actuarial update offset by an increase in bonds payable due to the District refunding its outstanding serial bond that included new bond proceeds.

**Figure A-12 – Capital Assets**

<i>North East School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2022	2021	Change
Land and site improvements	\$ 1,033,731	\$ 683,950	51%
Building and construction-in-progress	24,226,465	21,372,531	13%
Furniture and equipment	1,188,443	1,583,863	-25%
Transportation vehicles	826,485	807,416	2%
<b>Total Capital Assets, net</b>	<b>\$ 27,275,124</b>	<b>\$ 24,447,760</b>	<b>12%</b>

**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		
	2022	2021	Change
Bonds payable	\$ 12,401,043	\$ 10,050,000	23%
Net pension liability	32,230,000	39,342,000	-18%
Compensated absences	769,873	779,483	-1%
Other post employment benefits	3,617,983	3,421,623	6%
<b>Total Long-Term Debt</b>	<b>\$ 49,018,899</b>	<b>\$ 53,593,106</b>	<b>-9%</b>

**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 ongoing impact in the upcoming years as a result 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, 2022**

	2022			2021 Total
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash				
Unrestricted	\$ 4,100,404	\$ 36,777	\$ 4,137,181	\$ 3,336,077
Restricted	3,598,445	-	3,598,445	1,090,277
Investments	6,969,009	-	6,969,009	7,365,061
Receivables				
Taxes, net	920,026	-	920,026	808,792
State and federal aid	4,273,625	2,299	4,275,924	1,520,353
Other receivables	804,214	1,552	805,766	38,964
Due from other governmental activities	-	633,431	633,431	240,590
Prepaid expenses	208,284	-	208,284	116,305
Inventories	54,900	39,379	94,279	109,682
Capital assets, net	27,130,722	144,402	27,275,124	24,447,760
Total assets	<u>48,059,629</u>	<u>857,840</u>	<u>48,917,469</u>	<u>39,073,861</u>
<b>Deferred Outflows of Resources</b>				
Deceased amount on bond refunding	-	-	-	77,146
Deferred outflows related to pensions	6,112,700	-	6,112,700	6,035,129
Deferred outflows related to OPEB	606,602	-	606,602	499,857
Total deferred outflows of resources	<u>6,719,302</u>	<u>-</u>	<u>6,719,302</u>	<u>6,612,132</u>
Total assets and deferred outflows of resources	<u>\$ 54,778,931</u>	<u>\$ 857,840</u>	<u>\$ 55,636,771</u>	<u>\$ 45,685,993</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and retainage payable	\$ 1,213,183	\$ -	\$ 1,213,183	\$ 627,416
Accrued liabilities	3,577,055	7,808	3,584,863	3,412,354
Accrued interest	105,000	-	105,000	54,000
Due to other business-type activities	633,431	-	633,431	240,590
Unearned revenue	19,247	9,617	28,864	32,769
<b>Long-term liabilities</b>				
Portion due or payable within one year				
Bonds payable	1,265,000	-	1,265,000	1,345,000
Portion due or payable after one year				
Bonds payable	11,136,043	-	11,136,043	8,705,000
Net pension liability	32,230,000	-	32,230,000	39,342,000
Compensated absences	754,268	15,605	769,873	779,483
Other post employment benefits	3,617,983	-	3,617,983	3,421,623
Total liabilities	<u>54,551,210</u>	<u>33,030</u>	<u>54,584,240</u>	<u>57,960,235</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	6,225,000	-	6,225,000	1,438,000
Deferred inflows related to OPEB	257,600	-	257,600	238,733
Total deferred inflows of resources	<u>6,482,600</u>	<u>-</u>	<u>6,482,600</u>	<u>1,676,733</u>
Total liabilities and deferred inflows of resources	<u>61,033,810</u>	<u>33,030</u>	<u>61,066,840</u>	<u>59,636,968</u>
<b>Net Position (Deficit)</b>				
Invested in capital assets, net of related debt	14,729,679	144,402	14,874,081	14,474,906
Restricted for				
Capital	2,726,195	-	2,726,195	922,963
Board designated	7,141,394	-	7,141,394	6,864,871
Unrestricted (deficit)	(30,852,147)	680,408	(30,171,739)	(36,213,715)
Total net position (deficit)	<u>(6,254,879)</u>	<u>824,810</u>	<u>(5,430,069)</u>	<u>(13,950,975)</u>
Total liabilities, deferred inflows of resources & net position (deficit)	<u>\$ 54,778,931</u>	<u>\$ 857,840</u>	<u>\$ 55,636,771</u>	<u>\$ 45,685,993</u>



**NORTH EAST SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

	2022							2021
	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total	Net (Expense)
			Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities		Revenue and Changes in Net Position
<b>Functions/Programs</b>								
<b>Governmental Activities:</b>								
Instruction	\$ 15,052,349	\$ 1,085,823	\$ 92,883	\$ 5,804,433	\$ (10,240,856)	\$ -	\$ (10,240,856)	\$ (11,183,962)
Instructional student support	1,822,104	135,568	-	755,800	(1,201,872)	-	(1,201,872)	(1,597,599)
Administrative and financial support services	2,403,918	164,761	-	540,194	(2,028,485)	-	(2,028,485)	(2,092,686)
Operation and maintenance of plant services	2,746,737	154,024	-	3,532,524	631,763	-	631,763	(1,911,470)
Pupil transportation	1,024,407	285,471	-	666,017	(643,861)	-	(643,861)	(417,763)
Other support services	31,324	-	-	-	(31,324)	-	(31,324)	(31,307)
Student activities	791,339	55,843	19,800	96,847	(730,535)	-	(730,535)	(620,668)
Community services	36,595	2,405	-	808	(38,192)	-	(38,192)	(17,882)
Debt service	283,058	-	-	3,282,404	2,999,346	-	2,999,346	145,128
Depreciation	1,883,895	(1,883,895)	-	-	-	-	-	-
Total governmental activities	26,075,726	-	112,683	14,679,027	(11,284,016)	-	(11,284,016)	(17,728,209)
<b>Business-type activities:</b>								
Food services	889,956	-	61,318	1,128,500	-	299,862	299,862	(4,511)
Total functions and programs	\$ 26,965,682	\$ -	\$ 174,001	\$ 15,807,527	(11,284,016)	299,862	(10,984,154)	(17,732,720)

**General Revenues**

Real property taxes, levied for general purposes	8,434,115	-	8,434,115	8,169,508
Other taxes levied	1,388,717	-	1,388,717	1,286,731
Interest earnings (loss)	(439,850)	-	(439,850)	19,251
Other local sources	1,108,553	-	1,108,553	72,881
State sources	9,013,525	-	9,013,525	8,878,331
	<hr/>			
Total general revenues	19,505,060	-	19,505,060	18,426,702
	<hr/>			
<b>Change in net position</b>	8,221,044	299,862	8,520,906	693,982
Net position (deficit) - beginning of year	(14,475,923)	524,948	(13,950,975)	(14,761,032)
Prior period adjustment	-	-	-	116,075
	<hr/>			
<b>Net position (deficit) - end of year</b>	<b>\$ (6,254,879)</b>	<b>\$ 824,810</b>	<b>\$ (5,430,069)</b>	<b>\$ (13,950,975)</b>
	<hr/> <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, 2022**

	Governmental Funds				
	General	Special Revenue	Capital Projects	2022 (Memo only) Total	2021 (Memo only) Total
<b>Assets</b>					
Unrestricted cash and cash equivalents	\$ 4,100,404	\$ -	\$ -	\$ 4,100,404	\$ 3,278,542
Restricted cash	-	130,474	3,467,971	3,598,445	1,090,277
Investments	6,969,009	-	-	6,969,009	7,365,061
Taxes receivable	938,026	-	-	938,026	826,792
Intergovernmental receivables	4,273,625	-	-	4,273,625	1,473,292
Other receivables	804,214	-	-	804,214	33,069
Prepaid expenses	208,284	-	-	208,284	116,305
Inventories	54,900	-	-	54,900	54,900
Total assets	<u>\$ 17,348,462</u>	<u>\$ 130,474</u>	<u>\$ 3,467,971</u>	<u>\$ 20,946,907</u>	<u>\$ 14,238,238</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Equity</b>					
<b>Liabilities</b>					
Accounts payable	\$ 471,407	\$ -	\$ 741,776	\$ 1,213,183	\$ 627,416
Accrued salaries and benefits	3,442,814	-	-	3,442,814	3,255,432
Payroll deductions and withholdings	134,241	-	-	134,241	126,646
Due to proprietary fund	633,431	-	-	633,431	240,590
Unearned revenues	19,247	-	-	19,247	20,570
Total liabilities	<u>4,701,140</u>	<u>-</u>	<u>741,776</u>	<u>5,442,916</u>	<u>4,270,654</u>
<b>Deferred Inflows of Resources</b>					
Revenue not available - taxes	611,325	-	-	611,325	528,586
<b>Fund Equity</b>					
Nonspendable	263,184	-	-	263,184	171,205
Restricted	-	-	2,726,195	2,726,195	922,963
Committed	7,010,920	130,474	-	7,141,394	6,864,871
Assigned	213,410	-	-	213,410	195,421
Unassigned	4,548,483	-	-	4,548,483	1,284,538
Total fund equity	<u>12,035,997</u>	<u>130,474</u>	<u>2,726,195</u>	<u>14,892,666</u>	<u>9,438,998</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 17,348,462</u>	<u>\$ 130,474</u>	<u>\$ 3,467,971</u>	<u>\$ 20,946,907</u>	<u>\$ 14,238,238</u>

**NORTH EAST SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND**  
**EQUITY - ALL GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Governmental Funds				
	General	Special Revenue	Capital Projects	2022 (Memo only) Total	2021 (Memo only) Total
<b>Revenue</b>					
Local sources	\$ 10,777,694	\$ 161,028	\$ (52,688)	\$ 10,886,034	\$ 9,860,750
State sources	18,347,591	-	-	18,347,591	15,092,818
Federal sources	4,980,406	-	-	4,980,406	1,191,176
Other sources					
Proceeds from refunded debt	13,932,448	-	-	13,932,448	-
Interfund transfers	-	-	7,170,061	7,170,061	2,719,000
Total revenue and other sources	48,038,139	161,028	7,117,373	55,316,540	28,863,744
<b>Expenditures</b>					
Instruction	16,509,691	-	-	16,509,691	14,677,950
Support services	8,246,992	-	-	8,246,992	7,928,189
Noninstructional services	749,977	135,693	-	885,670	655,700
Facility acquisition, construction, and improvement services	-	-	5,314,141	5,314,141	2,343,478
Other financing uses					
Debt service	1,579,577	-	-	1,579,577	1,544,465
Payment of refunded debt	10,156,740	-	-	10,156,740	-
Interfund transfers	7,170,061	-	-	7,170,061	2,719,000
Total expenditures and other financing uses	44,413,038	135,693	5,314,141	49,862,872	29,868,782
<b>Excess (deficiency) of revenue and other sources over expenditures and other financing uses</b>	3,625,101	25,335	1,803,232	5,453,668	(1,005,038)
<b>Fund equity, beginning of year</b>	8,410,896	105,139	922,963	9,438,998	10,327,961
<b>Prior period adjustment</b>	-	-	-	-	116,075
<b>Fund equity, end of year</b>	\$ 12,035,997	\$ 130,474	\$ 2,726,195	\$ 14,892,666	\$ 9,438,998

**NORTH EAST SCHOOL DISTRICT**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Original Budget	Revised Budget	Current Year's Actual	Favorable (Unfavorable) Revised Budget
<b>Revenues</b>				
Local sources	\$ 10,082,252	\$ 10,082,252	\$ 10,777,694	\$ 695,442
State sources	15,158,404	15,158,404	18,347,591	3,189,187
Federal sources	1,165,293	1,165,293	4,980,406	3,815,113
Other sources				
Proceeds from refunding of debt	-	-	13,932,448	13,932,448
Total revenue	<u>26,405,949</u>	<u>26,405,949</u>	<u>48,038,139</u>	<u>21,632,190</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular programs	10,902,925	10,902,925	11,165,247	(262,322)
Special programs	2,997,745	2,997,745	2,976,611	21,134
Vocational education programs	864,637	864,637	2,119,759	(1,255,122)
Other instructional programs	205,267	205,267	248,074	(42,807)
Total instruction	<u>14,970,574</u>	<u>14,970,574</u>	<u>16,509,691</u>	<u>(1,539,117)</u>
<b>Support Services</b>				
Pupil personnel	881,211	881,211	865,665	15,546
Instructional staff	1,035,510	1,035,510	888,130	147,380
Administration	2,121,171	2,121,171	2,284,344	(163,173)
Pupil health	288,160	288,160	307,479	(19,319)
Business	420,423	420,423	395,150	25,273
Operation and maintenance	2,260,250	2,260,250	2,341,901	(81,651)
Student transportation services	1,185,231	1,185,231	1,132,999	52,232
Other support services	37,434	37,434	31,324	6,110
Total support services	<u>8,229,390</u>	<u>8,229,390</u>	<u>8,246,992</u>	<u>(17,602)</u>
<b>Noninstructional services</b>				
Student activities	787,234	787,234	713,382	73,852
Community services	51,298	51,298	36,595	14,703
Total noninstructional services	<u>838,532</u>	<u>838,532</u>	<u>749,977</u>	<u>88,555</u>
<b>Other financing uses</b>				
Debt service	1,548,753	1,548,753	1,579,577	(30,824)
Payment of refunded debt	-	-	10,156,740	(10,156,740)
Interfund transfers *	818,700	818,700	7,170,061	(6,351,361)
Total other financing uses	<u>2,367,453</u>	<u>2,367,453</u>	<u>18,906,378</u>	<u>(16,538,925)</u>
<b>Total expenditures and other financing uses</b>	<u>26,405,949</u>	<u>26,405,949</u>	<u>44,413,038</u>	<u>(18,007,089)</u>
<b>Excess of revenue and other sources over expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>3,625,101</u>	<u>\$ 3,625,101</u>
Fund equity, beginning of year			<u>8,410,896</u>	
<b>Fund equity, end of year</b>			<u>\$ 12,035,997</u>	

\* The Board of Education approved additional transfers to the capital projects fund during the fiscal year ended June 30, 2022. Also, included are additional transfers resulting from a bond refunding.

**NORTH EAST SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS – PRIVATE PURPOSE TRUST  
AS OF JUNE 30, 2022**

	2022 Private Purpose Trust	2021 Private Purpose Trust
<b>Assets</b>		
Cash	\$ 84,855	\$ 50,331
Total assets	<u>\$ 84,855</u>	<u>\$ 50,331</u>
<b>Liabilities</b>		
Other liabilities	\$ -	\$ -
<b>Net position</b>		
Restricted	72,903	41,529
Unrestricted	<u>11,952</u>	<u>8,802</u>
Total net position	<u>84,855</u>	<u>50,331</u>
Total liabilities and net position	<u>\$ 84,855</u>	<u>\$ 50,331</u>

**NORTH EAST SCHOOL DISTRICT**

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

**AS OF JUNE 30, 2022**

**Page 19**

	2022 Private Purpose Trust	2021 Private Purpose Trust
<b>Additions</b>		
Gifts and contributions	\$ 56,302	\$ 21,351
Other additions	104	73
Total additions	<u>56,406</u>	<u>21,424</u>
<b>Deductions</b>		
Student assistance and scholarships	15,564	6,376
Other grants and deductions	<u>6,318</u>	<u>2,396</u>
Total deductions	<u>21,882</u>	<u>8,772</u>
<b>Change in net position</b>	34,524	12,652
Net position - beginning of year	<u>50,331</u>	<u>37,679</u>
<b>Net position - end of year</b>	<u>\$ 84,855</u>	<u>\$ 50,331</u>

**NORTH EAST SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**AS OF JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 36,777	\$ 57,535
Intergovernmental receivables	2,299	47,061
Other receivables	1,552	5,895
Due from other funds	633,431	240,590
Inventories	39,379	54,782
Capital assets, net	<u>144,402</u>	<u>177,165</u>
 Total assets	 <u>\$ 857,840</u>	 <u>\$ 583,028</u>
 <b>Liabilities</b>		
Accrued liabilities	\$ 7,808	\$ 30,276
Compensated absences	15,605	15,605
Unearned revenue	<u>9,617</u>	<u>12,199</u>
 Total liabilities	 <u>33,030</u>	 <u>58,080</u>
 <b>Net Position</b>		
Net investment in capital assets	144,402	177,165
Unrestricted	<u>680,408</u>	<u>347,783</u>
 Total net position	 <u>824,810</u>	 <u>524,948</u>
 Total liabilities and net position	 <u>\$ 857,840</u>	 <u>\$ 583,028</u>



**NORTH EAST SCHOOL DISTRICT**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	2022	2021
<b>Operating revenue</b>		
Food service revenue	\$ 61,318	\$ 58,494
<b>Operating expenses</b>		
Salaries and benefits	354,307	321,846
Purchased food	377,074	211,293
Supplies	102,579	74,956
Depreciation	32,763	32,350
Other operating expenses	23,233	15,679
Total operating expenses	889,956	656,124
Net operating loss	(828,638)	(597,630)
<b>Non-operating revenues</b>		
State sources	30,275	29,288
Federal sources	1,098,225	563,831
Total non-operating revenues	1,128,500	593,119
<b>Change in net position</b>	299,862	(4,511)
Total net position, beginning	524,948	529,459
Total net position, ending	\$ 824,810	\$ 524,948

**NORTH EAST SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	2022	2021
<b>Cash flows from operating activities</b>		
Cash received from sale of meals	\$ 65,661	\$ 54,156
Cash paid to or on behalf of employees	(376,775)	(320,490)
Cash paid to vendors	(422,237)	(253,360)
Cash received from (paid to) other funds	(392,841)	(15,585)
Net cash used in operating activities	(1,126,192)	(535,279)
<b>Cash flows from non-capital financing activities</b>		
Cash received from State sources	40,501	20,037
Cash received from Federal sources	1,064,933	505,297
Net cash provided by non-capital financing activities	1,105,434	525,334
<b>Net change in cash</b>	(20,758)	(9,945)
Cash balance, beginning of year	57,535	67,480
<b>Cash balance, end of year</b>	\$ 36,777	\$ 57,535
<b>Reconciliation of net operating loss to net cash used in operating activities</b>		
Net operating loss	\$ (828,638)	\$ (597,630)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	32,763	32,350
Donated commodities	67,828	46,527
Changes in assets and liabilities:		
(Increase) decrease in other receivables	4,343	(4,338)
(Increase) decrease in inventory	15,403	5,538
(Increase) decrease in due from other funds	(392,841)	(15,585)
Increase (decrease) in accounts payable	-	(5,242)
Increase (decrease) in accrued liabilities	(22,468)	1,356
Increase (decrease) in unearned revenue/student deposits	(2,582)	1,745
Net cash used in operating activities	\$ (1,126,192)	\$ (535,279)
<b>Supplemental Schedule of Non-Cash Activities</b>		
Activities not affecting cash flows are as follows:		
Surplus food (donated commodities)	\$ 67,828	\$ 46,527
Total non-cash activity	\$ 67,828	\$ 46,527

**NORTH EAST SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2022**

**Total fund balances - governmental funds** \$ 14,892,666

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	\$ 68,274,435	
Accumulated depreciation	<u>(41,143,713)</u>	27,130,722

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. 593,325

Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due. (105,000)

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. 349,002

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. (112,300)

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	(12,401,043)	
Other post employment benefits	(3,617,983)	
Net pension liability	(32,230,000)	
Compensated absences	<u>(754,268)</u>	<u>(49,003,294)</u>

**Total net position (deficit) - governmental activities** \$ (6,254,879)

	Total Governmental Funds	Long-term Assets and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
<b>Assets</b>					
Cash	\$ 7,698,849	\$ -	\$ -	\$ -	\$ 7,698,849
Investments	6,969,009	-	-	-	6,969,009
Taxes receivable	938,026	(18,000)	-	-	920,026
Intergovernmental receivable	4,273,625	-	-	-	4,273,625
Other receivables	804,214	-	-	-	804,214
Prepaid expenses	208,284	-	-	-	208,284
Inventories	54,900	-	-	-	54,900
Capital assets, net	-	27,130,722	-	-	27,130,722
Total assets	20,946,907	27,112,722	-	-	48,059,629
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions	-	6,112,700	-	-	6,112,700
Deferred outflows related to OPEB	-	606,602	-	-	606,602
Total deferred outflows of resources	-	6,719,302	-	-	6,719,302
Total assets and deferred outflows of resources	\$ 20,946,907	\$ 33,832,024	\$ -	\$ -	\$ 54,778,931
<b>Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position (deficit)</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,213,183	\$ -	\$ -	\$ -	\$ 1,213,183
Accrued liabilities	3,577,055	-	-	-	3,577,055
Accrued interest	-	-	105,000	-	105,000
Due to other funds	633,431	-	-	-	633,431
Unearned revenue	19,247	-	-	-	19,247
Bonds payable	-	-	12,401,043	-	12,401,043
Net pension liability	-	-	32,230,000	-	32,230,000
Compensated absences	-	-	754,268	-	754,268
Other post employment benefits	-	-	3,617,983	-	3,617,983
Total liabilities	5,442,916	-	49,108,294	-	54,551,210
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pensions	-	-	6,225,000	-	6,225,000
Deferred inflows related to OPEB	-	-	257,600	-	257,600
Revenue not available - taxes	611,325	-	(611,325)	-	-
Total deferred inflows of resources	611,325	-	5,871,275	-	6,482,600
<b>Fund equity &amp; net position (deficit)</b>	14,892,666	33,832,024	(54,979,569)	-	(6,254,879)
Total liabilities, deferred inflows of resources & fund equity/net position (deficit)	\$ 20,946,907	\$ 33,832,024	\$ -	\$ -	\$ 54,778,931

**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, 2022**

**Total net change in fund balances - governmental funds** \$ 5,453,668

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	\$ 4,744,022	
Depreciation expense	<u>(1,883,895)</u>	2,860,127

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. 82,739

Proceeds from the issuance of long-term debt (including refunding of debt), net of bond issuance costs, are recorded as revenue in the governmental funds. However, in the statement of activities, proceeds from the issuance of long-term debt is not recorded as revenue but rather the amount is recorded as a liability in the statement of net position. During the current year, the District expensed bond issuance costs in the statement of activities. (3,601,361)

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. 1,173,172

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. 2,402,571

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. (108,482)

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. (51,000)

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. 9,610

**Change in net position of governmental activities** \$ 8,221,044

	Total Governmental Funds	Long-term Assets and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
<b>Revenue</b>					
Real property taxes	\$ 8,351,376	\$ 82,739	\$ -	\$ -	\$ 8,434,115
Other taxes levied	1,388,717	-	-	-	1,388,717
Interest and earnings	(439,850)	-	-	-	(439,850)
Other local sources	1,585,791	-	-	(477,238)	1,108,553
State sources	18,347,591	-	-	(9,334,066)	9,013,525
Federal sources	4,980,406	-	-	(4,980,406)	-
Total revenue	34,214,031	82,739	-	(14,791,710)	19,505,060
<b>Expenditures</b>					
Instruction	16,509,691	1,085,823	(1,457,342)	(5,897,316)	10,240,856
Instructional student support	2,061,274	135,568	(239,170)	(755,800)	1,201,872
Administrative and financial support services	2,679,494	164,761	(275,576)	(540,194)	2,028,485
Operation and maintenance of plant services	2,341,901	154,024	(165,283)	(2,962,405)	(631,763)
Pupil transportation	1,132,999	285,471	(108,592)	(666,017)	643,861
Other support services	31,324	-	-	-	31,324
Student activities	849,075	55,843	(57,736)	(116,647)	730,535
Community services	36,595	2,405	-	(808)	38,192
Facility acquisition, construction, and improvement services	5,314,141	(4,744,022)	-	(570,119)	-
Debt service	1,579,577	-	(1,296,519)	(3,282,404)	(2,999,346)
Total expenditures	32,536,071	(2,860,127)	(3,600,218)	(14,791,710)	11,284,016
Excess (deficiency) of revenue over expenditures	1,677,960	2,942,866	3,600,218	-	8,221,044
<b>Other sources and uses</b>					
Proceeds from issuance of debt	13,932,448	-	(13,932,448)	-	-
Payments of refunded debt	(10,156,740)	-	10,156,740	-	-
Operating transfers in	7,170,061	-	-	(7,170,061)	-
Operating transfers out	(7,170,061)	-	-	7,170,061	-
Total other sources (uses)	3,775,708	-	(3,775,708)	-	-
<b>Net change for year</b>	\$ 5,453,668	\$ 2,942,866	\$ (175,490)	\$ -	\$ 8,221,044

**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 capital 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.



**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second 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 third item is the District contributions to the pension system after the measurement date. The fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents actuarial differences that are deferred and amortized. The fifth 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 20 years of service within the District can accrue up to 200 days at a rate of \$125 per day for a maximum of \$25,000. Also, Teaching Professionals who retire from the District with at least 15 years of service can receive a severance payment of \$50 per year of service up to a maximum of \$2,000. 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. 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, 2022, approximately \$770,000 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 capital 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](http://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, 2022 was 34.94% (33.99% - pension, .15% - Act 5 defined contribution and .80% - 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 \$4,029,000 for the year ended June 30, 2022.

**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, 2020.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2022 the plan had total active employees of 234 and retirees of 16.

**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, 2021 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 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](http://www.psers.pa.gov).

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021 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, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were approximately \$106,000 year ended June 30, 2022.

**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 \$263,184 at June 30, 2022.

**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**

The District has assigned fund balance for curriculum development. 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, 2023.

**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, 2022**

**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, 2022, 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, 2022, the District's bank deposits were fully collateralized.

Total financial institution balances at June 30, 2022, per the bank, were approximately \$15,099,000 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, 2022. The investments below are held in a custodial account with FNB Wealth Management.

	<u>Carrying/ Market Value</u>
FNB:	
Cash and Equivalents	\$ 1,139,668
US Government (.5% – 2.25%)	1,620,765
Municipals (1.53% – 5.80%)	472,034
CD's (.45% - 3.50%)	3,720,895
Accrued Interest	<u>15,647</u>
Total Investments	<u>\$ 6,969,009</u>

These investments are held in the School District's name. The market value of the investments as of June 30, 2022 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, 2022 were as follows:

	<u>Beginning Balance 06/30/21</u>	<u>Net Change</u>	<u>Ending Balance 06/30/22</u>
Governmental activities:			
Capital assets:			
Land	\$ 496,816	\$ --	\$ 496,816
Land improvements	2,182,798	418,715	2,601,513
Buildings and improvements	48,243,154	(142,556)	48,100,598
Construction in progress	2,718,033	4,254,205	6,972,238
Furniture, equipment and vehicles	<u>10,154,087</u>	<u>(50,817)</u>	<u>10,103,270</u>
Total historical cost	<u>63,794,888</u>	<u>\$ 4,479,547</u>	<u>68,274,435</u>
Accumulated depreciation:			
Land and land improvements	1,995,664	68,934	2,064,598
Building and improvements	29,588,656	1,257,715	30,846,371
Furniture, equipment and vehicles	<u>7,939,973</u>	<u>292,771</u>	<u>8,232,744</u>
Less accumulated depreciation:	<u>39,524,293</u>	<u>1,619,420</u>	<u>41,143,713</u>
Total net book value	<u>\$24,270,595</u>		<u>\$27,130,722</u>

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	Beginning Balance 06/30/21	Net Change	Ending Balance 06/30/22
Proprietary/business-type activities:			
Building improvements, furniture and equipment	\$ 693,944	\$ --	\$ 693,944
Less accumulated depreciation:	<u>516,779</u>	<u>\$ 32,763</u>	<u>549,542</u>
Total net book value	<u>\$ 177,165</u>		<u>\$ 144,402</u>
	<u>Governmental</u>	<u>Proprietary/ Business-type</u>	
Depreciation expense:			
Instruction	\$ 1,085,823	\$ -	
Support services	739,824	-	
Non-instructional services	<u>58,248</u>	<u>32,763</u>	
	<u>\$ 1,883,895</u>	<u>\$ 32,763</u>	

During the year-ended June 30, 2022 the District had capital additions in the amount of approximately \$4,744,000 in the governmental activity funds and \$0 in business-type funds. Governmental activity additions were primarily related to the purchase of vehicles, 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.	\$ 11,185,000
Unamortized bond premiums	<u>1,216,043</u>
	12,401,043
Less: Current portion	<u>1,265,000</u>
	<u>\$ 11,136,043</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, 2022:

<u>Description</u>	<u>Balance June 30, 2022</u>	<u>Amounts Due Within One Year</u>	<u>Balance June 30, 2021</u>
2015 Series Bonds	\$ -	\$ -	\$ 5,135,000
2016 Series Bonds	-	-	4,915,000
2021 Series Bonds	12,401,043	1,265,000	-
Other post - employment benefits	3,617,983	-	3,421,623
Net pension liability	32,230,000	-	39,342,000
Compensated absences	<u>769,873</u>	<u>-</u>	<u>779,483</u>
	<u>\$ 49,018,899</u>	<u>\$ 1,265,000</u>	<u>\$ 53,593,106</u>

The District made principal payments on serial bonds in the amount of \$1,395,000 during the current fiscal year and recorded amortization of bond premiums of \$136,405. The District refunded the 2015 and 2016 serial bonds which included bond premiums of \$1,352,448 and new money proceeds of \$2,530,360. The net change in other post-employment benefit liability was a decrease of \$196,360 and the decrease in the net pension liability was \$7,112,000 due to actuarial updates. The District also had a decrease in compensated absences in the amount of \$9,610.

**3. Long-term Debt Interest**

Interest expense, for the year ended June 30, 2022 amounted to approximately \$185,000, 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>
2023	\$ 1,265,000	\$ 346,150
2024	1,310,000	307,300
2025	1,355,000	260,000
2026	1,395,000	221,650
2027	1,425,000	186,400
2028-2031	<u>4,435,000</u>	<u>324,000</u>
	<u>\$ 11,185,000</u>	<u>\$ 1,645,500</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 current year, the District submitted a claim under its commercial policy related to roof damage sustained as a result of a storm. The District has 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, 2022, the District recorded prepaid expense in the amount of approximately \$197,000 in the Statement of Financial Position and Balance Sheets.

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 7 - INTERFUND TRANSACTIONS**

Interfund receivable and payable balances as of June 30, 2022 and interfund revenue and expenditures for the year ended June 30, 2022 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 633,431
Food Service Fund	633,431	-
	<u>\$ 633,431</u>	<u>\$ 633,431</u>
	<u>Interfund Revenue</u>	<u>Interfund Expenditure</u>
General Fund	\$ -	\$ 7,170,061
Capital Projects Fund	7,170,061	-
	<u>\$ 7,170,061</u>	<u>\$ 7,170,061</u>

During the current year, the District transferred \$7,170,061 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, 2022, the District reported a liability of \$32,230,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was .0785%, which was a decrease of .0014% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$1,656,000. At June 30, 2022, 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	\$ -	\$ 5,130,000
Changes in proportions	-	672,000
Change in assumptions	1,563,000	-
Difference between expected and actual experience	24,000	423,000
Contributions subsequent to the measurement date	4,525,700	-
	<u>\$ 6,112,700</u>	<u>\$ 6,225,000</u>

\$4,525,700 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, 2023.

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:	
2023	\$(1,347,000)
2024	(842,000)
2025	(792,000)
2026	(1,657,000)
Thereafter	-
Net deferred outflow/(inflow)	<u>\$ (4,638,000)</u>

**Changes in Actuarial assumptions**

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 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 decreased from 7.25% as of June 30, 2020 to 7% as of June 30, 2021.

Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:

- Salary growth rate - decreased from 5.00% to 4.50%.
- Real wage growth and merit or seniority increases (components for salary growth) -decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
- 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	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	(13.0)%	0.1%
	<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, 2021.

**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%
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District's proportionate share of the net pension liability	\$42,302,000	\$ 32,230,000	\$23,733,000
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**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](http://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, 2022, the District reported a liability of \$1,736,983. The net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$163,217. At June 30, 2022, 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, 2022**

**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	\$ 171,693	\$ 108,940
Differences between expected and actual exp.	56,174	86,660
Contributions subsequent to the measurement date	51,735	-
<b>Total</b>	<b>\$ 279,602</b>	<b>\$ 195,600</b>

\$51,735 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, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending:	
2023	\$ 4,619
2024	4,619
2025	4,619
2026	4,619
2027	4,619
Thereafter	9,172
<b>Total</b>	<b>\$ 32,267</b>

**Actuarial Assumptions**

The Total OPEB Liability for the July 1, 2020 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 – 2.28% - 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 5.5% in 2021 through 2023. Rates decrease from 5.4% in 2024 to 4% 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	\$ 125,392
Interest	33,206
Differences between expected and actual experience	(102,416)
Changes in benefit terms	-
Changes in assumptions	(51,179)
Benefit payments	(66,059)
<b>Net changes</b>	<b>41,360</b>
Net OPEB liability – beginning of year	1,695,623
<b>Net OPEB liability – end of year</b>	<b>\$ 1,736,983</b>

**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 3%-4.5%	Current Assumption 4%-5.5%	1% Increase 5%-6.5%
Total District Plan OPEB liability	\$ 1,531,613	\$ 1,736,983	\$ 1,981,139

**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 1.28%	Current Assumption 2.28%	1% Increase 3.28%
Total District Plan OPEB liability	\$ 1,860,448	\$ 1,736,983	\$ 1,619,385

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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, 2022, the District reported a liability of \$1,881,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was .0794%, which was a decrease of .0004% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$102,000. At June 30, 2022, 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	\$ 200,000	\$ 25,000
Net difference between projected and actual earnings	4,000	-
Difference between expected and actual exp.	17,000	
Changes in proportion	-	37,000
Benefit payments subsequent to measurement date	106,000	-
<b>Total</b>	<b>\$ 327,000</b>	<b>\$ 62,000</b>

\$106,000 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, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending:	
2023	\$ 20,000
2024	19,000
2025	37,000
2026	32,000
2017	28,000
Thereafter	23,000
Total	<u>\$ 159,000</u>

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

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

Participation rate:

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for both males and females adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	2.7%	(0.3%)
	<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, 2021.

**Discount rate**

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

**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, 2021, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the 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	\$ 1,881,000	\$ 1,881,000	\$ 1,881,000

**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 1.18%	Current Assumption 2.18%	1% Increase 3.18%
Total Health Insurance Premium Assistance OPEB liability	\$2,158,000	\$1,881,000	\$1,652,000

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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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](http://www.psers.pa.gov).

**NOTE 10 - RECEIVABLES**

**A. Taxes Receivable**

In the governmental fund financial statements, taxes receivable amounted to \$938,026 at June 30, 2022 and consist of the estimated delinquent real property taxes, real estate transfer taxes, and earned income collected in the first two months of the 2023 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 \$4,273,625 in the General Fund and \$2,299 in the Food Service Fund as of June 30, 2022 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, 2022, approximately \$770,000 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 \$611,325 as of June 30, 2022 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, 2022, the District incurred approximately \$5,314,000 of capital project fund expenditures related to technology, vehicle purchases and other building improvements.

During the current year, the District transferred \$7,170,061 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 \$1,709,450 in tuition (\$433,399), and building renovations (\$1,276,051) for the year ended June 30, 2022, 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 are various with one extending through 2022-2023. Tax abated under the program during the fiscal year ended June 30, 2022 totaled approximately \$47,000.

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 16 – FUND EQUITY**

**A. Classification**

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

<b>Category / Fund</b>	<b>Description</b>	<b>Balance June 30, 2022</b>
<b>Nonspendable:</b>		
General	Inventories	\$ 54,900
General	Prepaid expense	208,284
		<u>\$ 263,184</u>
<b>Restricted:</b>		
Fiduciary Fund	Restricted for scholarships and other	\$ 72,903
Capital Projects	Capital Reserve	<u>\$ 2,726,195</u>
<b>Committed:</b>		
General	Compensated absences reserve	\$ 769,873
General	Health claims reserve	362,711
General	ECTS renovations	657,360
General	Capital projects	3,500,000
General	OPEB	1,720,976
		<u>\$ 7,010,920</u>
<b>Assigned:</b>		
General	Curriculum development	\$ 200,000
General	Athletic account	13,410
		<u>\$ 213,410</u>

**NOTE 17 – NEW ACCOUNTING PRONOUNCEMENT AND PRIOR PERIOD ADJUSTMENT**

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.

Effective July 1, 2020, the District implemented the provisions of GASB Statement No. 84, Fiduciary Activities. This statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and therefore should be reported as such. The statement defines types of fiduciary funds, eliminating agency funds and replacing them with custodial funds. Under this guidance, fiduciary funds report a net position and a statement of changes in net position.

**NOTE 17 – NEW ACCOUNTING PRONOUNCEMENT AND PRIOR PERIOD ADJUSTMENT (CONTINUED)**

Implementation of GASB No. 84 required prior period adjustments for the governmental and fiduciary funds. This adjustment was needed to move the beginning balances of amounts previously reported as fiduciary funds to the respective governmental funds. Total extraclassroom activity funds of \$116,075 were reclassified from fiduciary funds to a special revenue fund as of July 1, 2020. Also, retiree health reimbursement account assets and liabilities totaling approximately \$338,000 were moved from the fiduciary fund to the general fund as of July 1, 2020.

**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, 2022, the District has expended approximately \$2,916,000 of its allocation.

Given the uncertainty regarding the COVID-19 Pandemic, the overall financial impact to the District cannot be reasonably predicted or estimated at this time.

**NOTE 19 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through December 15, 2022, 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**

Fiscal years ended June 30, Revenue	2022	2021
<b>Local sources:</b>		
Taxes:		
Current real estate taxes	\$ 8,063,419	\$ 7,811,623
Realty transfer and earned income	1,379,423	1,277,655
Public utility realty tax	9,294	9,076
Delinquent real estate taxes	287,957	298,072
Total tax revenue	<u>9,740,093</u>	<u>9,396,426</u>
Interest earnings (loss)	(387,162)	16,556
Federal revenue received from intermediate and local sources	355,875	278,689
State revenue received from intermediate sources	8,680	8,680
Rentals	31,737	21,922
Tuition and other reimbursement	92,883	84,823
Receipts from other LEAs in Pennsylvania	9,951	-
Miscellaneous	925,637	4,591
Total local sources	<u>10,777,694</u>	<u>9,811,687</u>
<b>State sources:</b>		
Basic instructional subsidy	9,013,210	8,875,706
Tuition	47,769	64,534
Rental	3,282,404	397,467
Transportation	493,775	482,534
Special education	1,269,818	1,218,291
Social security and retirement	3,253,574	3,063,148
School safety and security	109,970	111,229
Health services	31,341	32,188
Other state grants	287,120	289,430
Property tax relief subsidy	558,610	558,291
Total state sources	<u>18,347,591</u>	<u>15,092,818</u>
<b>Federal sources:</b>		
Title I	449,022	398,951
Title IIA	62,059	57,427
Title IV	30,001	32,357
Covid-19 - ESSER and GEER	4,389,089	368,947
Covid-19 - PCCD - ESSER1	-	48,601
Covid-19 - PCCD Safety and Security Grant	-	184,439
Covid-19 - Other aid	-	6,941
Medical assistance reimbursement	50,235	93,513
Total federal sources	<u>4,980,406</u>	<u>1,191,176</u>
<b>Other sources:</b>		
Proceeds from refunding of debt	13,932,448	-
<b>Total revenue and other sources</b>	<u><u>\$ 48,038,139</u></u>	<u><u>\$ 26,095,681</u></u>

See accompanying independent auditor's report on supplementary information.

<b>Fiscal years ended June 30,</b>	<b>2022</b>	<b>2021</b>
<b>Expenditures</b>		
<b>Instruction:</b>		
Regular programs	\$ 11,165,247	\$ 10,800,076
Special programs	2,976,611	2,769,842
Vocational education programs	2,119,759	863,395
Other instructional programs	248,074	244,637
Total instruction	<u>16,509,691</u>	<u>14,677,950</u>
<b>Support services:</b>		
Pupil personnel	865,665	833,264
Instructional staff	888,130	1,137,306
<b>Administration:</b>		
Board services	155,958	117,785
Legal	62,399	52,651
Superintendent	400,378	390,172
Principals	1,491,262	1,469,793
Total administration	<u>2,284,344</u>	<u>2,030,401</u>
<b>Other support services</b>		
Pupil health	307,479	289,537
Business	395,150	393,315
Operation and maintenance of plant services	2,341,901	2,239,337
Student transportation services	1,132,999	973,722
Other support services	31,324	31,307
Total other support services	<u>4,208,853</u>	<u>3,927,218</u>
Total support services	<u>8,246,992</u>	<u>7,928,189</u>
<b>Noninstructional services:</b>		
Student activities	713,382	581,568
Community services	36,595	16,828
Total noninstructional services	<u>749,977</u>	<u>598,396</u>
<b>Other financing uses:</b>		
Debt service	1,579,577	1,544,465
Payment of refunded debt	10,156,740	-
Interfund transfer to capital reserve	7,170,061	2,719,000
Total other financing uses	<u>18,906,378</u>	<u>4,263,465</u>
Total expenditures and other financing uses	<u>44,413,038</u>	<u>27,468,000</u>
<b>Excess (deficiency) of revenue and other sources over expenditures and other financing uses</b>	<u>\$ 3,625,101</u>	<u>\$ (1,372,319)</u>

**NORTH EAST SCHOOL DISTRICT****STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTIVITY FUND Page 44**

	Balances June 30, 2021	Total Receipts 2020-21	Total Receipts & Balances	Total Payments 2020-21	Balances June 30, 2022
<b>Intermediate</b>					
Student Activities	\$ 15,533	\$ 39,205	\$ 54,738	\$ 37,014	\$ 17,724
<b>Intermediate Total</b>	<b>15,533</b>	<b>39,205</b>	<b>54,738</b>	<b>37,014</b>	<b>17,724</b>
<b>Middle School Activities</b>					
Entrepreneur's Club	-	739	739	100	639
Earth Force	99	-	99	-	99
Gettysburg Trip	30,599	37,694	68,293	37,950	30,343
Guidance	391	133	524	309	215
Yearbook	2,952	250	3,202	224	2,978
Student Government	448	2,605	3,053	2,357	696
Middle School Intramurals	16	15,054	15,070	6,259	8,811
<b>MS Total</b>	<b>34,505</b>	<b>56,475</b>	<b>90,980</b>	<b>47,199</b>	<b>43,781</b>
<b>High School Activities</b>					
AFS	671	2,618	3,289	100	3,189
Aquillo	5,017	7,659	12,676	1,053	11,623
American Gov't	118	-	118	-	118
Battle of the Books	3,515	-	3,515	760	2,755
Cheerleading-Football	2,282	3,797	6,079	3,640	2,439
Class of 2020	361	-	361	62	299
Class of 2021	10,537	-	10,537	150	10,387
Class of 2022	3,517	22,631	26,148	18,190	7,958
Class of 2023	3,421	2,378	5,799	3,931	1,868
Dance	9,782	5,415	15,197	4,442	10,755
Drama	7,320	17,531	24,851	15,526	9,325
Ecology	1,844	-	1,844	181	1,663
FBLA	1,543	432	1,975	1,440	535
Graffiti	214	-	214	-	214
Grapevine	337	-	337	-	337
TSA - Robotics	1,613	-	1,613	-	1,613
Life Smarts	209	-	209	-	209
Pep Club	313	-	313	-	313
Student Council	1,836	1,981	3,817	1,046	2,771
Inspire - Ms. Wilson	651	906	1,557	959	598
<b>HS Total</b>	<b>55,101</b>	<b>65,348</b>	<b>120,449</b>	<b>51,480</b>	<b>68,969</b>
<b>Total activity funds</b>	<b>\$ 105,139</b>	<b>\$ 161,028</b>	<b>\$ 266,167</b>	<b>\$ 135,693</b>	<b>\$ 130,474</b>

**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, 2018 THROUGH 2022**

*District Plan - Other Post Retirement Benefits*

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

**Notes to Schedule:**

Changes in assumptions: Discount rate changed from 1.86% as of 7/1/2020 to 2.28% as of 7/1/2021

**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, 2018 THROUGH 2022**

**PSERS Plan - Health Insurance Premium Assistance Program**

As of the measurement date of June 30,	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>					
Service cost	\$ 33,000	\$ 32,000	\$ 31,000	\$ 27,000	\$ 33,000
Interest	48,000	50,000	52,000	54,000	50,000
Difference between expected and actual experience	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	175,000	32,000	43,000	39,000	(90,000)
Changes in proportions	(30,000)	(21,000)	(13,000)	(10,000)	(39,000)
Benefit payments	(92,000)	(94,000)	(92,000)	(90,000)	(90,000)
Net change in total OPEB liability	155,000	18,000	21,000	31,000	(134,000)
Total OPEB liability - beginning	1,726,000	1,708,000	1,687,000	1,656,000	-
Prior period adjustment	-	-	-	-	1,790,000
Total OPEB liability - ending	<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>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 92,000	\$ 94,000	\$ 92,000	\$ 90,000	\$ 90,000
Net investment income	-	-	-	-	-
Benefit payments	(92,000)	(94,000)	(92,000)	(90,000)	(90,000)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability	<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	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered-employee payroll	<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	<u>16.72%</u>	<u>15.39%</u>	<u>15.42%</u>	<u>15.48%</u>	<u>15.30%</u>

**Notes to Schedule:**

Benefit Changes: None

Changes in assumptions: Discount rate from 2.66% as of 6/30/20 to 2.18% as of 6/30/21

**NORTH EAST SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB – DISTRICT PLAN**  
**FOR THE YEARS ENDED JUNE 30, 2018 THROUGH 2022**

**District Plan - Other Post Retirement Benefits**

As of the measurement date July 1,	2021	2020	2019	2018	2017
Actuarially determined contributions	\$ 66,059	\$ 75,127	\$ 85,373	\$ 83,396	\$ 84,418
Contributions in relation to the actuarially determined contribution	(66,059)	(75,127)	(85,373)	(83,396)	(84,418)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 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	0.67%	0.76%	0.89%	0.87%	0.94%

**Notes to Schedule**

Valuation date: July 1, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	2.28% as of July 1, 2020
Healthcare cost trend rates	5.5% in 2020 through 2023. Rates gradually decreased from 5.4% in 2024 to 4% 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.
Participants	234 Active and 16 Retirees

**NORTH EAST SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB – PSERS PLAN  
 FOR THE YEARS ENDED JUNE 30, 2018 THROUGH 2022**

**PSERS Plan - Health Insurance Premium Assistance Program**

As of the measurement date of June 30,	2021	2020	2019	2018	2017
Actuarially determined contributions	\$ 92,000	\$ 94,000	\$ 92,000	\$ 90,000	\$ 90,000
Contributions in relation to the actuarially determined contribution	(92,000)	(94,000)	(92,000)	(90,000)	(90,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 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	0.82%	0.84%	0.83%	0.83%	0.83%

**Notes to Schedule:**

Valuation date: June 30, 2020 and actuarially rolled forward to June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	2.18% as of June 30, 2021
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 2022**

Measurement date ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	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	\$ 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	\$ 11,138,021	\$ 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	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	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 2022**

Measurement date ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 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	(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	\$ 11,138,021	\$ 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	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, 2022, the District reported in the Schedule of Federal Awards \$67,828 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.

**Note 4 - COVID-19 Pandemic Related Grants**

The District has received several COVID-19 pandemic related grants from the United States Department of Education. The grants permit eligible and allowable costs to be incurred between March 1, 2020 through September 30, 2024. On the current year schedule of federal awards, the District reported approximately \$1,992,000 of expenditures that were incurred during the 20-21 school 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) 6/30/2022
<b>United States Department of Education:</b>									
<b>Passed through the Pennsylvania Department of Education</b>									
Title I	1	84.010	013-22-0287	7/01/21-9/30/22	\$ 449,022	\$ 383,639	\$ 449,022	\$ 449,022	\$ 65,383
Title IIA	1	84.367	020-22-0287	7/01/21-9/30/22	62,059	52,846	62,059	62,059	9,213
Title IV	1	84.424	144-22-0287	7/01/21-9/30/22	30,001	29,984	30,001	30,001	17
COVID-19, ESSER II	1	84.425D	200-21-0287	3/13/20-9/30/23	1,473,203	1,473,203	1,473,203	1,473,203	-
COVID-19, ARP, ESSER III	1	84.425U	223-21-0287	3/13/20-9/30/24	2,979,864	-	2,712,231	2,712,231	2,712,231
COVID-19, ARP, ESSER 7% - Summer Enrichment	1	84.425U	225-21-0287	3/13/20-9/30/24	33,086	27,070	27,672	27,672	602
COVID-19, ARP, ESSER 7% - After School	1	84.425U	225-21-0287	3/13/20-9/30/24	33,086	27,070	27,672	27,672	602
COVID-19, ARP, ESSER 7% - Learning Loss	1	84.425U	225-21-0287	3/13/20-9/30/24	165,430	135,352	138,360	138,360	3,008
COVID-19, ARP, HCY	1	84.425W	181-22-0287	3/13/20-9/30/24	10,670	-	9,951	9,951	9,951
					<u>5,236,421</u>	<u>2,129,164</u>	<u>4,930,171</u>	<u>4,930,171</u>	<u>2,801,007</u>
<b>Passed through the Northwest Tri-County IU #5</b>									
IDEA, 611 **	2	84.027	H027A210093	7/01/21-6/30/22	293,722	293,722	293,722	293,722	-
COVID-19, ARP IDEA, 611 **	2	84.027X	H027X210093	7/01/21-6/30/22	58,870	58,870	58,870	58,870	-
IDEA, 619 **	2	84.173	H027A210093	7/01/21-6/30/22	3,283	3,283	3,283	3,283	-
					<u>355,875</u>	<u>355,875</u>	<u>355,875</u>	<u>355,875</u>	<u>-</u>
Total U.S. Department of Education					<u>5,592,296</u>	<u>2,485,039</u>	<u>5,286,046</u>	<u>5,286,046</u>	<u>2,801,007</u>
<b>U.S. Department of Health and Human Services:</b>									
<b>Passed through the Pennsylvania Department of Education:</b>									
Medical Assistance	3	93.778	044-00-7287	7/01/21-6/30/22	10,431	109	10,431	10,431	10,322
Total U.S. Department of Health and Human Services					<u>10,431</u>	<u>109</u>	<u>10,431</u>	<u>10,431</u>	<u>10,322</u>
<b>U.S. Department of Agriculture:</b>									
<b>Passed through the Pennsylvania Department of Education:</b>									
COVID-19 Seamless Summer Option - School Breakfast Program ***	4	10.553	365-367	7/01/21-6/30/22	n/a	191,071	191,139	191,139	68
COVID-19 Seamless Summer Option - School Lunch Program ***	4	10.555	362	7/01/21-6/30/22	n/a	731,399	733,630	733,630	2,231
COVID-19 - Supply Chain Assistance ***	4	10.555	356	7/01/21-6/30/22	n/a	33,280	33,280	33,280	-
COVID-19 - SNP Emergency Operating Costs ***	4	10.555	357	7/01/21-6/30/22	n/a	22,885	22,885	22,885	-
COVID-19 - P-EBT Local Admin Funds	4	10.649	358	7/01/21-6/30/22	n/a	614	614	614	-
Fresh Fruits & Vegetables Grant	4	10.582	353	7/01/21-6/30/22	n/a	48,849	48,849	48,849	-
					<u>n/a</u>	<u>1,028,098</u>	<u>1,030,397</u>	<u>1,030,397</u>	<u>2,299</u>
<b>Passed through the Pennsylvania Department of Agriculture</b>									
School Lunch Program - non-cash assistance ***	5	10.555	n/a	7/01/21-6/30/22	n/a	67,828	67,828	67,828	-
Total U.S. Department of Agriculture					<u>n/a</u>	<u>1,095,926</u>	<u>1,098,225</u>	<u>1,098,225</u>	<u>2,299</u>
<b>Total Federal Assistance</b>					<b>\$ 5,602,727</b>	<b>\$ 3,581,074</b>	<b>\$ 6,394,702</b>	<b>\$ 6,394,702</b>	<b>\$ 2,813,628</b>

**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 \$ 355,875

\*\*\* Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 1,048,762

**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, 2022, 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 15, 2022.

**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 15, 2022**



**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, 2022. *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, 2022.

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

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

We are required to be independent of *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 15, 2022**



**NORTH EAST SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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>\$ 6,394,702</u>

**Identification of Major Programs Tested:**

COVID-19, ESSER II	84.425D	\$ 1,473,203
COVID-19, ARP, ESSER III	84.425U	2,712,231
COVID-19, ARP, ESSER 7% - Summer Enrichment	84.425U	27,672
COVID-19, ARP, ESSER 7% - After School	84.425U	27,672
COVID-19, ARP, ESSER 7% - Learning Loss	84.425U	138,360
COVID-19, ARP, HCY	84.425W	9,951
Total major programs tested		<u>\$ 4,389,089</u>
% of Federal programs tested		<u>68.6%</u>

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, 2022**

**II. FINANCIAL STATEMENT AUDIT – FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Year ended June 30, 2022**

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

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

**A. COMPLIANCE**

**Year ended June 30, 2022**

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

**B. INTERNAL CONTROL OVER COMPLIANCE**

**Year ended June 30, 2022**

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

**I. FINANCIAL STATEMENT AUDIT – FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Year ended June 30, 2021**

There were no findings related to internal control over financial reporting during the fiscal year ended June 30, 2021.

**B. COMPLIANCE AND OTHER MATTERS**

**Year ended June 30, 2021**

There were no findings related to compliance and other matters during the fiscal year ended June 30, 2021.

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

**A. COMPLIANCE**

**Year ended June 30, 2021**

There were no findings related to compliance during the fiscal year ended June 30, 2021.

**B. INTERNAL CONTROL OVER COMPLIANCE**

**Year ended June 30, 2021**

There were no findings related to internal control over compliance during the fiscal year ended June 30, 2021.



**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, 2022 and have issued our reports thereon dated December 15, 2022. 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, 2022, 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, 2018 through June 30, 2022.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
December 15, 2022**

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

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
<b>Revenue and other sources</b>					
Tax revenue	\$ 9,740	\$ 9,396	\$ 9,323	\$ 9,275	\$ 9,284
Other local sources	1,038	415	773	870	504
State aid	18,348	15,093	14,770	14,514	14,256
Federal aid	4,980	1,191	621	658	692
Bond refunding and all other	13,932	-	-	-	-
	<u>48,038</u>	<u>26,096</u>	<u>25,487</u>	<u>25,317</u>	<u>24,736</u>
<b>Expenditures and other uses</b>					
Instruction	16,510	14,678	14,639	13,963	13,429
Administration	2,284	2,030	2,008	1,981	1,882
Other support services	5,963	5,898	4,959	5,179	4,984
Noninstructional services	750	598	607	597	642
Debt service	1,580	1,544	1,544	1,543	1,551
Bond refunding and all other	10,157	-	-	-	-
Transfers to other funds	7,170	2,719	1,691	5,199	2,138
	<u>44,413</u>	<u>27,467</u>	<u>25,448</u>	<u>28,463</u>	<u>24,626</u>
<b>Excess (deficiency) of revenue over expenditures</b>	3,625	(1,371)	38	(3,146)	110
<b>Fund equity</b>					
Beginning of year	8,411	9,783	9,744	12,890	12,780
End of year	<u>\$ 12,036</u>	<u>\$ 8,411</u>	<u>\$ 9,783</u>	<u>\$ 9,744</u>	<u>\$ 12,890</u>

**NORTH EAST SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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 96**

In 2020, the Governmental Accounting Standards Board issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), which will be effective for the fiscal year ending June 30, 2023. The new standard (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. We recommend that the District begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new SBITA 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.***