

***NORTH EAST SCHOOL DISTRICT***

***FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION***

***FISCAL YEAR ENDED JUNE 30, 2021***

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

**NORTH EAST SCHOOL DISTRICT**

**2021 FINANCIAL STATEMENTS**

**TABLE OF CONTENTS**

|   | <u>Page</u> |
|---|-------------|
| <b>Transmittal Letter</b> .....   | 1           |
| <b>Schedule of Report Distribution</b> .....  | 2           |
| <b>Independent Auditor's Report</b> .....   | 3-4         |
| <b>Management's Discussion and Analysis</b> .....   | 5-12        |
| <b>Government-wide Financial Statements</b>   |             |
| Statement of Net Position .....   | 13          |
| Statement of Activities .....   | 14          |
| <b>Financial Statements</b>   |             |
| Combined Balance Sheet - All Governmental Funds .....   | 15          |
| Combined Statement of Revenue, Expenditures and Changes in<br>Fund Equity - All Governmental Funds .....  | 16          |
| Statement of Revenue, Expenditures and Changes in Fund<br>Equity - Budget and Actual - General Fund .....   | 17          |
| Statement of Net Position - Fiduciary Funds .....   | 18          |
| Statement of Changes in Net Position - Fiduciary Funds .....  | 19          |
| Statement of Net Position - Proprietary Fund .....  | 20          |
| Statement of Revenue, Expenses and Changes in Net Position - Proprietary Fund .....   | 21          |
| Statement of Cash Flows - Proprietary Fund .....  | 22          |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....   | 23          |
| Reconciliation of Governmental Funds Revenue, Expenditures and Changes<br>in Fund Equity to the Statement of Activities .....   | 24          |
| Notes to the Financial Statements .....   | 25-42       |
| <b>Supplementary Information</b>  |             |
| Comparative Statements of Revenue and Expenditures - General Fund .....   | 43          |
| Statement of Cash Receipts and Disbursements - Activity Fund .....  | 44          |
| Schedule of Changes in the District's Net OPEB Liability and Related Ratios – District Plan .....   | 45          |
| Schedule of Changes in the District's Net OPEB Liability and Related Ratios – PSERS Plan .....  | 46          |
| Schedule of District Contributions – OPEB – District Plan .....   | 47          |
| Schedule of District Contributions – OPEB – PSERS Plan .....  | 48          |
| Schedule of the District's Proportionate Share of the Net Pension Liability .....   | 49          |
| Schedule of District Contributions – Pension .....  | 50          |
| Notes to the Schedule of Expenditures of Federal Awards .....   | 51          |
| Schedule of Expenditures of Federal Awards .....  | 52          |
| <b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and<br/>Other Matters Based on an Audit of Financial Statements Performed<br/>in Accordance With Government Auditing Standards</b> ..... | 53-54       |

**TABLE OF CONTENTS (CONTINUED)**

|  |       |
|--|-------|
| Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance ..... | 55-56 |
| Schedule of Findings and Questioned Costs .....  | 57-58 |
| Schedule of Prior Audit Findings.....  | 59    |
| Management Letter .....  | 60-62 |



**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, 2021.

We have audited the financial statements of the **North East School District** for the year ended June 30, 2021 and have issued our report thereon dated December 16, 2021. 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 16, 2021, which is included in the audit package.

*Buffamante Whipple Buttafaro PC*

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

**Olean, New York  
December 16, 2021**

**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**

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, 2021, and the related notes to the financial statements, which collectively comprise the *North East School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *North East School District* as of June 30, 2021, as displayed in the District's basic financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of *North East School District* as of June 30, 2021, and the respective changes in financial position and the respective budgeting 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.

***Change in Accounting Principle***

*North East School District* has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities (GASB 84). As a result of the implementation of GASB 84, the District reported a restatement of the Governmental Activities and Governmental Funds beginning fund balance for the change in accounting principle, as described in Note 17 to the financial statements. Our opinion is not modified with respect to the restatement.

## **Report on Summarized Comparative Information**

We have previously audited the **North East School District's** June 30, 2020 financial statements and our report dated December 3, 2020, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### **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.

#### **Other 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 16, 2021 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 16, 2021**

**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, 2021. 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, 2021:

- Overall net position from operations of the District increased \$692,000 during the fiscal year ended June 30, 2021. This consisted of an increase in governmental activities in the amount of \$700,000 and an offsetting decrease in business-type activities in the amount of \$5,000.
- The District's total revenue increased approximately \$574,000 from \$26,281,000 during the year ended June 30, 2020 to \$26,855,000 during the year ended June 30, 2021. This increase was primarily related to an increase in operating grants including pandemic related grants/aid offset by a decrease in interest income.
- The District's total expenses increased approximately \$594,000 from \$25,568,000 during the year ended June 30, 2020 to \$26,162,000 during the year ended June 30, 2021. This increase is primarily related to increases in regular program and special education program expenses.
- The District had capital additions during the current fiscal year in the amount of approximately \$2,587,000 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**

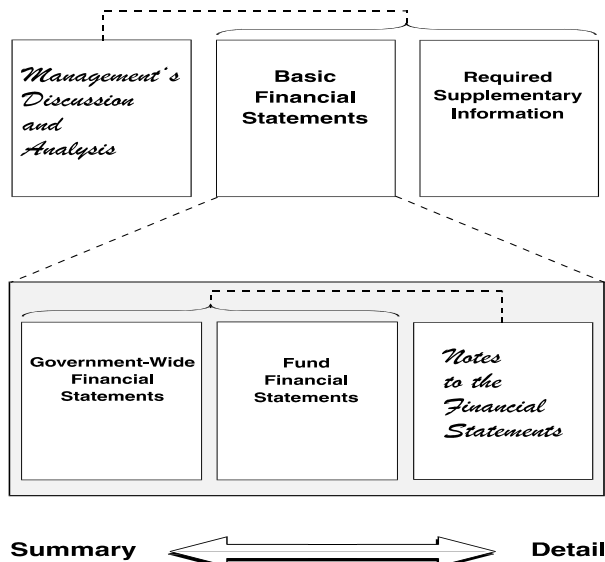
The District reports the activity of the North East Education Foundation as a private purpose trust fund in the fiduciary fund financial statements. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**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<br>Statement of Activities  | Balance Sheet<br>Statement of Revenue, Expenditures, and Changes in Fund Balances   | Statement of Net Position<br>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, 2021**

**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 was approximately \$13,953,000 as of June 30, 2021. The components of net position include: invested in capital assets, net of related debt of \$14,475,000; restricted net position for capital reserve in the amount of \$923,000; board designated net position of \$6,864,000 and unrestricted net position - deficit of \$36,215,000.

Changes in Net Position

The District's total government-wide revenue increased by less than 3% to \$26,855,000. Approximately 34%, 33%, and 31% of total revenue is derived from the property taxes, state sources and operating grants, respectively. The remaining 2% comes from interest earned, local sources, charges for services and other sources.

The total cost of all programs and services of the District increased 6% to \$26,162,000. The District's expenses cover a range of services, with 61% 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            |                  |           |
|  | 2021                    | 2020             | % Change  | 2021                     | 2020          | % Change   | 2021             | 2020             | % Change  |
| <b>Assets</b>  |                         |                  |           |                          |               |            |                  |                  |           |
| Current and other assets   | \$ 14,219               | \$ 15,238        | -7%       | \$ 406                   | \$ 380        | 7%         | \$ 14,625        | \$ 15,618        | -6%       |
| Capital assets   | 24,271                  | 23,866           | 2%        | 177                      | 210           | -15%       | 24,448           | 24,076           | 2%        |
| Total assets   | 38,491                  | 39,104           | -2%       | 583                      | 590           | -1%        | 39,074           | 39,694           | -2%       |
| <b>Deferred outflows of resources</b>                                | 6,612                   | 5,195            | 27%       | -                        | -             | n/a        | 6,612            | 5,195            | 27%       |
| Total assets & deferred outflows                                     | <b>\$ 45,103</b>        | <b>\$ 44,299</b> | <b>2%</b> | <b>\$ 583</b>            | <b>\$ 590</b> | <b>-1%</b> | <b>\$ 45,686</b> | <b>\$ 44,889</b> | <b>2%</b> |
| <b>Liabilities</b>   |                         |                  |           |                          |               |            |                  |                  |           |
| Other liabilities  | \$ 4,325                | \$ 4,520         | -4%       | \$ 43                    | \$ 48         | -10%       | \$ 4,368         | \$ 4,568         | -4%       |
| Long-term debt outstanding   | 53,577                  | 52,884           | 1%        | 16                       | 13            | 20%        | 53,593           | 52,897           | 1%        |
| Total liabilities  | 57,902                  | 57,404           | 1%        | 59                       | 61            | -3%        | 57,961           | 57,465           | 1%        |
| <b>Deferred inflows of resources</b>                                 | 1,677                   | 2,186            | -23%      | -                        | -             | n/a        | 1,677            | 2,186            | -23%      |
| <b>Net position</b>  |                         |                  |           |                          |               |            |                  |                  |           |
| Invested in capital assets,<br>net of related debt                   | 14,298                  | 12,608           | 13%       | 177                      | 210           | -15%       | 14,475           | 12,818           | 13%       |
| Restricted   | 923                     | 545              | 69%       | -                        | -             | n/a        | 923              | 545              | 69%       |
| Board designated   | 6,864                   | 7,341            | -6%       | -                        | -             | n/a        | 6,864            | 7,341            | -6%       |
| Unrestricted (deficit)   | (36,561)                | (35,785)         | 2%        | 347                      | 319           | 9%         | (36,215)         | (35,466)         | 2%        |
| Total net position (deficit)   | (14,476)                | (15,291)         | -5%       | 524                      | 529           | -1%        | (13,952)         | (14,762)         | -5%       |
| Total liabilities, deferred inflows & net<br>position (deficit)      | <b>\$ 45,103</b>        | <b>\$ 44,299</b> | <b>2%</b> | <b>\$ 583</b>            | <b>\$ 590</b> | <b>-1%</b> | <b>\$ 45,686</b> | <b>\$ 44,889</b> | <b>2%</b> |

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

| <i>North East School District</i>   |                         |               |           |                          |                |             |               |               |           |
|---|-------------------------|---------------|-----------|--------------------------|----------------|-------------|---------------|---------------|-----------|
| <i>Changes in Net Position from Operating Results (in thousands of Dollars)</i> |                         |               |           |                          |                |             |               |               |           |
|   | Governmental Activities |               |           | Business-type activities |                |             | Total         |               |           |
|   | 2021                    | 2020          | % Change  | 2021                     | 2020           | % Change    | 2021          | 2020          | % Change  |
| <b>Revenue</b>  |                         |               |           |                          |                |             |               |               |           |
| Program revenue   |                         |               |           |                          |                |             |               |               |           |
| Charges for services  | \$ 85                   | \$ 56         | 51%       | \$ 58                    | \$ 180         | -68%        | \$ 143        | \$ 236        | -39%      |
| Operating grants  | 7,693                   | 6,808         | 13%       | 593                      | 551            | 8%          | 8,285         | 7,359         | 13%       |
| General revenue   |                         |               |           |                          |                |             |               |               |           |
| Taxes   | 9,457                   | 9,368         | 2%        | -                        | -              | n/a         | 9,457         | 9,368         | 1%        |
| Interest earned   | 19                      | 411           | -95%      | -                        | -              | n/a         | 19            | 411           | -95%      |
| Local sources   | 73                      | 27            | 170%      | -                        | -              | n/a         | 73            | 27            | 170%      |
| State sources   | 8,878                   | 8,880         | 0%        | -                        | -              | n/a         | 8,878         | 8,880         | 0%        |
| Total revenue   | <u>26,205</u>           | <u>25,550</u> | <u>3%</u> | <u>651</u>               | <u>731</u>     | <u>-11%</u> | <u>26,855</u> | <u>26,281</u> | <u>2%</u> |
| <b>Expenses</b>   |                         |               |           |                          |                |             |               |               |           |
| Instruction   | 16,004                  | 15,840        | 1%        | -                        | -              | n/a         | 16,004        | 15,840        | 1%        |
| Support services  | 8,537                   | 8,035         | 6%        | -                        | -              | n/a         | 8,537         | 8,035         | 6%        |
| Non-instructional services  | 713                     | 658           | 8%        | -                        | -              | n/a         | 713           | 658           | 8%        |
| Other uses  |                         |               |           |                          |                |             |               |               |           |
| Refund of prior year revenue  | -                       | -             | n/a       | -                        | -              | n/a         | -             | -             | n/a       |
| Debt service - interest   | 252                     | 282           | -11%      | -                        | -              | n/a         | 252           | 282           | -11%      |
| Business-type (food service fund)   | -                       | -             | n/a       | 656                      | 753            | -13%        | 656           | 753           | -13%      |
| Total expenses  | <u>25,506</u>           | <u>24,815</u> | <u>3%</u> | <u>656</u>               | <u>753</u>     | <u>-13%</u> | <u>26,162</u> | <u>25,568</u> | <u>2%</u> |
| <b>Change in net position</b>   | <u>\$ 698</u>           | <u>\$ 735</u> |           | <u>\$ (5)</u>            | <u>\$ (22)</u> |             | <u>\$ 694</u> | <u>\$ 713</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 3%, while total expenses increased 3%. The District's total net position increased approximately \$700,000 during the fiscal year ended June 30, 2021.

Figure A-4 presents the major sources of revenue of the District's governmental activities. Total revenue of the District was \$26,206,000 for the fiscal year ended June 30, 2021. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Tax revenue which represents approximately 34% of the District's total revenue for governmental activities increased 2% during the year ended June 30, 2021.
- State sources (basic subsidy aid) which represents approximately 33% of the District's total revenue for governmental activities increased by 0% as compared with the prior year.
- Interest earned declined by approximately \$392,000 which can be largely attributed to the decline of interest rates during the year.

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

Governmental Activities - Revenue (continued)

- During the year ended June 30, 2021, the District saw an increase in program revenue, which mostly resulted in an increase in operating grants in the amount of \$885,000 and from an increase in charges for services in the amount of \$29,000. 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 \$25,506,000.

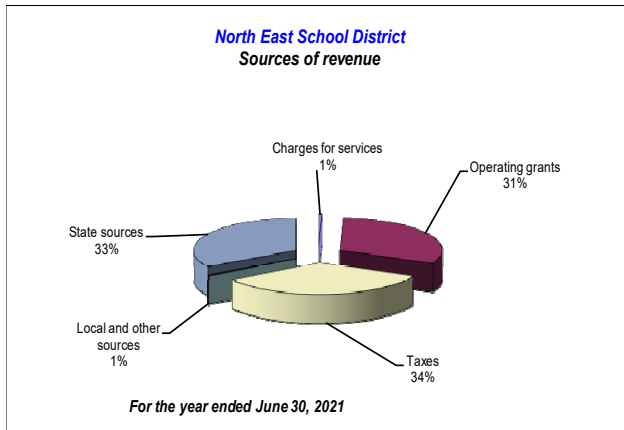
**IV. Financial Analysis of the School District as a Whole (continued)**

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 \$164,000 or 1% which was primarily due to an increase in wages and benefits and depreciation expense.
- The District's support services costs increased by approximately \$502,000 or 6% during the year ended June 30, 2021. This increase was attributable to contractual expenses and materials and supplies.
- Non-instructional costs of the District increased approximately \$55,000 or 8% during the year ended June 30, 2021.

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

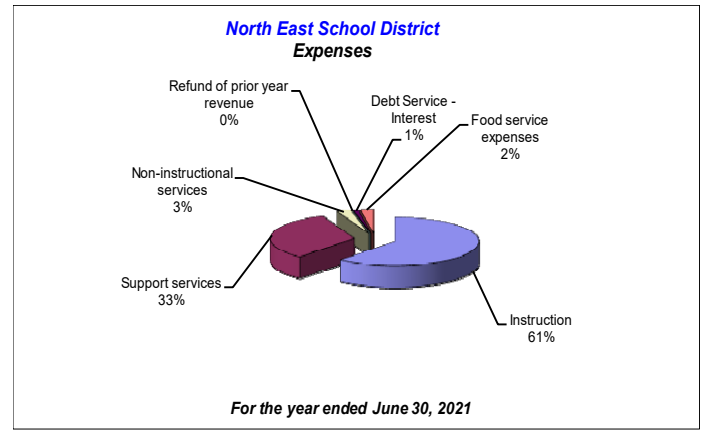


**IV. Financial Analysis of the School District as a Whole (continued)**

Governmental Activities - Expenses (continued)

- The District's other financing uses decreased \$30,000 during the current year ended June 30, 2021 due to a reduction in interest payments on outstanding debt.
- For governmental activities, the District received approximately \$7,778,000 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 (\$17.7 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            |             |                  |             |
|  | 2021                    |             | 2020             |             | 2021                     |             | 2020          |             | 2021             |             | 2020             |             |
| Expenditures supported with general revenue (from taxes & other sources)     | \$ 17,728               | 70%         | \$ 17,951        | 72%         | \$ 5                     | 1%          | \$ 22         | 3%          | \$ 17,734        | 68%         | \$ 17,973        | 70%         |
| Expenditures supported with program revenue                                  | 7,778                   | 30%         | 6,864            | 28%         | 651                      | 99%         | 731           | 97%         | 8,428            | 32%         | 7,595            | 30%         |
| <b>Total expenditures related to governmental activities</b>                 | <b>\$ 25,506</b>        | <b>100%</b> | <b>\$ 24,815</b> | <b>100%</b> | <b>\$ 656</b>            | <b>100%</b> | <b>\$ 753</b> | <b>100%</b> | <b>\$ 26,162</b> | <b>100%</b> | <b>\$ 25,568</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 |                  |                 |  |  |  |
|   | 2021                   | 2020             | Change        | 2021                 | 2020             | Change          |  |  |  |
| Instruction   | \$ 16,004              | \$ 15,840        | \$ 164        | \$ 11,184            | \$ 11,115        | \$ 69           |  |  |  |
| Support services  | 8,537                  | 8,035            | 502           | 6,051                | 6,404            | (353)           |  |  |  |
| Non-instructional services  | 713                    | 658              | 55            | 639                  | 549              | 90              |  |  |  |
| Refund of prior year revenue  | -                      | -                | -             | -                    | -                | -               |  |  |  |
| Debt service - interest   | 252                    | 282              | (30)          | (145)                | (117)            | (28)            |  |  |  |
| Food service  | 656                    | 753              | (97)          | 5                    | 22               | (17)            |  |  |  |
| <b>Total</b>  | <b>\$ 26,162</b>       | <b>\$ 25,568</b> | <b>\$ 594</b> | <b>\$ 17,734</b>     | <b>\$ 17,973</b> | <b>\$ (239)</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 expenses and other uses exceeded its revenues and other sources by approximately \$1,372,000.
- The District's general fund unassigned fund balance equated to approximately \$1,285,000 as of June 30, 2021.

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

General Fund (continued)

- The District had assigned fund balance as of June 30, 2021 in the amount of approximately \$195,000.
- The District had committed fund balance of as of June 30, 2021 in the amount of \$6,760,000.
- The District's total assets decreased approximately \$909,000 while liabilities and deferred inflows increased \$462,000 during the year ended June 30, 2021. The decrease in assets was primarily due to a decrease in investments. The increase in liabilities and deferred inflows was associated with an increase in accrued expenses.
- Total revenue in the District's general fund increased \$608,000. This increase was primarily related to increases in Covid-19 pandemic related grants and aid. Total expenditures and other uses increased \$2,020,000, which resulted from an increase in interfund transfers towards capital projects and an increase in support service expenditures.

**NORTH EAST SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**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 \$2,343,000. These expenditures were mainly attributed to technology equipment, vehicle purchases and building renovations.

**VI. General Fund Budgetary Highlight**

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

**Figure A-9 – General Fund Budget Summary**

| <i>North East School District<br/>General Fund - Budget Summary</i> |                      |                       |                       |              |
|---|----------------------|-----------------------|-----------------------|--------------|
|   | Revised<br>Budget    | Actual                | Difference            | %            |
| <b>Revenue</b>  |                      |                       |                       |              |
| Real Estate Taxes   | \$ 8,138,536         | \$ 8,109,695          | \$ (28,841)           | -0.4%        |
| Earned Income Taxes   | 1,120,000            | 1,095,580             | (24,420)              | -2.2%        |
| Other Taxes   | 143,750              | 191,151               | 47,401                | 33.0%        |
| Other Local Revenue   | 602,800              | 415,260               | (187,540)             | -31.1%       |
| State Subsidies   | 14,980,261           | 15,092,819            | 112,558               | 0.8%         |
| Federal Subsidies   | 617,673              | 1,191,176             | 573,503               | 92.8%        |
| <b>Total revenue</b>  | <b>\$ 25,603,020</b> | <b>\$ 26,095,681</b>  | <b>\$ 492,661</b>     | <b>1.9%</b>  |
| <b>Expenditures</b>   |                      |                       |                       |              |
| Salaries & Benefits   | \$ 18,714,440        | \$ 18,154,779         | \$ 559,661            | 3.0%         |
| Purchased Services & Tuition  | 2,815,398            | 3,089,623             | (274,225)             | -9.7%        |
| Utilities, Insurance and Other                                      | 862,080              | 615,007               | 247,073               | 28.7%        |
| Supplies & Equipment  | 897,116              | 1,345,126             | (448,010)             | -49.9%       |
| Debt service  | 1,544,465            | 1,544,465             | -                     | 0.0%         |
| Fund Transfers & Reserves   | 769,521              | 2,719,000             | (1,949,479)           | -253.3%      |
| <b>Total expenditures</b>   | <b>\$ 25,603,020</b> | <b>\$ 27,468,000</b>  | <b>\$ (1,864,980)</b> | <b>-7.3%</b> |
| <b>Increase/(decrease)<br/>in fund balance</b>                      | <b>\$ -</b>          | <b>\$ (1,372,319)</b> | <b>\$ (1,372,319)</b> |              |

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

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

| <i>North East School District<br/>Major Revenue Variances</i> |                   |
|---|-------------------|
| <b>Revenues that were higher than anticipated:</b>            |                   |
| Federal ESSER I   | \$ 399,037        |
| Federal PCCD CARES  | 184,439           |
| Real Estate Tax   | 103,087           |
| Student Tuition   | 57,323            |
| Real Estate Transfer Tax                                      | 47,075            |
| PA Social Security Reimbursement                              | 42,453            |
| PA Court Placed Children Subsidy                              | 39,534            |
| PA Transportation Subsidy                                     | 29,534            |
| Federal GEER CARES  | 25,452            |
| <b>Revenues that were lower than anticipated:</b>             |                   |
| Investment Earnings   | (208,444)         |
| Delinquent Taxes  | (131,928)         |
| Student Athletic Admissions                                   | (23,000)          |
| Earned Income Tax   | (24,420)          |
| Federal Title I   | (21,322)          |
| PA PSERS Reimbursement  | (19,305)          |
| <b>Non-Major Variances</b>                                    | <b>(6,854)</b>    |
|   | <b>\$ 492,661</b> |

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

| <i>North East School District<br/>Major Expenditure Variances</i> |                     |
|---|---------------------|
| <b>Expenses that were higher than anticipated:</b>                |                     |
| Transfer to Capital Projects Fund                                 | \$ 2,000,000        |
| Student Tuition - Cyber & Charter Schools                         | 282,755             |
| Software & Supplies   | 267,708             |
| Equipment   | 189,965             |
| Student Tuition - LEA's   | 135,285             |
| Purchased Property Services                                       | 107,126             |
| Communications  | 37,448              |
| <b>Expenses that were lower than anticipated:</b>                 |                     |
| Salaries  | (248,048)           |
| Purchased Education Services                                      | (246,318)           |
| PSERS Employer Contributions                                      | (176,124)           |
| Travel  | (96,381)            |
| Health Insurance Claims   | (93,422)            |
| Utilities   | (89,614)            |
| Oil, Gasoline, Diesel   | (76,663)            |
| Budgetary Reserve   | (50,521)            |
| Staff Tuition Reimbursement                                       | (29,133)            |
| Insurance   | (25,555)            |
| <b>Non-Major Variances</b>  | <b>(23,528)</b>     |
|   | <b>\$ 1,864,980</b> |

**VII. Capital Asset and Debt Administration**

Capital Assets

As depicted in Figure A-12, as of June 30, 2021, the District had invested \$24,448,000 in a broad range of capital assets, including reconstruction projects and other equipment. Capital additions made during the year ended June 30, 2021, totaled approximately \$2,587,000 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, 2021, the District had approximately \$53,593,000 in bonds, net pension liability, compensated absences, and other post-employment benefits. The overall outstanding balance increased 2% as compared with the previous year. This increase was primarily the result of the District's proportionate share increase in the net pension liability due to an actuarial update offset by a decrease in bonds payable due to the District making regularly scheduled principal payments on outstanding bonds.

**Figure A-12 – Capital Assets**

| <i>North East School District</i>           |   |                      |           |
|---|---|----------------------|-----------|
| <i>Capital Assets (net of depreciation)</i> |   |                      |           |
|   | Governmental Activities & Total District-wide |                      |           |
|   | 2021  | 2020                 | Change    |
| Land and site improvements                  | \$ 683,950                                    | \$ 735,150           | -7%       |
| Building and construction-in-progress       | 21,372,531                                    | 20,818,875           | 3%        |
| Furniture and equipment                     | 1,583,863                                     | 1,730,382            | -8%       |
| Transportation vehicles                     | 807,416                                       | 790,939              | 2%        |
| <b>Total Capital Assets, net</b>            | <b>\$ 24,447,760</b>                          | <b>\$ 24,075,346</b> | <b>2%</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 |                      |           |
|   | 2021  | 2020                 | Change    |
| Bonds payable                                     | \$ 10,050,000                                 | \$ 11,365,000        | -12%      |
| Net pension liability                             | 39,342,000                                    | 37,566,000           | 5%        |
| Compensated absences                              | 779,483                                       | 723,290              | 8%        |
| Other post employment benefits                    | 3,421,623                                     | 3,242,858            | 6%        |
| <b>Total Long-Term Debt</b>                       | <b>\$ 53,593,106</b>                          | <b>\$ 52,897,148</b> | <b>1%</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, 2021**

**Page 13**

|   | 2021                       |                             |                      | 2020<br>Total        |
|---|----------------------------|-----------------------------|----------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |                      |
| <b>Assets</b>   |                            |                             |                      |                      |
| Cash  |                            |                             |                      |                      |
| Unrestricted  | \$ 3,278,542               | \$ 57,535                   | \$ 3,336,077         | \$ 3,355,561         |
| Restricted  | 1,090,277                  | -                           | 1,090,277            | 1,199,089            |
| Investments   | 7,365,061                  | -                           | 7,365,061            | 8,358,796            |
| Receivables   |                            |                             |                      |                      |
| Taxes, net  | 808,792                    | -                           | 808,792              | 836,623              |
| State and federal aid   | 1,473,292                  | 47,061                      | 1,520,353            | 1,309,119            |
| Other receivables   | 33,069                     | 5,895                       | 38,964               | 34,056               |
| Due from other governmental activities                                    | -                          | 240,590                     | 240,590              | 225,005              |
| Prepaid expenses  | 116,305                    | -                           | 116,305              | 185,245              |
| Inventories   | 54,900                     | 54,782                      | 109,682              | 115,220              |
| Capital assets, net   | 24,270,595                 | 177,165                     | 24,447,760           | 24,075,346           |
| Total assets  | <u>38,490,833</u>          | <u>583,028</u>              | <u>39,073,861</u>    | <u>39,694,060</u>    |
| <b>Deferred Outflows of Resources</b>                                     |                            |                             |                      |                      |
| Deceased amount on bond refunding   | 77,146                     | -                           | 77,146               | 106,022              |
| Deferred outflows related to pensions                                     | 6,035,129                  | -                           | 6,035,129            | 4,755,214            |
| Deferred outflows related to OPEB   | 499,857                    | -                           | 499,857              | 333,528              |
| Total deferred outflows of resources                                      | <u>6,612,132</u>           | <u>-</u>                    | <u>6,612,132</u>     | <u>5,194,764</u>     |
| Total assets and deferred outflows of resources                           | <u>\$ 45,102,965</u>       | <u>\$ 583,028</u>           | <u>\$ 45,685,993</u> | <u>\$ 44,888,824</u> |
| <b>Liabilities</b>  |                            |                             |                      |                      |
| <b>Current liabilities</b>  |                            |                             |                      |                      |
| Accounts payable and retainage payable                                    | \$ 627,416                 | \$ -                        | \$ 627,416           | \$ 1,146,286         |
| Accrued liabilities   | 3,382,078                  | 30,276                      | 3,412,354            | 2,987,351            |
| Accrued interest  | 54,000                     | -                           | 54,000               | 60,000               |
| Due to fiduciary fund   | -                          | -                           | -                    | 136,750              |
| Due to other business-type activities                                     | 240,590                    | -                           | 240,590              | 225,005              |
| Unearned revenue  | 20,570                     | 12,199                      | 32,769               | 11,624               |
| <b>Long-term liabilities</b>  |                            |                             |                      |                      |
| Portion due or payable within one year                                    |                            |                             |                      |                      |
| Bonds payable   | 1,345,000                  | -                           | 1,345,000            | 1,315,000            |
| Portion due or payable after one year                                     |                            |                             |                      |                      |
| Bonds payable   | 8,705,000                  | -                           | 8,705,000            | 10,050,000           |
| Net pension liability   | 39,342,000                 | -                           | 39,342,000           | 37,566,000           |
| Compensated absences  | 763,878                    | 15,605                      | 779,483              | 723,290              |
| Other post employment benefits  | 3,421,623                  | -                           | 3,421,623            | 3,242,858            |
| Total liabilities   | <u>57,902,155</u>          | <u>58,080</u>               | <u>57,960,235</u>    | <u>57,464,164</u>    |
| <b>Deferred Inflows of Resources</b>                                      |                            |                             |                      |                      |
| Deferred inflows related to pensions                                      | 1,438,000                  | -                           | 1,438,000            | 2,021,000            |
| Deferred inflows related to OPEB  | 238,733                    | -                           | 238,733              | 164,692              |
| Total deferred inflows of resources                                       | <u>1,676,733</u>           | <u>-</u>                    | <u>1,676,733</u>     | <u>2,185,692</u>     |
| Total liabilities and deferred inflows of resources                       | <u>59,578,888</u>          | <u>58,080</u>               | <u>59,636,968</u>    | <u>59,649,856</u>    |
| <b>Net Position (Deficit)</b>   |                            |                             |                      |                      |
| Invested in capital assets, net of related debt                           | 14,297,741                 | 177,165                     | 14,474,906           | 12,816,368           |
| Restricted for  |                            |                             |                      |                      |
| Capital   | 922,963                    | -                           | 922,963              | 544,746              |
| Board designated  | 6,864,871                  | -                           | 6,864,871            | 7,341,975            |
| Unrestricted (deficit)  | (36,561,498)               | 347,783                     | (36,213,715)         | (35,464,121)         |
| Total net position (deficit)  | <u>(14,475,923)</u>        | <u>524,948</u>              | <u>(13,950,975)</u>  | <u>(14,761,032)</u>  |
| Total liabilities, deferred inflows of resources & net position (deficit) | <u>\$ 45,102,965</u>       | <u>\$ 583,028</u>           | <u>\$ 45,685,993</u> | <u>\$ 44,888,824</u> |

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



**NORTH EAST SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

|   | 2021                 |                              |                                       |                     |                                       |  | 2020  |
|---|----------------------|------------------------------|---------------------------------------|---------------------|---------------------------------------|--|---|
|   | Expenses             | Indirect Expenses Allocation | Program Revenues Charges for Services | Operating Grants    | Net (Expense) Governmental Activities | Revenue and Changes in Net Position Business-Type Activities | Net (Expense) Revenue and Changes in Net Position |
| <b>Functions/Programs</b>                     |                      |                              |                                       |                     |                                       |  |   |
| <b>Governmental Activities:</b>               |                      |                              |                                       |                     |                                       |  |   |
| Instruction                                   | \$ 14,731,120        | \$ 1,272,619                 | \$ 84,823                             | \$ 4,734,954        | \$ (11,183,962)                       | \$ -   | \$ (11,183,962) \$ (11,115,114)                   |
| Instructional student support                 | 2,260,107            | 195,958                      | -                                     | 858,466             | (1,597,599)                           | -  | (1,597,599) (1,264,976)                           |
| Administrative and financial support services | 2,423,716            | 210,143                      | -                                     | 541,173             | (2,092,686)                           | -  | (2,092,686) (2,196,523)                           |
| Operation and maintenance of plant services   | 1,995,398            | 194,157                      | -                                     | 278,085             | (1,911,470)                           | -  | (1,911,470) (2,511,351)                           |
| Pupil transportation                          | 973,722              | 252,925                      | -                                     | 808,884             | (417,763)                             | -  | (417,763) (399,427)                               |
| Other support services                        | 31,307               | -                            | -                                     | -                   | (31,307)                              | -  | (31,307) (30,631)                                 |
| Student activities                            | 638,872              | 55,392                       | -                                     | 73,596              | (620,668)                             | -  | (620,668) (505,148)                               |
| Community services                            | 16,828               | 1,459                        | -                                     | 405                 | (17,882)                              | -  | (17,882) (43,552)                                 |
| Debt service                                  | 252,341              | -                            | -                                     | 397,469             | 145,128                               | -  | 145,128 116,649                                   |
| Depreciation                                  | 2,182,653            | (2,182,653)                  | -                                     | -                   | -                                     | -  | - -   |
| <b>Total governmental activities</b>          | <b>25,506,064</b>    | <b>-</b>                     | <b>84,823</b>                         | <b>7,693,032</b>    | <b>(17,728,209)</b>                   | <b>-</b>   | <b>(17,728,209) (17,950,073)</b>                  |
| <b>Business-type activities:</b>              |                      |                              |                                       |                     |                                       |  |   |
| Food services                                 | 656,124              | -                            | 58,494                                | 593,119             | -                                     | (4,511)  | (4,511) (22,006)                                  |
| <b>Total functions and programs</b>           | <b>\$ 26,162,188</b> | <b>\$ -</b>                  | <b>\$ 143,317</b>                     | <b>\$ 8,286,151</b> | <b>(17,728,209)</b>                   | <b>(4,511)</b>   | <b>(17,732,720) (17,972,079)</b>                  |

**General Revenues**

|  |                        |                   |                        |                        |
|--|------------------------|-------------------|------------------------|------------------------|
| Real property taxes, levied for general purposes | 8,169,508              | -                 | 8,169,508              | 8,134,111              |
| Other taxes levied                               | 1,286,731              | -                 | 1,286,731              | 1,233,984              |
| Interest earnings                                | 19,251                 | -                 | 19,251                 | 411,278                |
| Other local sources                              | 72,881                 | -                 | 72,881                 | 27,370                 |
| State sources                                    | 8,878,331              | -                 | 8,878,331              | 8,878,512              |
|  | <hr/>                  |                   |                        |                        |
| Total general revenues                           | 18,426,702             | -                 | 18,426,702             | 18,685,255             |
|  | <hr/>                  |                   |                        |                        |
| <b>Change in net position</b>                    | 698,493                | (4,511)           | 693,982                | 713,176                |
| Net position (deficit) - beginning of year       | (15,290,491)           | 529,459           | (14,761,032)           | (14,218,318)           |
| Prior period adjustment                          | 116,075                | -                 | 116,075                | (1,255,890)            |
|  | <hr/>                  |                   |                        |                        |
| <b>Net position (deficit) - end of year</b>      | <b>\$ (14,475,923)</b> | <b>\$ 524,948</b> | <b>\$ (13,950,975)</b> | <b>\$ (14,761,032)</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, 2021**

|   | Governmental Funds   |                   |                   |                              |                              |
|---|----------------------|-------------------|-------------------|------------------------------|------------------------------|
|   | General              | Special Revenue   | Capital Projects  | 2021<br>(Memo only)<br>Total | 2020<br>(Memo only)<br>Total |
| <b>Assets</b>   |                      |                   |                   |                              |                              |
| Unrestricted cash and cash equivalents                            | \$ 3,278,542         | \$ -              | \$ -              | \$ 3,278,542                 | \$ 3,288,081                 |
| Restricted cash   | -                    | 105,139           | 985,138           | 1,090,277                    | 1,199,089                    |
| Investments   | 7,365,061            | -                 | -                 | 7,365,061                    | 8,358,796                    |
| Taxes receivable  | 826,792              | -                 | -                 | 826,792                      | 854,623                      |
| Intergovernmental receivables                                     | 1,473,292            | -                 | -                 | 1,473,292                    | 1,283,316                    |
| Due from capital projects fund                                    | -                    | -                 | -                 | -                            | 632                          |
| Other receivables   | 33,069               | -                 | -                 | 33,069                       | 32,499                       |
| Prepaid expenses  | 116,305              | -                 | -                 | 116,305                      | 185,245                      |
| Inventories   | 54,900               | -                 | -                 | 54,900                       | 54,900                       |
| Total assets  | <u>\$ 13,147,961</u> | <u>\$ 105,139</u> | <u>\$ 985,138</u> | <u>\$ 14,238,238</u>         | <u>\$ 15,257,181</u>         |
| <b>Liabilities, Deferred Inflows of Resources and Fund Equity</b> |                      |                   |                   |                              |                              |
| <b>Liabilities</b>  |                      |                   |                   |                              |                              |
| Accounts payable  | \$ 565,241           | \$ -              | \$ 62,175         | \$ 627,416                   | \$ 1,141,044                 |
| Accrued salaries and benefits                                     | 3,255,432            | -                 | -                 | 3,255,432                    | 2,837,601                    |
| Payroll deductions and withholdings                               | 126,646              | -                 | -                 | 126,646                      | 118,245                      |
| Due to proprietary fund   | 240,590              | -                 | -                 | 240,590                      | 225,005                      |
| Due to fiduciary fund   | -                    | -                 | -                 | -                            | 136,750                      |
| Due to general fund   | -                    | -                 | -                 | -                            | 632                          |
| Unearned revenues   | 20,570               | -                 | -                 | 20,570                       | 1,170                        |
| Total liabilities   | <u>4,208,479</u>     | <u>-</u>          | <u>62,175</u>     | <u>4,270,654</u>             | <u>4,460,447</u>             |
| <b>Deferred Inflows of Resources</b>                              |                      |                   |                   |                              |                              |
| Revenue not available - taxes                                     | 528,586              | -                 | -                 | 528,586                      | 468,773                      |
| <b>Fund Equity</b>  |                      |                   |                   |                              |                              |
| Nonspendable  | 171,205              | -                 | -                 | 171,205                      | 240,145                      |
| Restricted  | -                    | -                 | 922,963           | 922,963                      | 544,746                      |
| Committed   | 6,759,732            | 105,139           | -                 | 6,864,871                    | 7,341,975                    |
| Assigned  | 195,421              | -                 | -                 | 195,421                      | 210,263                      |
| Unassigned  | 1,284,538            | -                 | -                 | 1,284,538                    | 1,990,832                    |
| Total fund equity   | <u>8,410,896</u>     | <u>105,139</u>    | <u>922,963</u>    | <u>9,438,998</u>             | <u>10,327,961</u>            |
| Total liabilities, deferred inflows of resources and fund equity  | <u>\$ 13,147,961</u> | <u>\$ 105,139</u> | <u>\$ 985,138</u> | <u>\$ 14,238,238</u>         | <u>\$ 15,257,181</u>         |

**NORTH EAST SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND**  
**EQUITY - ALL GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|  | Governmental Funds  |                    |                     |                      |                      |
|--|---------------------|--------------------|---------------------|----------------------|----------------------|
|  | General             | Special<br>Revenue | Capital<br>Projects | 2021                 | 2020                 |
|  |                     |                    |                     | (Memo only)<br>Total | (Memo only)<br>Total |
| <b>Revenue</b>   |                     |                    |                     |                      |                      |
| Local sources  | \$ 9,811,687        | \$ 46,368          | \$ 2,695            | \$ 9,860,750         | \$ 10,113,289        |
| State sources  | 15,092,818          | -                  | -                   | 15,092,818           | 14,770,400           |
| Federal sources  | 1,191,176           | -                  | -                   | 1,191,176            | 620,901              |
| Other sources  |                     |                    |                     |                      |                      |
| Interfund transfers  | -                   | -                  | 2,719,000           | 2,719,000            | 1,691,000            |
| Total revenue and other sources  | <u>26,095,681</u>   | <u>46,368</u>      | <u>2,721,695</u>    | <u>28,863,744</u>    | <u>27,195,590</u>    |
| <b>Expenditures</b>  |                     |                    |                     |                      |                      |
| Instruction  | 14,677,950          | -                  | -                   | 14,677,950           | 14,638,764           |
| Support services   | 7,928,189           | -                  | -                   | 7,928,189            | 6,967,676            |
| Noninstructional services  | 598,396             | 57,304             | -                   | 655,700              | 606,588              |
| Facility acquisition, construction, and<br>improvement services  | -                   | -                  | 2,343,478           | 2,343,478            | 2,547,229            |
| Other financing uses   |                     |                    |                     |                      |                      |
| Debt service   | 1,544,465           | -                  | -                   | 1,544,465            | 1,544,359            |
| Interfund transfers  | 2,719,000           | -                  | -                   | 2,719,000            | 1,691,000            |
| Total expenditures and other financing uses  | <u>27,468,000</u>   | <u>57,304</u>      | <u>2,343,478</u>    | <u>29,868,782</u>    | <u>27,995,616</u>    |
| <b>Excess (deficiency) of revenue and other<br/>sources over expenditures<br/>and other financing uses</b> | (1,372,319)         | (10,936)           | 378,217             | (1,005,038)          | (800,026)            |
| <b>Fund equity, beginning of year</b>  | 9,783,215           | -                  | 544,746             | 10,327,961           | 11,127,987           |
| <b>Prior period adjustment</b>   | -                   | 116,075            | -                   | 116,075              | -                    |
| <b>Fund equity, end of year</b>  | <u>\$ 8,410,896</u> | <u>\$ 105,139</u>  | <u>\$ 922,963</u>   | <u>\$ 9,438,998</u>  | <u>\$ 10,327,961</u> |

**NORTH EAST SCHOOL DISTRICT**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|   | Original<br>Budget | Revised<br>Budget | Current<br>Year's<br>Actual | Favorable<br>(Unfavorable)<br>Revised<br>Budget |
|---|--------------------|-------------------|-----------------------------|---|
| <b>Revenues</b>   |                    |                   |                             |   |
| Local sources   | \$ 10,005,086      | \$ 10,005,086     | \$ 9,811,687                | \$ (193,399)                                    |
| State sources   | 14,980,261         | 14,980,261        | 15,092,818                  | 112,557   |
| Federal sources   | 617,673            | 617,673           | 1,191,176                   | 573,503   |
| Total revenue   | <u>25,603,020</u>  | <u>25,603,020</u> | <u>26,095,681</u>           | <u>492,661</u>                                  |
| <b>Expenditures</b>   |                    |                   |                             |   |
| <b>Instruction</b>  |                    |                   |                             |   |
| Regular programs  | 10,477,527         | 10,477,527        | 10,800,076                  | (322,549)                                       |
| Special programs  | 3,004,391          | 3,004,391         | 2,769,842                   | 234,549   |
| Vocational education programs   | 839,171            | 839,171           | 863,395                     | (24,224)  |
| Other instructional programs  | 199,368            | 199,368           | 244,637                     | (45,269)  |
| Total instruction   | <u>14,520,457</u>  | <u>14,520,457</u> | <u>14,677,950</u>           | <u>(157,493)</u>                                |
| <b>Support Services</b>   |                    |                   |                             |   |
| Pupil personnel   | 806,456            | 806,456           | 833,264                     | (26,808)  |
| Instructional staff   | 1,010,139          | 1,010,139         | 1,137,306                   | (127,167)                                       |
| Administration  | 2,063,500          | 2,063,500         | 2,030,401                   | 33,099  |
| Pupil health  | 285,957            | 285,957           | 289,537                     | (3,580)   |
| Business  | 408,477            | 408,477           | 393,315                     | 15,162  |
| Operation and maintenance   | 2,210,704          | 2,210,704         | 2,239,337                   | (28,633)  |
| Student transportation services   | 1,162,400          | 1,162,400         | 973,722                     | 188,678   |
| Other support services  | 30,635             | 30,635            | 31,307                      | (672)   |
| Total support services  | <u>7,978,268</u>   | <u>7,978,268</u>  | <u>7,928,189</u>            | <u>50,079</u>                                   |
| <b>Noninstructional services</b>  |                    |                   |                             |   |
| Student activities  | 748,043            | 748,043           | 581,568                     | 166,475   |
| Community services  | 44,439             | 44,439            | 16,828                      | 27,611  |
| Total noninstructional services   | <u>792,482</u>     | <u>792,482</u>    | <u>598,396</u>              | <u>194,086</u>                                  |
| <b>Other financing uses</b>   |                    |                   |                             |   |
| Budgetary reserve   | 48,348             | 48,348            | -                           | 48,348  |
| Debt service  | 1,544,465          | 1,544,465         | 1,544,465                   | -   |
| Interfund transfers *   | 719,000            | 719,000           | 2,719,000                   | (2,000,000)                                     |
| Total other financing uses  | <u>2,311,813</u>   | <u>2,311,813</u>  | <u>4,263,465</u>            | <u>(1,951,652)</u>                              |
| <b>Total expenditures and other financing uses</b>  | <u>25,603,020</u>  | <u>25,603,020</u> | <u>27,468,000</u>           | <u>(1,864,980)</u>                              |
| <b>Excess of revenue and other sources<br/>over expenditures and other financing uses</b> | <u>\$ -</u>        | <u>\$ -</u>       | <u>(1,372,319)</u>          | <u>\$ (1,372,319)</u>                           |
| Fund equity, beginning of year  |                    |                   | <u>9,783,215</u>            |   |
| <b>Fund equity, end of year</b>   |                    |                   | <u>\$ 8,410,896</u>         |   |

\* The Board of Education approved additional transfers to the capital projects fund during the fiscal year ended June 30, 2021

**NORTH EAST SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS – PRIVATE PURPOSE TRUST  
AS OF JUNE 30, 2021**

|                                    | 2021<br>Private<br>Purpose<br>Trust | 2020<br>Private<br>Purpose<br>Trust |
|------------------------------------|-------------------------------------|-------------------------------------|
| <b>Assets</b>                      |                                     |                                     |
| Cash                               | \$ 50,331                           | \$ 37,679                           |
| Total assets                       | <u>\$ 50,331</u>                    | <u>\$ 37,679</u>                    |
| <b>Liabilities</b>                 |                                     |                                     |
| Other liabilities                  | <u>\$ -</u>                         | <u>\$ -</u>                         |
| <b>Net position</b>                |                                     |                                     |
| Restricted                         | 41,529                              | 29,714                              |
| Unrestricted                       | <u>8,802</u>                        | <u>7,965</u>                        |
| Total net position                 | <u>50,331</u>                       | <u>37,679</u>                       |
| Total liabilities and net position | <u>\$ 50,331</u>                    | <u>\$ 37,679</u>                    |

**NORTH EAST SCHOOL DISTRICT**

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

**AS OF JUNE 30, 2021**

**Page 19**

|                                     | 2021<br>Private<br>Purpose<br>Trust | 2020<br>Private<br>Purpose<br>Trust |
|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Additions</b>                    |                                     |                                     |
| Gifts and contributions             | \$ 21,351                           | \$ 20,159                           |
| Other additions                     | 73                                  | 175                                 |
| Total additions                     | 21,424                              | 20,334                              |
| <b>Deductions</b>                   |                                     |                                     |
| Student assistance and scholarships | 6,376                               | 4,640                               |
| Other grants and deductions         | 2,396                               | 3,265                               |
| Total deductions                    | 8,772                               | 7,905                               |
| <b>Change in net position</b>       | 12,652                              | 12,429                              |
| Net position - beginning of year    | 37,679                              | 25,250                              |
| <b>Net position - end of year</b>   | <b>\$ 50,331</b>                    | <b>\$ 37,679</b>                    |

**NORTH EAST SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**AS OF JUNE 30, 2021**

|                                    | 2021        | 2020        |
|------------------------------------|-------------|-------------|
| <b>Assets</b>                      |             |             |
| Cash and cash equivalents          | \$ 57,535   | \$ 67,480   |
| Intergovernmental receivables      | 47,061      | 25,803      |
| Other receivables                  | 5,895       | 1,557       |
| Due from other funds               | 240,590     | 225,005     |
| Inventories                        | 54,782      | 60,320      |
| Capital assets, net                | 177,165     | 209,515     |
|                                    | <hr/>       | <hr/>       |
| Total assets                       | \$ 583,028  | \$ 589,680  |
|                                    | <hr/> <hr/> | <hr/> <hr/> |
| <b>Liabilities</b>                 |             |             |
| Accounts payable                   | \$ -        | \$ 5,242    |
| Accrued liabilities                | 30,276      | 31,505      |
| Compensated absences               | 15,605      | 13,020      |
| Unearned revenue                   | 12,199      | 10,454      |
|                                    | <hr/>       | <hr/>       |
| Total liabilities                  | 58,080      | 60,221      |
|                                    | <hr/>       | <hr/>       |
| <b>Net Position</b>                |             |             |
| Net investment in capital assets   | 177,165     | 209,515     |
| Unrestricted                       | 347,783     | 319,944     |
|                                    | <hr/>       | <hr/>       |
| Total net position                 | 524,948     | 529,459     |
|                                    | <hr/>       | <hr/>       |
| Total liabilities and net position | \$ 583,028  | \$ 589,680  |
|                                    | <hr/> <hr/> | <hr/> <hr/> |



**NORTH EAST SCHOOL DISTRICT**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|                               | 2021       | 2020       |
|-------------------------------|------------|------------|
| <b>Operating revenue</b>      |            |            |
| Food service revenue          | \$ 58,494  | \$ 180,375 |
| <b>Operating expenses</b>     |            |            |
| Salaries and benefits         | 321,846    | 368,389    |
| Purchased food                | 211,293    | 251,954    |
| Supplies                      | 74,956     | 72,943     |
| Depreciation                  | 32,350     | 32,350     |
| Other operating expenses      | 15,679     | 27,666     |
| Total operating expenses      | 656,124    | 753,302    |
| Net operating loss            | (597,630)  | (572,927)  |
| <b>Non-operating revenues</b> |            |            |
| State sources                 | 29,288     | 24,136     |
| Federal sources               | 563,831    | 526,785    |
| Total non-operating revenues  | 593,119    | 550,921    |
| <b>Change in net position</b> | (4,511)    | (22,006)   |
| Total net position, beginning | 529,459    | 407,480    |
| Prior period adjustment       | -          | 143,985    |
| Total net position, ending    | \$ 524,948 | \$ 529,459 |

**NORTH EAST SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

|   | 2021         | 2020         |
|---|--------------|--------------|
| <b>Cash flows from operating activities</b>   |              |              |
| Cash received from sale of meals  | \$ 54,156    | \$ 184,768   |
| Cash paid to or on behalf of employees  | (320,490)    | (370,139)    |
| Cash paid to vendors  | (253,360)    | (293,239)    |
| Cash received from (paid to) other funds  | (15,585)     | 33,184       |
| Net cash used in operating activities   | (535,279)    | (445,426)    |
| <b>Cash flows from non-capital financing activities</b>                               |              |              |
| Cash received from State sources  | 20,037       | 23,093       |
| Cash received from Federal sources  | 505,297      | 440,074      |
| Net cash provided by non-capital financing activities                                 | 525,334      | 463,167      |
| <b>Net change in cash</b>   | (9,945)      | 17,741       |
| Cash balance, beginning of year   | 67,480       | 49,739       |
| <b>Cash balance, end of year</b>  | \$ 57,535    | \$ 67,480    |
| <b>Reconciliation of net operating loss to net cash used in operating activities</b>  |              |              |
| Net operating loss  | \$ (597,630) | \$ (572,927) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: |              |              |
| Depreciation  | 32,350       | 32,350       |
| Donated commodities   | 46,527       | 61,951       |
| Changes in assets and liabilities:  |              |              |
| (Increase) decrease in other receivables  | (4,338)      | 4,393        |
| (Increase) decrease in inventory  | 5,538        | (14,237)     |
| (Increase) decrease in due from other funds   | (15,585)     | 33,184       |
| Increase (decrease) in accounts payable   | (5,242)      | 3,579        |
| Increase (decrease) in accrued liabilities  | 1,356        | (1,750)      |
| Increase (decrease) in unearned revenue/student deposits                              | 1,745        | 8,031        |
| Net cash used in operating activities   | \$ (535,279) | \$ (445,426) |
| <b>Supplemental Schedule of Non-Cash Activities</b>                                   |              |              |
| Activities not affecting cash flows are as follows:                                   |              |              |
| Surplus food (donated commodities)  | \$ 46,527    | \$ 61,951    |
| Total non-cash activity   | \$ 46,527    | \$ 61,951    |

**NORTH EAST SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2021**

|  |                                |
|--|--------------------------------|
| <b>Total fund balances - governmental funds</b>  | \$ 9,438,998                   |
| 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   | \$ 63,794,888                  |
| Accumulated depreciation   | <u>(39,524,293)</u> 24,270,595 |
| 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.             | 510,586                        |
| Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.   | (54,000)                       |
| 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.                   | 261,124                        |
| Net deferred (inflows) and outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the government funds, pension expense is based on required contributions.             | 4,597,129                      |
| In advance refundings, the difference between the reacquisition price and the net carrying amount of the old debt is recognized as a deferred outflow of resources on the statement of net position and is amortized. No such recognition is required in the governmental fund statements. | 77,146                         |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:  |                                |
| Bonds payable  | (10,050,000)                   |
| Other post employment benefits   | (3,421,623)                    |
| Net pension liability  | (39,342,000)                   |
| Compensated absences   | <u>(763,878)</u> (53,577,501)  |
| <b>Total net position (deficit) - governmental activities</b>  | <u>\$ (14,475,923)</u>         |

|  | Total<br>Governmental<br>Funds | Long-term<br>Assets and Outflow<br>Transactions | Long-term<br>Liability and Inflow<br>Transactions | Reclassification<br>and<br>Eliminations | Statement of<br>Net<br>Position |
|--|--------------------------------|---|---|---|---------------------------------|
| <b>Assets</b>  |                                |   |   |   |                                 |
| Cash   | \$ 4,368,819                   | \$ -  | \$ -  | \$ -                                    | \$ 4,368,819                    |
| Investments  | 7,365,061                      | -   | -   | -                                       | 7,365,061                       |
| Taxes receivable   | 826,792                        | (18,000)  | -   | -                                       | 808,792                         |
| Intergovernmental receivable   | 1,473,292                      | -   | -   | -                                       | 1,473,292                       |
| Other receivables  | 33,069                         | -   | -   | -                                       | 33,069                          |
| Prepaid expenses   | 116,305                        | -   | -   | -                                       | 116,305                         |
| Inventories  | 54,900                         | -   | -   | -                                       | 54,900                          |
| Capital assets, net  | -                              | 24,270,595                                      | -   | -                                       | 24,270,595                      |
| Total assets   | 14,238,238                     | 24,252,595                                      | -   | -                                       | 38,490,833                      |
| <b>Deferred Outflows of Resources</b>  |                                |   |   |   |                                 |
| Deceased amount on bond refunding  | -                              | 77,146  | -   | -                                       | 77,146                          |
| Deferred outflows related to pensions  | -                              | 6,035,129                                       | -   | -                                       | 6,035,129                       |
| Deferred outflows related to OPEB  | -                              | 499,857   | -   | -                                       | 499,857                         |
| Total deferred outflows of resources   | -                              | 6,612,132                                       | -   | -                                       | 6,612,132                       |
| Total assets and deferred<br>outflows of resources   | \$ 14,238,238                  | \$ 30,864,727                                   | \$ -  | \$ -                                    | \$ 45,102,965                   |
| <b>Liabilities, Deferred Inflows of Resources and<br/>Fund Equity/Net Position (deficit)</b> |                                |   |   |   |                                 |
| <b>Liabilities</b>   |                                |   |   |   |                                 |
| Accounts payable   | \$ 627,416                     | \$ -  | \$ -  | \$ -                                    | \$ 627,416                      |
| Accrued liabilities  | 3,382,078                      | -   | -   | -                                       | 3,382,078                       |
| Accrued interest   | -                              | -   | 54,000  | -                                       | 54,000                          |
| Due to other funds   | 240,590                        | -   | -   | -                                       | 240,590                         |
| Unearned revenue   | 20,570                         | -   | -   | -                                       | 20,570                          |
| Bonds payable  | -                              | -   | 10,050,000  | -                                       | 10,050,000                      |
| Net pension liability  | -                              | -   | 39,342,000  | -                                       | 39,342,000                      |
| Compensated absences   | -                              | -   | 763,878   | -                                       | 763,878                         |
| Other post employment benefits   | -                              | -   | 3,421,623   | -                                       | 3,421,623                       |
| Total liabilities  | 4,270,654                      | -   | 53,631,501  | -                                       | 57,902,155                      |
| <b>Deferred Inflows of Resources</b>   |                                |   |   |   |                                 |
| Deferred inflows related to pensions   | -                              | -   | 1,438,000   | -                                       | 1,438,000                       |
| Deferred inflows related to OPEB   | -                              | -   | 238,733   | -                                       | 238,733                         |
| Revenue not available - taxes  | 528,586                        | -   | (528,586)   | -                                       | -                               |
| Total deferred inflows of resources  | 528,586                        | -   | 1,148,147   | -                                       | 1,676,733                       |
| <b>Fund equity &amp; net position (deficit)</b>  | 9,438,998                      | 30,864,727                                      | (54,779,648)                                      | -                                       | (14,475,923)                    |
| Total liabilities, deferred inflows of resources<br>& fund equity/net position (deficit)     | \$ 14,238,238                  | \$ 30,864,727                                   | \$ -  | \$ -                                    | \$ 45,102,965                   |

**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, 2021**

**Total net change in fund balances - governmental funds** \$ (1,005,038)

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

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

|                      |                    |         |
|----------------------|--------------------|---------|
| Capital outlays      | \$ 2,587,417       |         |
| Depreciation expense | <u>(2,182,653)</u> | 404,764 |

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.

59,813

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.

1,286,124

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.

86,915

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.

(86,477)

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.

6,000

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.

(53,608)

**Change in net position of governmental activities** \$ 698,493

|   | Total<br>Governmental<br>Funds | Long-term<br>Assets and Outflow<br>Transactions | Long-term<br>Liability and Inflow<br>Transactions | Reclassification<br>and<br>Eliminations | Statement of<br>Activities<br>Totals |
|---|--------------------------------|---|---|---|--------------------------------------|
| <b>Revenue</b>  |                                |   |   |   |                                      |
| Real property taxes   | \$ 8,109,695                   | \$ 59,813                                       | \$ -  | \$ -                                    | \$ 8,169,508                         |
| Other taxes levied  | 1,286,731                      | -   | -   | -                                       | 1,286,731                            |
| Interest and earnings   | 19,251                         | -   | -   | -                                       | 19,251                               |
| Other local sources   | 445,073                        | -   | -   | (372,192)                               | 72,881                               |
| State sources   | 15,092,818                     | -   | -   | (6,214,487)                             | 8,878,331                            |
| Federal sources   | 1,191,176                      | -   | -   | (1,191,176)                             | -                                    |
| Total revenue   | 26,144,744                     | 59,813  | -   | (7,777,855)                             | 18,426,702                           |
| <b>Expenditures</b>   |                                |   |   |   |                                      |
| Instruction   | 14,677,950                     | 1,272,619                                       | 53,170  | (4,819,777)                             | 11,183,962                           |
| Instructional student support                                   | 2,260,107                      | 195,958   | -   | (858,466)                               | 1,597,599                            |
| Administrative and financial support services                   | 2,423,716                      | 210,143   | -   | (541,173)                               | 2,092,686                            |
| Operation and maintenance of plant services                     | 2,239,337                      | 194,157   | -   | (522,024)                               | 1,911,470                            |
| Pupil transportation  | 973,722                        | 252,925   | -   | (808,884)                               | 417,763                              |
| Other support services  | 31,307                         | -   | -   | -                                       | 31,307                               |
| Student activities  | 638,872                        | 55,392  | -   | (73,596)                                | 620,668                              |
| Community services  | 16,828                         | 1,459   | -   | (405)                                   | 17,882                               |
| Facility acquisition, construction, and<br>improvement services | 2,343,478                      | (2,587,417)                                     | -   | 243,939                                 | -                                    |
| Debt service  | 1,544,465                      | -   | (1,292,124)                                       | (397,469)                               | (145,128)                            |
| Total expenditures  | 27,149,782                     | (404,764)                                       | (1,238,954)                                       | (7,777,855)                             | 17,728,209                           |
| Excess (deficiency) of revenue<br>over expenditures             | (1,005,038)                    | 464,577   | 1,238,954   | -                                       | 698,493                              |
| <b>Other sources and uses</b>                                   |                                |   |   |   |                                      |
| Operating transfers in  | 2,719,000                      | -   | -   | (2,719,000)                             | -                                    |
| Operating transfers out   | (2,719,000)                    | -   | -   | 2,719,000                               | -                                    |
| Total other sources (uses)                                      | -                              | -   | -   | -                                       | -                                    |
| <b>Net change for year</b>                                      | \$ (1,005,038)                 | \$ 464,577                                      | \$ 1,238,954                                      | \$ -                                    | \$ 698,493                           |

**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, 2021**

**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, 2021, approximately \$779,000 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, 2021 was 34.51% (33.51% - pension, .18% - Act 5 defined contribution and .82% - 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 \$3,732,000 for the year ended June 30, 2021.

**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, 2021 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, 2020 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, 2020 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, 2021 was 0.82% 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 \$94,000 year ended June 30, 2021.

**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 \$171,205 at June 30, 2021.

**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 – The District has approved a balanced budget and no amount has been appropriated to reduce taxes for the year ending June 30, 2022.

**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, 2021**

**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, 2021, 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, 2021, the District's bank deposits were fully collateralized.

Total financial institution balances at June 30, 2021, per the bank, were approximately \$4,060,000 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, 2021. The investments below are held in a custodial account with FNB Wealth Management.

|                           | <u>Carrying/<br/>Market Value</u> |
|---------------------------|-----------------------------------|
| FNB:                      |                                   |
| Cash and Equivalents      | \$ 802,454                        |
| US Treasury (.7% – 2.25%) | 1,055,790                         |
| Municipals (0% – 5.80%)   | 380,805                           |
| CD's (.45% - 3.50%)       | 5,100,559                         |
| Accrued Interest          | <u>25,453</u>                     |
| Total Investments         | <u>\$ 7,365,061</u>               |

These investments are held in the School District's name. The market value of the investments as of June 30, 2021 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, 2021 were as follows:

|                                   | <u>Beginning<br/>Balance<br/>06/30/20</u> | <u>Net<br/>Change</u> | <u>Ending<br/>Balance<br/>06/30/21</u> |
|-----------------------------------|---|-----------------------|--|
| Governmental activities:          |   |                       |  |
| Capital assets:                   |   |                       |  |
| Land                              | \$ 496,816                                | \$ --                 | \$ 496,816                             |
| Land improvements                 | 2,182,798                                 | --                    | 2,182,798                              |
| Buildings and improvements        | 47,827,625                                | 415,529               | 48,243,154                             |
| Construction in progress          | 1,290,329                                 | 1,427,704             | 2,718,033                              |
| Furniture, equipment and vehicles | 9,564,607                                 | 589,480               | <u>10,154,087</u>                      |
| Total historical cost             | <u>61,362,175</u>                         | <u>\$ 2,432,713</u>   | <u>63,794,888</u>                      |
| Accumulated depreciation:         |   |                       |  |
| Land and land improvements        | 1,944,464                                 | 51,200                | 1,995,664                              |
| Building and improvements         | 28,299,079                                | 1,289,577             | 29,588,656                             |
| Furniture, equipment and vehicles | 7,252,801                                 | 687,172               | <u>7,939,973</u>                       |
| Less accumulated depreciation:    | <u>37,496,344</u>                         | <u>\$ 2,027,949</u>   | <u>39,524,293</u>                      |
| Total net book value              | <u>\$23,865,831</u>                       |                       | <u>\$24,270,595</u>                    |

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

|  | Beginning<br>Balance<br>06/30/20 | Net<br>Change | Ending<br>Balance<br>06/30/21 |
|--|----------------------------------|---------------|-------------------------------|
| Proprietary/business-type activities:          |                                  |               |                               |
| Building improvements, furniture and equipment | \$ 693,944                       | \$ --         | \$ 693,944                    |
| Less accumulated depreciation:                 | 484,429                          | \$ (32,350)   | 516,779                       |
| Total net book value                           | <u>\$ 209,515</u>                |               | <u>\$ 177,165</u>             |

|                            | Governmental        | Proprietary/<br>Business-type |
|----------------------------|---------------------|-------------------------------|
| Depreciation expense:      |                     |                               |
| Instruction                | \$ 1,272,619        | \$ -                          |
| Support services           | 853,183             | -                             |
| Non-instructional services | 56,851              | 32,350                        |
|                            | <u>\$ 2,182,653</u> | <u>\$ 32,350</u>              |

During the year-ended June 30, 2021 the District had capital additions in the amount of approximately \$2,587,000 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:

**NOTE 5 – INDEBTEDNESS (CONTINUED)**

**B. Long-Term Debt (continued)**

**1. Bonds Payable (continued)**

|  | Amount<br>Outstanding |
|--|-----------------------|
| 2015 Series Bonds (current refunding of 2005 series) that carry interest from .63%-2.7% and mature on September 2025.          | \$ 5,135,000          |
| 2016 Series Bonds (current refunding of 2005 and 2006 series) that carry interest from .63%-2.1% and mature on September 2027. | 4,915,000             |
|  | 10,050,000            |
| Less: Current portion  | 1,345,000             |
|  | <u>\$ 8,705,000</u>   |

**2. Summary of Long-Term Debt**

The following is a summary of long-term liabilities outstanding at June 30, 2021:

| Description                    | Balance<br>June 30,<br>2021 | Amounts<br>Due Within<br>One Year | Balance<br>June 30,<br>2020 |
|--------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| 2015 Series Bonds              | \$ 5,135,000                | \$ 1,165,000                      | \$ 6,275,000                |
| 2016 Series Bonds              | 4,915,000                   | 180,000                           | 5,090,000                   |
| Other post-employment benefits | 3,421,623                   | -                                 | 3,242,858                   |
| Net pension liability          | 39,342,000                  | -                                 | 37,566,000                  |
| Compensated absences           | 779,483                     | -                                 | 723,290                     |
|                                | <u>\$ 53,593,106</u>        | <u>\$ 1,345,000</u>               | <u>\$ 52,897,148</u>        |

The District made principal payments on serial bonds in the amount of \$1,315,000 during the current fiscal year. The net change in compensated absences was an increase of \$56,193 during the fiscal year ended June 30, 2021. The net change in other post-employment benefit liability was an increase of \$178,765 and the increase in the net pension liability was \$1,776,000 due to actuarial updates.

**3. Long-term Debt Interest**

Interest expense, for the year ended June 30, 2021 amounted to approximately \$230,000, 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:



**NOTE 5 – INDEBTEDNESS (CONTINUED)**

**B. Long-Term Debt (continued)**

**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>   |
|-----------------|----------------------|-------------------|
| 2022            | \$ 1,345,000         | \$ 203,753        |
| 2023            | 1,365,000            | 175,918           |
| 2024            | 1,405,000            | 145,203           |
| 2025            | 1,435,000            | 111,549           |
| 2026            | 1,470,000            | 77,955            |
| 2027-2028       | 3,030,000            | 63,303            |
|                 | <u>\$ 10,050,000</u> | <u>\$ 777,681</u> |

**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. Total unamortized deferred outflows from previously refunded serial bonds amounted to \$77,146. This amount is being amortized over the remaining life of the refunding bonds as part of interest expense.

**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.

**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, 2021, the District recorded prepaid expense in the amount of approximately \$106,000 in the Statement of Financial Position and Balance Sheets.

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 7 - INTERFUND TRANSACTIONS**

Interfund receivable and payable balances as of June 30, 2021 and interfund revenue and expenditures for the year ended June 30, 2021 were:

|                       | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u>     |
|-----------------------|---------------------------------|----------------------------------|
| General Fund          | \$ -                            | \$ 240,590                       |
| Food Service Fund     | 240,590                         | -                                |
|                       | <u>\$ 240,590</u>               | <u>\$ 240,590</u>                |
|                       | <u>Interfund<br/>Revenue</u>    | <u>Interfund<br/>Expenditure</u> |
| General Fund          | \$ -                            | \$ 2,719,000                     |
| Capital Projects Fund | 2,719,000                       | -                                |
|                       | <u>\$ 2,719,000</u>             | <u>\$ 2,719,000</u>              |

During the current year, the District transferred \$2,719,000 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, 2021, the District reported a liability of \$39,342,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2021, the District's proportion was .0799%, which was a decrease of .0004% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized pension expense of \$3,663,000. At June 30, 2021, 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<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Net difference between projected and actual investment earnings | \$ 1,729,000                                  | \$ -   |
| Changes in proportions  | -   | 495,000                                      |
| Change in assumptions   | -   | -  |
| Difference between expected and actual experience               | 103,000                                       | 943,000                                      |
| Contributions subsequent to the measurement date                | 4,203,129                                     | -  |
|   | <u>\$ 6,035,129</u>                           | <u>\$ 1,438,000</u>                          |

\$4,203,129 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, 2022.

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:          |                   |
| 2022                          | \$ (535,000)      |
| 2023                          | (49,000)          |
| 2024                          | 464,000           |
| 2025                          | 514,000           |
| Thereafter                    | -                 |
| Net deferred outflow/(inflow) | <u>\$ 394,000</u> |

**Changes in Actuarial assumptions**

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to 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 - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

**NOTE 8 - RETIREMENT PLAN (CONTINUED)**

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

**Change in Actuarial assumptions (continued)**

- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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 | 15.0%             | 5.2%                                   |
| Private equity       | 15.0%             | 7.2%                                   |
| Fixed income         | 36.0%             | 1.1%                                   |
| Commodities          | 8.0%              | 1.8%                                   |
| Absolute return      | 10.0%             | 2.5%                                   |
| Infrastructure/MLPs  | 6.0%              | 5.7%                                   |
| Real estate          | 10.0%             | 5.5%                                   |
| Risk parity          | 8.0%              | 3.3%                                   |
| Cash                 | 6.0%              | (1.0%)                                 |
| Financing (LIBOR)    | (14.0%)           | (0.7%)                                 |
|                      | <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, 2020.

**Discount rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current

**NOTE 8 – RETIREMENT PLAN (CONTINUED)**

**Discount rate (continued)**

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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) that the current rate:

|   | 1% Decrease<br>6.25% | Current Discount<br>Rate 7.25% | 1% Increase<br>8.25% |
|---|----------------------|--------------------------------|----------------------|
| District's proportionate share of the net pension liability | \$48,674,000         | \$ 39,342,000                  | \$31,436,000         |

**Pension plan fiduciary net position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](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, 2021, the District reported a liability of \$1,695,623. The net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$168,536. At June 30, 2021, 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, 2021**

**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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Changes in assumptions                           | \$ 188,382                           | \$ 68,195                           |
| Differences between expected and actual exp.     | 62,416                               | 94,538                              |
| Contributions subsequent to the measurement date | 66,059                               | -                                   |
| <b>Total</b>                                     | <b>\$ 316,857</b>                    | <b>\$ 162,733</b>                   |

\$66,059 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, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ending: |                  |
|--------------|------------------|
| 2022         | \$ 8,556         |
| 2023         | 8,556            |
| 2024         | 8,556            |
| 2025         | 8,556            |
| 2026         | 8,556            |
| Thereafter   | 45,285           |
| <b>Total</b> | <b>\$ 88,065</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 – 1.86% - 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 2020 through 2023. Rates decrease from 5.4% in 2022 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                                       | \$ 106,208          |
| Interest   | 53,772              |
| Differences between expected and actual experience | (102,416)           |
| Changes in benefit terms                           | -                   |
| Changes in assumptions                             | 178,328             |
| Benefit payments                                   | (75,127)            |
| <b>Net changes</b>                                 | <b>160,765</b>      |
| Net OPEB liability – beginning of year             | 1,534,858           |
| <b>Net OPEB liability – end of year</b>            | <b>\$ 1,695,623</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%<br>Decrease<br>3%-4.5% | Current<br>Assumption<br>4%-5.5% | 1%<br>Increase<br>5%-6.5% |
|------------------------------------|---------------------------|----------------------------------|---------------------------|
| Total District Plan OPEB liability | \$ 1,506,497              | \$ 1,695,623                     | \$ 1,919,510              |

**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%<br>Decrease<br>0.86% | Current<br>Assumption<br>1.86% | 1%<br>Increase<br>2.86% |
|------------------------------------|-------------------------|--------------------------------|-------------------------|
| Total District Plan OPEB liability | \$ 1,815,708            | \$ 1,695,623                   | \$ 1,580,885            |

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2021, the District reported a liability of \$1,726,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to 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, 2021, the District's proportion was .0799%, which was a decrease of .0004% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$88,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Changes in assumptions                               | \$ 70,000                            | \$ 38,000                           |
| Net difference between projected and actual earnings | 3,000                                | -                                   |
| Difference between expected and actual exp.          | 16,000                               |                                     |
| Changes in proportion                                | -                                    | 38,000                              |
| Benefit payments subsequent to measurement date      | 94,000                               | -                                   |
| Total  | <u>\$ 183,000</u>                    | <u>\$ 76,000</u>                    |

\$94,000 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, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|              |                  |
|--------------|------------------|
| Year ending: |                  |
| 2022         | \$ (4,000)       |
| 2023         | (5,000)          |
| 2024         | 13,000           |
| 2025         | 8,000            |
| Thereafter   | 1,000            |
| Total        | <u>\$ 14,000</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, 2020, was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to 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 - 2.66% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2014 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, 2021**

**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                   | 50.3%             | (1.0%)                                 |
| US Core Fixed Income   | 46.5%             | (0.1%)                                 |
| Non-US Developed Fixed | 3.2%              | (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, 2020.

**Discount rate**

The discount rate used to measure the Total OPEB Liability was 2.66%. 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 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, 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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 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 | \$ 1,726,000 | \$ 1,726,000       | \$ 1,727,000 |

**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<br>1.66% | Current Assumption<br>2.66% | 1% Increase<br>3.66% |
|--|----------------------|-----------------------------|----------------------|
| Total Health Insurance Premium Assistance OPEB liability | \$1,968,000          | \$1,726,000                 | \$1,526,000          |

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Page 41**

**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 \$826,792 at June 30, 2021 and consist of the estimated delinquent real property taxes, real estate transfer taxes, and earned income collected in the first two months of the 2022 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 \$1,473,292 in the General Fund and \$47,061 in the Food Service Fund as of June 30, 2021 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, 2021, approximately \$779,000 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 \$528,586 as of June 30, 2021 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, 2021, the District incurred approximately \$2,343,000 of capital project fund expenditures related to technology, vehicle purchases and other building improvements.

During the current year, the District transferred \$2,719,000 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 \$443,000 in tuition and other expenses for the year ended June 30, 2021, 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.

**NORTH EAST SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 15 – FUND EQUITY**

**A. Classification**

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

| <b>Category / Fund</b> | <b>Description</b>                    | <b>Balance<br/>June 30, 2021</b> |
|------------------------|---------------------------------------|----------------------------------|
| <b>Nonspendable:</b>   |                                       |                                  |
| General                | Inventories                           | \$ 54,900                        |
| General                | Prepaid expense                       | 116,305                          |
|                        |                                       | <u>\$ 171,205</u>                |
| <b>Restricted:</b>     |                                       |                                  |
| Fiduciary Fund         | Restricted for scholarships and other | \$ 41,529                        |
| Capital Projects       | Capital Reserve                       | <u>\$ 922,963</u>                |
| <b>Committed:</b>      |                                       |                                  |
| General                | Compensated absences reserve          | \$ 763,878                       |
| General                | Health claims reserve                 | 385,281                          |
| General                | ECTS renovations                      | 1,933,411                        |
| General                | Capital projects                      | 2,000,000                        |
| General                | OPEB                                  | 1,677,162                        |
|                        |                                       | <u>\$ 6,759,732</u>              |
| <b>Assigned:</b>       |                                       |                                  |
| General                | Curriculum development                | \$ 200,000                       |
| General                | Athletic account                      | (4,579)                          |
|                        |                                       | <u>\$ 195,421</u>                |

**NOTE 16 – 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, 2020 totaled approximately \$81,000.

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

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 will now 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 Act (CRRSA – ESSER2) and \$2,980,000 from the American Rescue Plan Act (ARP – ESSER3). The District is currently awaiting approval of its budget and spending plan from the Pennsylvania Department of Education.

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 16, 2021, which is the date the financial statements were available to be issued.

On August 26, 2021, the District issues serial bonds in the amount of \$12,580,000 to refund the outstanding 2015 and 2016 series bonds and to provide new funding for various capital improvement projects of the District.



***SUPPLEMENTARY INFORMATION***

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

| Fiscal years ended June 30,<br>Revenue                       | 2021                 | 2020                 |
|--|----------------------|----------------------|
| <b>Local sources:</b>  |                      |                      |
| Taxes:   |                      |                      |
| Current real estate taxes                                    | \$ 7,811,623         | \$ 7,752,012         |
| Realty transfer and earned income                            | 1,277,655            | 1,225,453            |
| Public utility realty tax                                    | 9,076                | 8,531                |
| Delinquent real estate taxes                                 | 298,072              | 337,037              |
| Total tax revenue  | <u>9,396,426</u>     | <u>9,323,033</u>     |
| Interest earnings  | 16,556               | 394,342              |
| Federal revenue received from intermediate and local sources | 278,689              | 286,823              |
| State revenue received from intermediate sources             | 8,680                | 8,470                |
| Rentals  | 21,922               | 18,912               |
| Tuition and other reimbursement                              | 84,823               | 28,460               |
| Miscellaneous  | 4,591                | 36,313               |
| Total local sources  | <u>9,811,687</u>     | <u>10,096,353</u>    |
| <b>State sources:</b>  |                      |                      |
| Basic instructional subsidy                                  | 8,875,706            | 8,875,712            |
| Tuition  | 64,534               | -                    |
| Rental   | 397,467              | 398,267              |
| Transportation   | 482,534              | 477,857              |
| Special education  | 1,218,291            | 1,218,319            |
| Social security and retirement                               | 3,063,148            | 2,885,305            |
| School safety and security                                   | 111,229              | -                    |
| PA smart targeted stem grant                                 | -                    | 35,000               |
| Health services  | 32,188               | 32,171               |
| Other state grants   | 289,430              | 289,605              |
| Property tax relief subsidy                                  | 558,291              | 558,164              |
| Total state sources  | <u>15,092,818</u>    | <u>14,770,400</u>    |
| <b>Federal sources:</b>                                      |                      |                      |
| Title I  | 398,951              | 426,661              |
| Title IIA  | 57,427               | 62,310               |
| Title IV   | 32,357               | 33,706               |
| Covid-19 - CARES Act ESSER1 and GEER                         | 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                             | 93,513               | 98,224               |
| Total federal sources  | <u>1,191,176</u>     | <u>620,901</u>       |
| <b>Total revenue and other sources</b>                       | <u>\$ 26,095,681</u> | <u>\$ 25,487,654</u> |

| <b>Fiscal years ended June 30,</b>   | <b>2021</b>           | <b>2020</b>       |
|--|-----------------------|-------------------|
| <b>Expenditures</b>  |                       |                   |
| <b>Instruction:</b>  |                       |                   |
| Regular programs   | \$ 10,800,076         | \$ 10,530,039     |
| Special programs   | 2,769,842             | 3,055,040         |
| Vocational education programs  | 863,395               | 793,544           |
| Other instructional programs   | 244,637               | 260,141           |
| Total instruction  | <u>14,677,950</u>     | <u>14,638,764</u> |
| Support services:  |                       |                   |
| Pupil personnel  | 833,264               | 511,810           |
| Instructional staff  | <u>1,137,306</u>      | <u>691,931</u>    |
| Administration:  |                       |                   |
| Board services   | 117,785               | 116,946           |
| Legal  | 52,651                | 33,218            |
| Superintendent   | 390,172               | 392,225           |
| Principals   | 1,469,793             | 1,465,801         |
| Total administration   | <u>2,030,401</u>      | <u>2,008,190</u>  |
| Other support services   |                       |                   |
| Pupil health   | 289,537               | 256,904           |
| Business   | 393,315               | 373,574           |
| Operation and maintenance of plant services  | 2,239,337             | 2,138,999         |
| Student transportation services  | 973,722               | 955,637           |
| Other support services   | 31,307                | 30,631            |
| Total other support services   | <u>3,927,218</u>      | <u>3,755,745</u>  |
| Total support services   | <u>7,928,189</u>      | <u>6,967,676</u>  |
| <b>Noninstructional services:</b>  |                       |                   |
| Student activities   | 581,568               | 565,685           |
| Community services   | 16,828                | 40,903            |
| Total noninstructional services  | <u>598,396</u>        | <u>606,588</u>    |
| <b>Other financing uses:</b>   |                       |                   |
| Debt service   | 1,544,465             | 1,544,359         |
| Interfund transfer to capital reserve  | 2,719,000             | 1,691,000         |
| Total other financing uses   | <u>4,263,465</u>      | <u>3,235,359</u>  |
| Total expenditures and other financing uses  | <u>27,468,000</u>     | <u>25,448,387</u> |
| <b>Excess (deficiency) of revenue and other sources over expenditures and other financing uses</b> | <u>\$ (1,372,319)</u> | <u>\$ 39,267</u>  |

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

|                                 | Balances<br>June 30, 2020 | Total<br>Receipts<br>2020-21 | Total<br>Receipts &<br>Balances | Total<br>Payments<br>2020-21 | Balances<br>June 30, 2021 |
|---------------------------------|---------------------------|------------------------------|---------------------------------|------------------------------|---------------------------|
| <b>Intermediate</b>             |                           |                              |                                 |                              |                           |
| Student Activities              | \$ 22,024                 | \$ 2,720                     | \$ 24,744                       | \$ 9,211                     | \$ 15,533                 |
| <b>Intermediate Total</b>       | <b>22,024</b>             | <b>2,720</b>                 | <b>24,744</b>                   | <b>9,211</b>                 | <b>15,533</b>             |
| <b>Middle School Activities</b> |                           |                              |                                 |                              |                           |
| Earth Force                     | 99                        | -                            | 99                              | -                            | 99                        |
| Gettysburg Trip                 | 30,980                    | 1,452                        | 32,432                          | 1,833                        | 30,599                    |
| Guidance                        | 391                       | -                            | 391                             | -                            | 391                       |
| Yearbook                        | 2,952                     | -                            | 2,952                           | -                            | 2,952                     |
| Student Government              | 448                       | -                            | 448                             | -                            | 448                       |
| Middle School Intramurals       | 850                       | 1,471                        | 2,321                           | 2,305                        | 16                        |
| <b>MS Total</b>                 | <b>35,720</b>             | <b>2,923</b>                 | <b>38,643</b>                   | <b>4,138</b>                 | <b>34,505</b>             |
| <b>High School Activities</b>   |                           |                              |                                 |                              |                           |
| AFS                             | 671                       | -                            | 671                             | -                            | 671                       |
| Aquillo                         | 7,396                     | 10,655                       | 18,051                          | 13,034                       | 5,017                     |
| American Gov't                  | 118                       | -                            | 118                             | -                            | 118                       |
| Battle of the Books             | 3,866                     | 369                          | 4,235                           | 720                          | 3,515                     |
| Cheerleading-Football           | 3,902                     | 889                          | 4,791                           | 2,509                        | 2,282                     |
| Class of 2019                   | 5,363                     | -                            | 5,363                           | 5,363                        | -                         |
| Class of 2020                   | 6,224                     | 359                          | 6,583                           | 6,222                        | 361                       |
| Class of 2021                   | 3,032                     | 14,744                       | 17,776                          | 7,239                        | 10,537                    |
| Class of 2022                   | 122                       | 9,347                        | 9,469                           | 5,952                        | 3,517                     |
| Class of 2023                   | 421                       | 3,000                        | 3,421                           | -                            | 3,421                     |
| Dance                           | 11,771                    | -                            | 11,771                          | 1,989                        | 9,782                     |
| Drama                           | 6,300                     | 1,289                        | 7,589                           | 269                          | 7,320                     |
| Ecology                         | 2,030                     | -                            | 2,030                           | 186                          | 1,844                     |
| FBLA                            | 1,552                     | -                            | 1,552                           | 9                            | 1,543                     |
| 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                 | 2,102                     | 73                           | 2,175                           | 339                          | 1,836                     |
| Inspire - Ms. Wilson            | 775                       | -                            | 775                             | 124                          | 651                       |
| <b>HS Total</b>                 | <b>58,331</b>             | <b>40,725</b>                | <b>99,056</b>                   | <b>43,955</b>                | <b>55,101</b>             |
| <b>Total activity funds</b>     | <b>\$ 116,075</b>         | <b>\$ 46,368</b>             | <b>\$ 162,443</b>               | <b>\$ 57,304</b>             | <b>\$ 105,139</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 2021**

*District Plan - Other Post Retirement Benefits*

| As of the measurement date of July 1,                                     | 2020                | 2019                | 2018                | 2017                |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Total OPEB Liability</b>   |                     |                     |                     |                     |
| Service cost  | \$ 106,208          | \$ 108,038          | \$ 96,271           | \$ 94,450           |
| Interest  | 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  | 178,328             | (42,063)            | (42,387)            | 35,656              |
| Benefit payments  | (75,127)            | (85,373)            | (83,396)            | (84,418)            |
| Net change in total OPEB liability  | 160,765             | 27,366              | 90,208              | 80,194              |
| Total OPEB liability - beginning  | 1,534,858           | 1,507,492           | 1,417,284           | 186,102             |
| Prior period adjustment   | -                   | -                   | -                   | 1,150,988           |
| Total OPEB liability - ending   | <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  | \$ 75,127           | \$ 85,373           | \$ 83,396           | \$ 84,418           |
| Net investment income   | -                   | -                   | -                   | -                   |
| Benefit payments  | (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>         |
| District's net OPEB liability   | <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       | <u>0.00%</u>        | <u>0.00%</u>        | <u>0.00%</u>        | <u>0.00%</u>        |
| Covered-employee payroll  | <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 | <u>17.11%</u>       | <u>15.94%</u>       | <u>15.66%</u>       | <u>15.74%</u>       |

**Notes to Schedule:**

Changes in assumptions: Discount rate changed from 3.36% as of 7/1/2019 to 1.86% as of 7/1/2020

**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 2021**

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

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

**Notes to Schedule:**

Benefit Changes: None

Changes in assumptions: Discount rate from 2.79% as of 6/30/19 to 2.66% as of 6/30/20

**NORTH EAST SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB – DISTRICT PLAN**  
**FOR THE YEARS ENDED JUNE 30, 2018 THROUGH 2021**

**District Plan - Other Post Retirement Benefits**

| For the year ended June 30,  | 2021         | 2020         | 2019         | 2018         |
|--|--------------|--------------|--------------|--------------|
| Actuarially determined contributions                                 | \$ 75,127    | \$ 85,373    | \$ 83,396    | \$ 84,418    |
| Contributions in relation to the actuarially determined contribution | (75,127)     | (85,373)     | (83,396)     | (84,418)     |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         |
| District's covered-employee payroll                                  | \$ 9,910,268 | \$ 9,627,770 | \$ 9,627,770 | \$ 9,005,426 |
| Contributions as a percentage of District's covered-employee payroll | 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: 1.86% as of July 1, 2020

Healthcare cost trend rates: 5.5% in 2020 through 2023. Rates gradually decreased from 5.4% in 2022 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 2021**

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

| For the year ended June 30,  | 2020          | 2019          | 2018          | 2017          |
|--|---------------|---------------|---------------|---------------|
| Actuarially determined contributions                                 | \$ 94,000     | \$ 92,000     | \$ 90,000     | \$ 90,000     |
| Contributions in relation to the actuarially determined contribution | (94,000)      | (92,000)      | (90,000)      | (90,000)      |
| Contribution deficiency (excess)                                     | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered-employee payroll                                  | \$ 11,217,217 | \$ 11,077,016 | \$ 10,895,968 | \$ 10,825,568 |
| Contributions as a percentage of District's covered-employee payroll | 0.84%         | 0.83%         | 0.83%         | 0.83%         |

**Notes to Schedule:**

Valuation date: 6/30/2019 and actuarially rolled forward to 6/30/2020

Methods and assumptions used to determine contribution rates:

|                             |   |
|-----------------------------|---|
| Actuarial cost method       | Entry Age Normal Level % of Salary Method                                     |
| Discount Rate               | 2.66% as of June 30, 2020   |
| Healthcare cost trend rates | Premium Assistance reimbursement is capped at \$1,200 per year.               |
| Salary increases            | 2.5% per year   |
| Mortality                   | RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2015 |



**NORTH EAST SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEARS ENDING JUNE 30, 2013 THROUGH 2020**

| Measurement date ended June 30,  | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          | 2014          | 2013          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability   | 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  | \$ 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  | \$ 11,186,112 | \$ 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<br>as a percentage of its covered-employee payroll | 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<br>total pension liability                                  | 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 2020**

| Measurement date ended June 30,                                      | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          | 2014          | 2013          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 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 | (3,731,687)   | (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                                  | \$ 11,186,112 | \$ 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            | 33.4%         | 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, 2021, the District reported in the Schedule of Federal Awards \$46,527 of donated commodities at fair market value received and disbursed.

**Note 3 – Indirect costs**

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

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

| Federal Grantor/Pass Through Grantor  | Source Code | Federal CFDA # | Pass-through Grantor's Number | Grant Period Beginning/ Ending Date | Program or Award Amount | Grant Received      | Revenue             | Expenditure         | Accrued or (Deferred) Revenue) 6/30/2021 |
|---|-------------|----------------|-------------------------------|-------------------------------------|-------------------------|---------------------|---------------------|---------------------|--|
| <b>United States Department of Education:</b>                               |             |                |                               |                                     |                         |                     |                     |                     |  |
| <b>Passed through the Pennsylvania Department of Education</b>              |             |                |                               |                                     |                         |                     |                     |                     |  |
| Title I   | 1           | 84.010         | 013-21-0287                   | 7/01/20-9/30/21                     | \$ 398,951              | \$ 342,140          | \$ 398,951          | \$ 398,951          | \$ 56,811                                |
| Title IIA   | 1           | 84.367         | 020-21-0287                   | 7/01/20-9/30/21                     | 57,427                  | 41,026              | 57,427              | 57,427              | 16,401                                   |
| Title IV  | 1           | 84.424         | 144-21-0287                   | 7/01/20-9/30/21                     | 32,357                  | 32,357              | 32,357              | 32,357              | -  |
| COVID-19, CARES Act - ESSER   | 1           | 84.425D        | 200-20-0287                   | 3/13/20-9/30/21                     | 350,436                 | 350,436             | 350,436             | 350,436             | -  |
| COVID-19, CARES Act - GEER  | 1           | 84.425C        | 253-20-0287                   | 3/13/20-9/30/21                     | 18,511                  | 3,897               | 18,511              | 18,511              | 14,614                                   |
| COVID-19, SECIM **  | 1           | 84.027         | 252-20-0287                   | 7/01/20-9/30/21                     | 6,941                   | 6,941               | 6,941               | 6,941               | -  |
|   |             |                |                               |                                     | <u>864,623</u>          | <u>776,797</u>      | <u>864,623</u>      | <u>864,623</u>      | <u>87,826</u>                            |
| <b>Passed through the Northwest Tri-County IU #5</b>                        |             |                |                               |                                     |                         |                     |                     |                     |  |
| IDEA, 611 **  | 2           | 84.027         | H027A200093                   | 7/01/20-6/30/21                     | 277,396                 | 277,396             | 277,396             | 277,396             | -  |
| IDEA, 619 **  | 2           | 84.173         | H173A200090                   | 7/01/20-6/30/21                     | 1,293                   | 1,293               | 1,293               | 1,293               | -  |
|   |             |                |                               |                                     | <u>278,689</u>          | <u>278,689</u>      | <u>278,689</u>      | <u>278,689</u>      | <u>-</u>                                 |
| <b>Passed through the Pennsylvania Commission on Crime and Delinquency:</b> |             |                |                               |                                     |                         |                     |                     |                     |  |
| COVID-19, ESSER   | 3           | 84.425D        | 2020-ES-01-35494              | 3/13/20-9/30/22                     | 48,601                  | -                   | 48,601              | 48,601              | 48,601                                   |
|   |             |                |                               |                                     | <u>48,601</u>           | <u>-</u>            | <u>48,601</u>       | <u>48,601</u>       | <u>48,601</u>                            |
| Total U.S. Department of Education  |             |                |                               |                                     | <u>1,191,913</u>        | <u>1,055,486</u>    | <u>1,191,913</u>    | <u>1,191,913</u>    | <u>136,427</u>                           |
| <b>U.S. Department of Treasury:</b>   |             |                |                               |                                     |                         |                     |                     |                     |  |
| <b>Passed through the Pennsylvania Commission on Crime and Delinquency:</b> |             |                |                               |                                     |                         |                     |                     |                     |  |
| COVID-19 - CARES Act, School Health and Safety Grants                       | 4           | 21.019         | 2020-CS-01-33608              | 3/01/20-10/30/20                    | 184,439                 | 184,439             | 184,439             | 184,439             | -  |
|   |             |                |                               |                                     | <u>184,439</u>          | <u>184,439</u>      | <u>184,439</u>      | <u>184,439</u>      | <u>-</u>                                 |
| Total U.S. Department of Treasury   |             |                |                               |                                     | <u>184,439</u>          | <u>184,439</u>      | <u>184,439</u>      | <u>184,439</u>      | <u>-</u>                                 |
| <b>U.S. Department of Health and Human Services:</b>                        |             |                |                               |                                     |                         |                     |                     |                     |  |
| <b>Passed through the Pennsylvania Department of Education:</b>             |             |                |                               |                                     |                         |                     |                     |                     |  |
| Medical Assistance  | 5           | 93.778         | 044-00-7287                   | 7/01/20-6/30/21                     | 9,835                   | 4,244               | 9,835               | 9,835               | 5,591                                    |
|   |             |                |                               |                                     | <u>9,835</u>            | <u>4,244</u>        | <u>9,835</u>        | <u>9,835</u>        | <u>5,591</u>                             |
| Total U.S. Department of Health and Human Services                          |             |                |                               |                                     | <u>9,835</u>            | <u>4,244</u>        | <u>9,835</u>        | <u>9,835</u>        | <u>5,591</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 ***              | 6           | 10.553         | 365-367                       | 7/01/20-6/30/21                     | n/a                     | 130,130             | 142,705             | 142,705             | 12,575                                   |
| COVID-19 Seamless Summer Option - School Lunch Program ***                  | 6           | 10.555         | 362                           | 7/01/20-6/30/21                     | n/a                     | 350,407             | 374,599             | 374,599             | 24,192                                   |
|   |             |                |                               |                                     | <u>n/a</u>              | <u>480,537</u>      | <u>517,304</u>      | <u>517,304</u>      | <u>36,767</u>                            |
| <b>Passed through the Pennsylvania Department of Agriculture</b>            |             |                |                               |                                     |                         |                     |                     |                     |  |
| School Lunch Program - non-cash assistance ***                              | 7           | 10.555         | n/a                           | 7/01/20-6/30/21                     | n/a                     | 46,527              | 46,527              | 46,527              | -  |
|   |             |                |                               |                                     | <u>n/a</u>              | <u>46,527</u>       | <u>46,527</u>       | <u>46,527</u>       | <u>-</u>                                 |
| Total U.S. Department of Agriculture  |             |                |                               |                                     | <u>n/a</u>              | <u>527,064</u>      | <u>563,831</u>      | <u>563,831</u>      | <u>36,767</u>                            |
| <b>Total Federal Assistance</b>   |             |                |                               |                                     | <b>\$ 1,386,187</b>     | <b>\$ 1,771,233</b> | <b>\$ 1,950,018</b> | <b>\$ 1,950,018</b> | <b>\$ 178,785</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 Education passed through the Pennsylvania Commission on Crime and Delinquency
- (4) United States Department of Treasury passed through the Pennsylvania Commission on Crime and Delinquency
- (5) United States Department of Health and Human Services passed through the Pennsylvania Department of Education
- (6) United States Department of Agriculture passed through the Pennsylvania Department of Education
- (7) 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 \$ 285,630

\*\*\* Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 563,831

**See accompanying independent auditor's report on supplementary information.**

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

**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, 2021, 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 16, 2021.

**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.

**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 16, 2021**

**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**

We have audited *North East School District's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of *North East School District's* major federal programs for the year ended June 30, 2021. *North East School District's* major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, *North East School District* complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

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

## **Report on Internal Control Over Compliance (continued)**

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

### **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 16, 2021**



**NORTH EAST SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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<br>CFDA<br>Number | Amount              |
|--------------------------------------|---------------------------|---------------------|
| Total expenditures of Federal Awards |                           | <u>\$ 1,950,018</u> |

**Identification of Major Programs Tested:**

|  |        |               |
|--|--------|---------------|
| COVID-19 Seamless Summer Option - School Breakfast Program *** | 10.553 | 142,705       |
| COVID-19 Seamless Summer Option - School Lunch Program ***     | 10.555 | 374,599       |
| School Lunch Program - non-cash assistance ***                 | 10.555 | <u>46,527</u> |

Total major programs tested \$ 563,831

% of Federal programs tested 28.9%

\*\*\* Constitutes a cluster of Federal programs

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

Auditee qualified as low risk?            x            yes                       no

**NORTH EAST SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**II. FINANCIAL STATEMENT AUDIT – FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Year ended June 30, 2021**

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

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

**A. COMPLIANCE**

**Year ended June 30, 2021**

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

**B. INTERNAL CONTROL OVER COMPLIANCE**

**Year ended June 30, 2021**

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

**I. FINANCIAL STATEMENT AUDIT – FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Year ended June 30, 2020**

There were no findings related to internal control over financial reporting during the fiscal year ended June 30, 2020.

**B. COMPLIANCE AND OTHER MATTERS**

**Year ended June 30, 2020**

There were no findings related to compliance and other matters during the fiscal year ended June 30, 2020.

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

**A. COMPLIANCE**

**Year ended June 30, 2020**

There were no findings related to compliance during the fiscal year ended June 30, 2020.

**B. INTERNAL CONTROL OVER COMPLIANCE**

**Year ended June 30, 2020**

There were no findings related to internal control over compliance during the fiscal year ended June 30, 2020.



**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, 2021 and have issued our reports thereon dated December 16, 2021. 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, 2021, 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, 2017 through June 30, 2021.

*Buffamante Whipple Buttafaro PC*

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

**Olean, New York  
December 16, 2021**

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

|   | 6/30/2021       | 6/30/2020       | 6/30/2019       | 6/30/2018        | 6/30/2017        |
|---|-----------------|-----------------|-----------------|------------------|------------------|
| <b>Revenue and other sources</b>                        |                 |                 |                 |                  |                  |
| Tax revenue   | \$ 9,396        | \$ 9,323        | \$ 9,275        | \$ 9,284         | \$ 8,947         |
| Other local sources                                     | 415             | 773             | 870             | 504              | 390              |
| State aid   | 15,093          | 14,770          | 14,514          | 14,256           | 17,541           |
| Federal aid   | 1,191           | 621             | 658             | 692              | 704              |
| Bond refunding and all other                            | -               | -               | -               | -                | 5,886            |
|   | <u>26,096</u>   | <u>25,487</u>   | <u>25,317</u>   | <u>24,736</u>    | <u>33,468</u>    |
| <b>Expenditures and other uses</b>                      |                 |                 |                 |                  |                  |
| Instruction   | 14,678          | 14,639          | 13,963          | 13,429           | 13,241           |
| Administration  | 2,030           | 2,008           | 1,981           | 1,882            | 1,959            |
| Other support services                                  | 5,898           | 4,959           | 5,179           | 4,984            | 4,787            |
| Noninstructional services                               | 598             | 607             | 597             | 642              | 634              |
| Debt service  | 1,544           | 1,544           | 1,543           | 1,551            | 1,091            |
| Bond refunding and all other                            | -               | -               | -               | -                | 5,788            |
| Transfers to other funds                                | 2,719           | 1,691           | 5,199           | 2,138            | 613              |
|   | <u>27,467</u>   | <u>25,448</u>   | <u>28,463</u>   | <u>24,626</u>    | <u>28,113</u>    |
| <b>Excess (deficiency) of revenue over expenditures</b> | (1,371)         | 39              | (3,146)         | 110              | 5,355            |
| <b>Fund equity</b>                                      |                 |                 |                 |                  |                  |
| Beginning of year                                       | 9,783           | 9,744           | 12,890          | 12,780           | 7,425            |
| End of year   | <u>\$ 8,411</u> | <u>\$ 9,783</u> | <u>\$ 9,744</u> | <u>\$ 12,890</u> | <u>\$ 12,780</u> |

**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.

**School Lunch Fund – Claims for Reimbursement**

During the audit we noted errors in the submission of several monthly claims for reimbursement of meals served. The errors in total amounted to less than \$1,000. We recommend the District implement procedures to ensure the accurate reporting and submission of reimbursement claims.

**GASB 87- Accounting for Leases**

In 2017, the Governmental Accounting Standards Board issued Statement No. 87, Accounting for Leases, which will be effective for the fiscal year ending June 30, 2022. The primary objective of this is new standard is to bring most leases onto the balance sheet. The goal is to determine if any operating leases contain a right-to-use asset and record an asset and liability related to that lease. Also under the new standard there will be changes in the terms used for the two classifications; operating leases and finance leases (previously capital leases) and additional financial statement disclosures. We recommend that the District begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new lease standard, which may include continuing education, webinars and further training.

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