

**SOUTH EASTERN SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Eastern School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Eastern School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As disclosed in Note 1, to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions* as of July 1, 2014. The District expanded its note disclosures and required supplementary information related to its pension plans. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Eastern Area School District’s basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of the South Eastern School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Eastern School District's internal control over financial reporting and compliance.

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

Camp Hill, Pennsylvania  
November 10, 2015

**SOUTH EASTERN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2015**

The management discussion and analysis of South Eastern School District provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of the discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes in conjunction with the discussion and analysis to enhance their understanding of the School District's financial performance.

**Overview of the Financial Statements**

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

**District-wide Statements**

*Statement of Net Position and Statement of Activities*

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

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

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

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

## Fund Financial Statements

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

Funds at South Eastern School District include:

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

## Financial Highlights

- ✚ Total net position of governmental activities decreased by \$57,558,706, changing from \$38.8 million in 2013-2014 to **negative** \$18.7 million in the 2014-2015 fiscal year as a result of a new requirement to record the District's share of the retirement liability at the Public School Employees' Retirement System (PSERS). Prior to recording the retirement liability, the District's net position had increased by \$5,328,253 to a total of \$44.2 million, primarily due to additions in capital assets and debt reduction.
- ✚ Total outstanding debt decreased by \$2,974,000 during 2014-2015 as principal payments were made on existing debt.
- ✚ Actual governmental revenues increased by 3.48%, while governmental program expenditures increased by 4.89%. A transfer from the general fund to the cafeteria fund in the amount of \$120,000 was completed to subsidize food service employee benefits and equipment purchases.
- ✚ The school board authorized the transfer of \$2,500,000 to the Capital Reserve Fund for future building improvements.
- ✚ General Fund unassigned fund balance of \$3,893,151 and assigned fund balance of \$12 (escrow for the snow removal contract) at June 30, 2015, represents 7.88% of the 2014-2015 General Fund Approved Budget. General Fund non-spendable fund balance includes \$4,209,628 for medical insurance prepayments with Lincoln Benefit Trust and \$11,694 for pollution insurance prepayments. General Fund committed fund balance remains unchanged from the prior year at \$5,988,238 for retirement contribution increases.
- ✚ Total governmental fund balances equaled \$28,440,606. The following shows the breakdown by fund:
  - General Fund Balance of \$14,102,723 (assigned, unassigned, committed, and non-spendable)
  - Capital Projects Fund Balance of \$14,337,883.

## Reporting the School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of net position for 2014-2015 compared to 2013-2014.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 40,275,742	\$ 34,845,887	\$ 195,748	\$ 215,897	\$ 40,471,490	\$ 35,061,784
Capital assets, net	49,244,827	58,231,601	48,938	41,095	49,293,765	58,272,696
<b>Total assets</b>	<b>\$ 89,520,569</b>	<b>\$ 93,077,488</b>	<b>\$ 244,686</b>	<b>\$ 256,992</b>	<b>\$ 89,765,255</b>	<b>\$ 93,334,480</b>
Deferred outflows of resources	\$ 537,136	\$ 4,550,828	\$ -	\$ 14,979	\$ 537,136	\$ 4,565,807
Current and other liabilities	\$ 7,420,544	\$ 5,654,906	\$ 166,920	\$ 173,393	\$ 7,587,464	\$ 5,828,299
Long-term liabilities	43,786,663	105,907,159	13,039	237,992	43,799,702	106,145,151
<b>Total liabilities</b>	<b>\$ 51,207,207</b>	<b>\$ 111,562,065</b>	<b>\$ 179,959</b>	<b>\$ 411,385</b>	<b>\$ 51,387,166</b>	<b>\$ 111,973,450</b>
Deferred outflows of resources	\$ -	\$ 4,774,459	\$ -	\$ 17,541	\$ -	\$ 4,792,000
Net Position						
Net investment in capital assets	\$ 27,065,480	\$ 31,109,436	\$ 48,938	\$ 41,095	\$ 27,114,418	\$ 31,150,531
Unrestricted	11,785,018	(49,817,644)	15,789	(198,050)	11,800,807	(50,015,694)
<b>Total net position</b>	<b>\$ 38,850,498</b>	<b>\$ (18,708,208)</b>	<b>\$ 64,727</b>	<b>\$ (156,955)</b>	<b>\$ 38,915,225</b>	<b>\$ (18,865,163)</b>

### Governmental Activities

On June 30, 2015, the School District had total net position from governmental activities of **negative** \$18,708,208; which was a decrease of 148.15% or \$57,588,706. Total governmental assets increased by 3.97% or \$3,556,919, while governmental liabilities increased by 117.86% or \$60,354,858. Factors that significantly affected net position in the 2014-2015 fiscal year were:

- ✚ Retirement obligation liability prior period adjustment of \$61,526,955 was recorded as of July 1, 2014, per new regulations, which resulted in a negative fund balance for the government-wide, full accrual net position.
- ✚ General fund cash and investments decreased by \$891,781 from the prior year. Capital project cash decreased by \$7,864,363 due to purchase of capital assets and elementary renovation projects. Capital reserve cash increased by \$1,707,935 as the \$2.45 million transfer from 2013-2014 was partially offset by spending for roofing projects in 2014-2015.
- ✚ Outstanding debt decreased by \$2,974,000 as a result of principal repayments on existing debt. All bonds are at fixed rates, as described in note 7 of the financial statements.

Table 2 reflects the change in net position for fiscal year 2014-2015 compared to fiscal year 2013-2014.

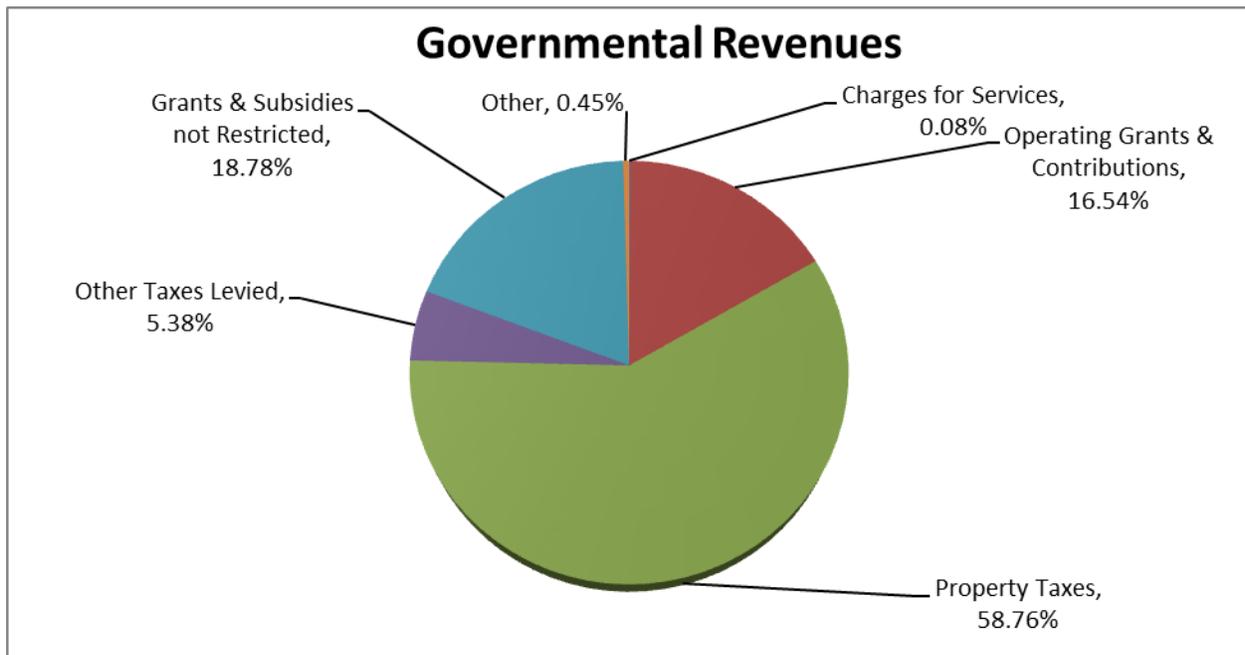
Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 52,929	\$ 42,690	\$ 611,730	\$ 550,867	\$ 664,659	\$ 593,557
Operating grants and contributions	7,384,512	8,335,126	446,256	461,250	7,830,768	8,796,376
General revenues						
Property taxes	28,913,137	29,603,194	-	-	28,913,137	29,603,194
Other taxes	2,623,408	2,711,388	-	-	2,623,408	2,711,388
Grants, subsidies and contributions not restricted	9,484,889	9,463,604	-	-	9,484,889	9,463,604
Investment earnings	51,079	60,446	-	-	51,079	60,446
Transfers	(145,000)	(120,000)	145,000	120,000	-	-
Loss on disposal of assets	-	(96,410)	-	-	-	(96,410)
Miscellaneous	115,967	167,528	40	30	116,007	167,558
<b>Total revenues</b>	<b>48,480,921</b>	<b>50,167,566</b>	<b>1,203,026</b>	<b>1,132,147</b>	<b>49,683,947</b>	<b>51,299,713</b>
<b>Expenses</b>						
Instruction	28,124,272	29,120,391	-	-	28,124,272	29,120,391
Instructional student support	3,520,834	2,775,425	-	-	3,520,834	2,775,425
Administrative and financial support	3,388,620	4,753,854	-	-	3,388,620	4,753,854
Operation and maintenance of plant	4,414,795	4,765,568	-	-	4,414,795	4,765,568
Pupil transportation	2,532,328	2,620,521	-	-	2,532,328	2,620,521
Student activities	923,864	1,007,161	-	-	923,864	1,007,161
Community service	7,850	9,884	-	-	7,850	9,884
Interest on long-term debt	1,134,723	1,146,513	-	-	1,134,723	1,146,513
Food service	-	-	1,203,694	1,127,784	1,203,694	1,127,784
<b>Total expenses</b>	<b>44,047,286</b>	<b>46,199,317</b>	<b>1,203,694</b>	<b>1,127,784</b>	<b>45,250,980</b>	<b>47,327,101</b>
<b>Changes in net position</b>	<b>\$ 4,433,635</b>	<b>\$ 3,968,249</b>	<b>\$ (668)</b>	<b>\$ 4,363</b>	<b>\$ 4,432,967</b>	<b>\$ 3,972,612</b>

Governmental revenue, excluding business-type activity transfers, increased by 3.48% from \$48.5 million to \$50.2 million. Reasons for the increase are primarily attributed to the following changes:

- ✚ Property tax revenues increased by 2.39% or \$690,057. This category includes current real estate taxes, interim real estate taxes, payments in lieu of current taxes, and delinquent real estate taxes. Current real estate taxes increased by 2.56% or \$664,221 as a result an additional .32 mills from 21.4706 to 21.7927. The District collected 97% of assessed taxes. Delinquent real estate tax revenue decreased by 8% or \$89,490.
- ✚ Other taxes levied revenues increased by 3.35% or \$87,980. This category includes earned income, occupational privilege, real estate transfer taxes, public utility, and delinquent earned income taxes. Increases were noted in earned income tax and delinquent earned income tax collection.

- ✦ Operating grants and contributions increased by 12.87% or \$950,614. Bond reimbursement increased by 38% or \$209,452 as bond payments increased as scheduled. Revenue received from the state for reimbursement for retirement increased by 25.32% or \$439,304 as the retirement contribution rate increased. Federal Title I grant and State Ready to Learn Block grant awards increased by \$170,043 and \$165,239, respectively.
- ✦ Grants and subsidies not restricted remained flat as the Basic Education Subsidy was unchanged from the prior year. Charges for services decreased by 19.34% or \$10,239. Charges for services include revenue received from other school districts for mainstreaming, children placed in private homes, and rental of school facilities.
- ✦ Investment earnings increased by 18.34% or \$9,367 due to investment of unspent bond proceeds from General Obligation Bond A of 2013, designated for elementary renovation and other major projects. As investments mature, reinvested interest rates remain flat.



Continuing the trend of contributing the majority of governmental revenues, property taxes provided 58.76% of total governmental revenues in 2014-2015, down slightly from 59.46% of total governmental revenues in 2013-2014. Other major contributors to governmental revenue include operating grants and contributions at 16.54%, grants and subsidies not restricted at 18.78%, and other taxes levied at 5.38%. As a percentage of total revenue, the charges for service, investments, and other categories comprise less than 1 %.

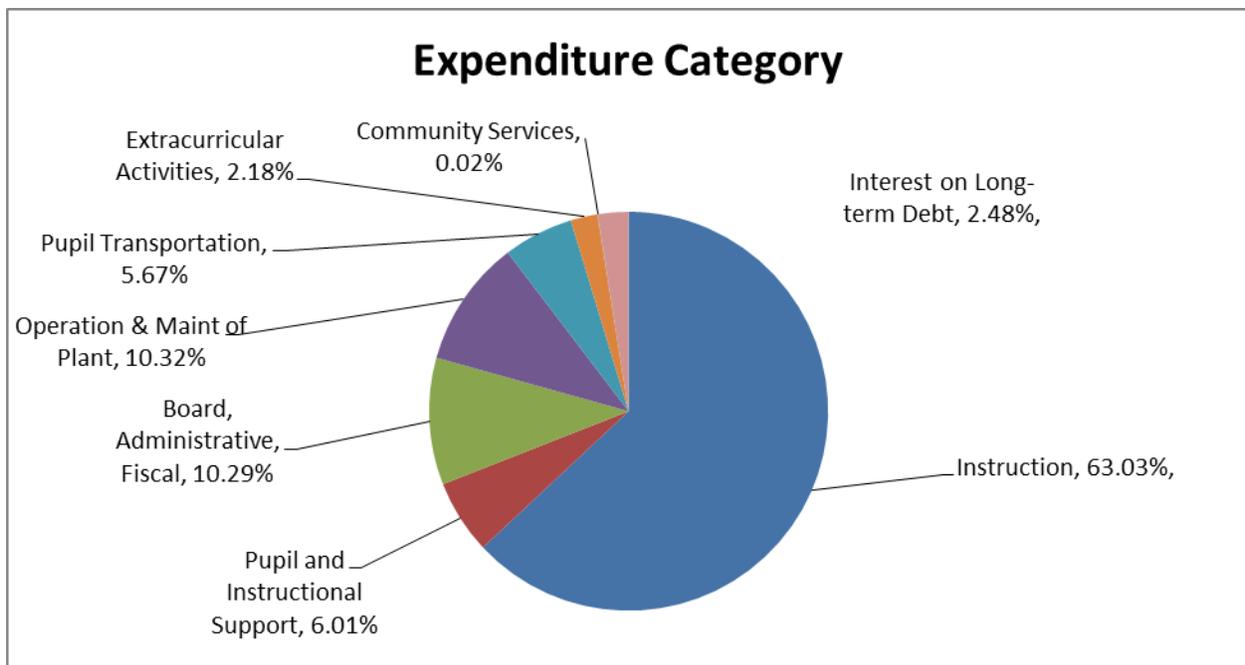
Governmental program expenditures increased by 4.89% from \$44.0 million to \$46.2 million. Major changes within the expenditure categories include:

- ✦ Total annual wages decreased by 2.35% as a result of attrition.
- ✦ The PSERS employer contribution rate for employee retirement increased, changing from 16.93% in 2013-2014 to 21.40% in 2014-2015. Retirement expense increased by 23.78% or \$802,948. Retirement expense was 21.25% of total wages.

- Total group insurance expenses decreased slightly by 0.6%; which was comprised of medical and vision insurance decrease of 0.10% or \$4,377, dental insurance decrease of 0.56% or \$1,239, life insurance decrease of 4.16% or \$908, and long-term disability decrease of 1.15% or \$42.
- Special education costs increased by 22.33% or \$344,909 and professional development expenditures increased by 30.77% or \$136,260.
- Debt interest payments increased by 11.61% or \$131,921. Debt principal and fund transfers in total increased by 3.75% or \$202,000. The board authorized transfer to the Capital Reserve Fund of unassigned and assigned fund balance in excess of 8% of the annual budget, which resulted in a \$2,500,000 transfer.
- Student tuition costs decreased by 5.68% with most of the decrease attributed to a decline in cyber charter school enrollment. Table 3 compares tuition expenses from the 2014-2015 to the 2013-2014 fiscal year.

Table 3  
Tuition Costs

Description	2014	2015	Dollar Change	Percent of Change
Other Public Schools	\$ 153,316	\$ 148,267	\$ (5,049)	-3.29%
Charter Schools	1,025,375	858,961	(166,414)	-16.23%
Vocational Tech Schools	1,199,330	1,182,638	(16,692)	-1.39%
Special Education Placement	635,329	651,304	15,975	2.51%
Private Schools/PRRIs	47,682	46,133	(1,549)	-3.25%
	<u>\$ 3,061,032</u>	<u>\$ 2,887,303</u>	<u>\$ (173,729)</u>	<u>-5.68%</u>



Instructional costs contributed to 63.03% of total program expenses for governmental activities for South Eastern School District in fiscal year 2014-2015.

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

Table 4  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2015	2014	2015
Instruction	\$ 28,124,272	\$ 29,120,391	\$ 22,893,249	\$ 23,169,981
Support Services				
Pupil and instruction staff	3,520,834	2,775,425	3,175,275	2,414,887
Board of Education,				
Administrative and fiscal	3,350,826	4,753,854	3,059,218	4,316,740
Operation and maintenance of plant	4,452,589	4,765,568	4,268,070	4,548,713
Pupil transportation	2,532,328	2,620,521	1,349,231	1,416,408
Student activities	923,864	1,007,161	817,575	886,406
Community	7,850	9,884	7,850	9,884
Interest on long-term debt	1,134,723	1,146,513	1,039,377	1,058,482
<b>Total expenses</b>	<b>\$ 44,047,286</b>	<b>\$ 46,199,317</b>	<b>\$ 36,609,845</b>	<b>\$ 37,821,501</b>

Only 18.13% of the 2014-2015 total cost of services for the governmental activities was funded by charges for services, grants, and contributions. The remaining costs were funded by tax revenues and the basic instructional subsidy received from the state.

#### *Business-Type Activities*

The business-type activity at South Eastern School District is the food service operation. The School District provides both breakfast and lunch programs for grades K through 12, and breakfast for Pre-K students. This program had revenues of \$1,012,147, a transfer in from the general fund of \$120,000 and expenses of \$1,127,784 for the 2014-2015 fiscal year.

School lunch prices increased by five cents; breakfast and milk remained the same. The School District received 45.57% of its revenues from operating grants and contributions from the federal and state reimbursable breakfast and lunch programs. Revenue from state and federal subsidies increased by 3.36% or \$14,994. Total operating revenues decreased by 9.95% or \$60,873. Expenditures decreased by 6.31% or \$75,910. Total net position is **negative** \$156,955 as a result of a new accounting pronouncement requiring the recording of pension liability for food service employees. Prior to recording the pension liability, net position was \$74,086.

#### **General Fund Budgeting Highlights**

For the 2014-2015 fiscal year, general fund revenue was higher than budget, reflecting an increase of 2.46% or \$1,204,239. Local revenue was greater than budgeted by 2.49% or \$800,733, as a result of additional collection of real estate taxes and earned income taxes. State funded revenue was greater than budget by 2.55% or \$415,942 as a result of additional Ready to Learn Block grant funding and additional Special Education subsidy. Federal revenue was under budget by 2.57% or \$12,436 due to non-receipt of budgeted medical Access funds.

Total general fund expenditures were under budget by 5.94% or \$2,920,221, exclusive of transfers. Total other financing sources and uses of funds were over budget even though the budgetary reserve of \$100,000 was not needed because of the unbudgeted transfer to the Capital Reserve Fund of \$2,500,000. The transfer was authorized by the Board of School Directors to reserve funds for major repairs/renovations and to comply with fund balance limitations. Other significant expenditure budget variances are discussed below.

- ✦ Salaries and benefits were lower than budget due to some unfilled positions and corresponding lower retirement and FICA payments. Additionally, savings in healthcare, dental, and vision costs were realized due to plan changes implemented January 1, 2015 for professional staff and an unanticipated decline in medical claims.
- ✦ Professional service costs were over budget because costs for additional multi-handicapped support and student assistants at Lincoln Intermediate Unit 12 were incurred.
- ✦ Alternative education placements were under budget as fewer regular education students required these services.
- ✦ Electricity purchases were under budget. Participation in Intermediate Unit 13 electricity consortium allows for hedging of future electricity purchases and cost savings. Additionally, two elementary buildings were converted to geothermal heating and air conditioning, making budgeting for electricity usage more challenging.
- ✦ Fuel oil costs were under budget. The District participates in Lincoln Intermediate Unit 12 fuel consortium and hedged approximately 80% of projected volume at a favorable price. The remaining fuel needed was purchased at market prices, which were lower than the hedged price.

Ending fund balance was 36.68% or \$3,784,334 higher than budgeted. Although an unbudgeted transfer from General Fund to Capital Reserve Fund in the amount of \$2,500,000 was made, revenues exceeded budget by \$1,204,239, expenditures were under budget by \$2,920,221, and budgetary reserve of \$104,848 was not needed. Non-spendable fund balance was \$2.1 million higher than budgeted as a result of lower medical claims experience and changes in the medical benefit plan resulting in reserves of approximately \$1.2 million and a beginning fund balance that was approximately \$900,000 higher than originally budgeted.

**Fixed Assets**

At June 30, 2015, total net governmental capital assets increased by \$8,986,774. The increase in capital assets resulted from equipment purchases, construction in process, and elementary school improvements of \$11,230,956 is offset by net disposals of \$117,710 and by depreciation expense of \$2,126,472. Capital Reserve funds were spent in on roofing projects at Delta-Peach Bottom Elementary and Stewartstown Elementary. Capital Projects funds were spent in the following categories:

- Construction-in-process           \$8,796,627
- Machinery and equipment         \$ 328,687
- Building improvement             \$ 426,705

Table 5  
Capital Assets at June 30, 2015  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land	\$ 1,115,863	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863	\$ 1,115,863
Site improvements	1,516,780	1,385,946	-	-	1,516,780	1,385,946
Building and building improvements	39,993,001	39,985,091	-	-	39,993,001	39,985,091
Machinery and equipment	3,937,054	3,859,907	48,938	41,095	3,985,992	3,901,002
Construction-in-progress	2,682,129	11,884,794	-	-	2,682,129	11,884,794
Total capital assets	<u>\$ 49,244,827</u>	<u>\$ 58,231,601</u>	<u>\$ 48,938</u>	<u>\$ 41,095</u>	<u>\$ 49,293,765</u>	<u>\$ 58,272,696</u>

## Debt

At June 30, 2015, the South Eastern School District had \$40,887,000 in bonds outstanding. Table 6 summarizes and compares bonds outstanding for the 2014-2015 and 2013-2014 fiscal years.

Table 6  
Bonds Outstanding

General Obligation Bonds:	2014	2015
Series of 2002 - Refunding of Series of 2000	\$ 5,601,000	\$ 4,947,000
Series of 2009 - Refunding of Series of 2003	1,685,000	1,020,000
Series of 2012 - Refunding of Series A of 2008	9,725,000	9,720,000
Series of 2013 - Refunding of Series of 2005, Series A of 2005, and Series of 2008	9,645,000	8,000,000
Series A of 2013 - Elementary Renovations and projects	17,205,000	17,200,000
Total Outstanding Debt	<u>\$ 43,861,000</u>	<u>\$ 40,887,000</u>

## Ancillary Required Debt Disclosure Data

Student enrollment history and projections are provided in the chart below from the Pennsylvania Department of Education based on live births. Disclosure of this information is required as part of the District's bond covenants.

DISCLOSURE OF OPERATIONAL DATA

Year	PUPIL ENROLLMENT		
	Elementary	Secondary	Total
2000-2001	1,531	1,564	3,095
2001-2002	1,529	1,638	3,167
2002-2003	1,247	2,098	3,345
2003-2004	1,228	2,055	3,283
2004-2005	1,186	2,082	3,268
2005-2006	1,190	2,098	3,288
2006-2007	1,164	2,109	3,273
2007-2008	1,215	2,066	3,281
2008-2009	1,607	1,474	3,081
2009-2010	1,580	1,447	3,027
2010-2011	1,523	1,406	2,929
2011-2012	1,555	1,355	2,910
2012-2013 projected	1,482	1,305	2,787
2012-2013 beginning	1,549	1,361	2,910
2012-2013 yr end	1,547	1,317	2,864
2013-2014 projected	1,442	1,227	2,669
2013-2014 beginning	1,507	1,252	2,759
2013-2014 yr end	1,507	1,220	2,727
2014-2015 projected	1,364	1,190	2,554
2014-2015 beginning	1,461	1,233	2,694
2014-2015 yr end	1,430	1,198	2,628
2015-2016 projected	1,299	1,179	2,478
2015-2016 beginning	1,412	1,215	2,627
2016-2017 projected	1,234	1,157	2,391
2017-2018 projected	1,192	1,145	2,337
2018-2019 projected	1,157	1,105	2,262
2019-2020 projected	1,105	1,086	2,191

*Projections from Pennsylvania Department of Education*

[http://www.education.state.pa.us/portal/server.pt/community/enrollment\\_projections/18805](http://www.education.state.pa.us/portal/server.pt/community/enrollment_projections/18805)

Additionally, bond covenants require disclosure of the District's top ten taxpayers. Accordingly, the ten largest tax assessments by fiscal year from 2007-2008 to 2015-2016 are provided in the charts below.

DISCLOSURE OF OPERATIONAL DATA  
TOP TEN TAXPAYERS

Name	Property Assessed Value									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
EXELON GENERATION COMPANY LLC	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
CONNECTIV MID MERIT LLC	-	-	-	-	10,814,870	10,814,870	10,814,870	10,814,870	10,814,870	11,053,260
HOME DEPOT USA INC	5,757,430	5,757,430	5,757,430	5,757,430	5,757,430	5,757,430	5,757,430	5,757,430	5,757,430	4,840,000
STEWARTSTOWN COURTYARD LP	-	-	-	-	4,656,690	4,656,690	4,656,690	4,656,690	4,656,690	4,656,690
STONEBRIDGE HOSPITALITY PARTNERSHIP	3,838,960	3,838,960	3,838,960	3,838,960	3,838,960	3,838,960	3,838,960	3,838,960	3,838,960	3,838,960
TWOTON INCORPORATED	-	-	-	2,694,010	2,694,010	2,694,010	2,694,010	2,694,010	2,694,010	2,694,010
STONEBRIDGE FLEX I	2,888,170	2,888,170	2,888,170	2,888,170	2,888,170	2,888,170	2,888,170	2,249,000	2,249,000	2,249,000
RIACH FAMILY LIMITED PARTNERSHIP	2,715,530	2,715,530	2,715,530	2,715,530	2,715,530	2,301,750	2,301,750	2,301,750	2,301,750	2,301,750
WELLSPAN PROPERTIES INC	2,261,600	2,261,600	2,261,600	2,261,600	2,261,600	2,261,600	2,261,600	2,261,600	2,261,600	2,261,600
STONEBRIDGE PLAZA LP	-	-	2,076,090	2,076,090	-	2,076,090	2,076,090	-	-	-
STEWARTSTOWN STATION VILLAGE	-	2,013,840	2,013,840	2,013,840	-	-	-	2,133,290	2,133,290	2,133,290
TBBGL PROPERTIES INC	1,717,700	1,717,700	1,717,700	1,717,700	2,717,700	-	-	-	-	-
MOST PROPERTIES LLC	1,313,230	1,313,230	1,313,230	-	-	-	-	-	-	-
PRINDLE HARLOWE TRUSTEE	1,217,930	1,217,930	-	-	-	-	-	-	-	-
SUNRISE HOLDINGS	1,188,470	-	-	-	-	-	-	-	-	-
	<u>\$ 37,899,020</u>	<u>\$ 38,724,390</u>	<u>\$ 39,582,550</u>	<u>\$ 40,963,330</u>	<u>\$ 53,344,960</u>	<u>\$ 52,289,570</u>	<u>\$ 52,289,570</u>	<u>\$ 51,707,600</u>	<u>\$ 51,028,560</u>	

## **Economic Impact/Future Concerns**

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

The Public School Employees' Retirement System (PSERS) rate for 2014-2015 is 21.40% and for 2015-2016 is 25.84%. PSERS has published future rate projections of 29.69%, 30.62%, 31.56%, and 32.23% for fiscal years 2016-2017 to 2019-2020. After 2019-2020, the projected contribution rate begins to decrease slightly. To prepare for future rate increases, the District has been successful in managing staffing needs and maintaining a committed fund balance of \$5,988,238 as of June 30, 2015.

Strategic fiscal management and staff reductions have enabled South Eastern to maintain a committed fund balance; however, escalating retirement and healthcare costs place an undue burden on district finances and draw resources away from programs and facilities. We continue to examine and make adjustments to healthcare by identifying measures for cost containment and future penalty avoidance. Unfortunately, we have no voice in the PSERS employer contribution rate.

In addition, the lack of reform to cyber charter school funding, the uncertainty surrounding the future of PlanCon, and the continued rollout of unfunded state mandates have the potential to deplete already limited district resources. Intervention and enrichment programs for students, enabling us to personalize instruction and prepare our graduates for college and career, have suffered. In essence, it has become increasingly more difficult to deliver on our district mission...*providing progressive education to strengthen the global community.*

As of this writing, the Commonwealth of Pennsylvania has not passed a budget for the 2015-2016 fiscal year, and has stopped the flow of state and federal grant funds to the District. The District is monitoring cash flow needs, and is concerned about the impact of the financial impasse on organizations providing education to District students at the vocational technical center, Lincoln Intermediate Unit 12, and other placements. The impasse challenges District financial planning and budgeting.

## **Contacting the School District's Financial Management**

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

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,820,422	\$ 68,968	\$ 4,889,390
Investments	23,438,513	-	23,438,513
Receivables	2,364,820	56,886	2,421,706
Inventories	-	36,579	36,579
Prepaid expenses	4,222,132	53,464	4,275,596
Capital assets			
Land and construction-in-progress	13,000,657	-	13,000,657
Other capital assets, net of depreciation	45,230,944	41,095	45,272,039
Total capital assets	58,231,601	41,095	58,272,696
<b>Total assets</b>	<b>\$ 93,077,488</b>	<b>\$ 256,992</b>	<b>\$ 93,334,480</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	\$ 4,077,021	\$ 14,979	\$ 4,092,000
Deferred amounts on refunding debt	473,807	-	473,807
<b>Total deferred outflows of resources</b>	<b>\$ 4,550,828</b>	<b>\$ 14,979</b>	<b>\$ 4,565,807</b>
<b>Liabilities</b>			
Internal balances	\$ (121,300)	\$ 121,300	\$ -
Accounts payable and accrued expenses	5,702,744	25,271	5,728,015
Unearned revenues	73,462	26,822	100,284
Long-term liabilities			
Due within one year	3,057,000	-	3,057,000
Due in more than 1 year	102,850,159	237,992	103,088,151
Total long-term liabilities	105,907,159	237,992	106,145,151
<b>Total liabilities</b>	<b>\$ 111,562,065</b>	<b>\$ 411,385</b>	<b>\$ 111,973,450</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	\$ 4,774,459	\$ 17,541	\$ 4,792,000
<b>Net Position</b>			
Net investment in capital assets	\$ 31,109,436	\$ 41,095	\$ 31,150,531
Unrestricted	(49,817,644)	(198,050)	(50,015,694)
<b>Total net position</b>	<b>\$ (18,708,208)</b>	<b>\$ (156,955)</b>	<b>\$ (18,865,163)</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 29,120,391	\$ 16,045	\$ 5,934,365	\$ -	\$ (23,169,981)	\$ -	\$ (23,169,981)
Instructional student support	2,775,425	-	360,538	-	(2,414,887)	-	(2,414,887)
Administration and financial support	4,753,854	-	437,114	-	(4,316,740)	-	(4,316,740)
Operation and maintenance of plant	4,765,568	26,645	190,210	-	(4,548,713)	-	(4,548,713)
Pupil transportation	2,620,521	-	1,204,113	-	(1,416,408)	-	(1,416,408)
Student activities	1,007,161	-	120,755	-	(886,406)	-	(886,406)
Community services	9,884	-	-	-	(9,884)	-	(9,884)
Interest on long-term debt	1,146,513	-	88,031	-	(1,058,482)	-	(1,058,482)
<b>Total governmental activities</b>	<b>46,199,317</b>	<b>42,690</b>	<b>8,335,126</b>	<b>-</b>	<b>(37,821,501)</b>	<b>-</b>	<b>(37,821,501)</b>
<b>Business-Type Activities:</b>							
Food service	1,127,784	550,867	461,250	-	-	(115,667)	(115,667)
<b>Total primary government</b>	<b>\$ 47,327,101</b>	<b>\$ 593,557</b>	<b>\$ 8,796,376</b>	<b>\$ -</b>	<b>\$ (37,821,501)</b>	<b>\$ (115,667)</b>	<b>\$ (37,937,168)</b>
<b>General Revenues:</b>							
Property taxes, levied for general purposes, net					\$ 29,603,194	\$ -	\$ 29,603,194
Public utility realty, earned income, and other Sec 679 and Act 511 taxes					2,711,388	-	2,711,388
Grants, subsidies and contributions not restricted					9,463,604	-	9,463,604
Investment earnings					60,446	-	60,446
Transfers					(120,000)	120,000	-
Loss on disposal of fixed asset					(96,410)	-	(96,410)
Miscellaneous income					167,528	30	167,558
<b>Total general revenues</b>					<b>41,789,750</b>	<b>120,030</b>	<b>41,909,780</b>
<b>Changes in net position</b>					<b>3,968,249</b>	<b>4,363</b>	<b>3,972,612</b>
<b>Net Position - July 1, 2014 (as previously reported)</b>					<b>38,850,498</b>	<b>64,727</b>	<b>38,915,225</b>
Prior period adjustment (see Note 11)					(61,526,955)	(226,045)	(61,753,000)
<b>Net Position - July 1, 2014 (restated)</b>					<b>(22,676,457)</b>	<b>(161,318)</b>	<b>(22,837,775)</b>
<b>Net Position - June 30, 2015</b>					<b>\$ (18,708,208)</b>	<b>\$ (156,955)</b>	<b>\$ (18,865,163)</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2015**

	General Fund	Capital Projects Fund	Debt Service	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 2,771,065	\$ 2,049,357	\$ -	\$ 4,820,422
Investments	10,708,513	12,730,000	-	23,438,513
Receivables				
Taxes	1,381,377	-	-	1,381,377
Federal subsidies	34,059	-	-	34,059
State subsidies	765,119	-	-	765,119
Other	172,575	-	-	172,575
Due from other governments	11,690	-	-	11,690
Due from other funds	1,463,559	2,500,000	-	3,963,559
Prepaid expenses	4,221,322	810	-	4,222,132
<b>Total assets</b>	<b>\$ 21,529,279</b>	<b>\$ 17,280,167</b>	<b>\$ -</b>	<b>\$ 38,809,446</b>
<b>Liabilities</b>				
Due to other funds	\$ 2,500,000	\$ 1,342,259	\$ -	\$ 3,842,259
Due to other governments	66,619	-	-	66,619
Accounts payable	427,685	1,600,025	-	2,027,710
Accrued salaries and benefits	3,191,230	-	-	3,191,230
Payroll withholdings	128,769	-	-	128,769
Unearned revenues	73,462	-	-	73,462
<b>Total liabilities</b>	<b>6,387,765</b>	<b>2,942,284</b>	<b>-</b>	<b>9,330,049</b>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	1,038,791	-	-	1,038,791
<b>Fund Balances</b>				
Restricted for capital projects	-	14,337,883	-	14,337,883
Nonspendable	4,221,322	-	-	4,221,322
Committed	5,988,238	-	-	5,988,238
Assigned	12	-	-	12
Unassigned	3,893,151	-	-	3,893,151
<b>Total fund balances</b>	<b>14,102,723</b>	<b>14,337,883</b>	<b>-</b>	<b>28,440,606</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 21,529,279</b>	<b>\$ 17,280,167</b>	<b>\$ -</b>	<b>\$ 38,809,446</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2015**

<b>Total fund balances - governmental funds</b>		<b>\$ 28,440,606</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$87,100,486 and the accumulated depreciation is \$28,868,885.		58,231,601
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred inflows in the funds.		1,038,791
The difference between the reacquisition price and the net carrying amount of the old debt is a deferred outflow of resources, which is not reported in the funds.		473,807
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote for detail)		
Deferred inflows		(4,774,459)
Deferred outflows		4,077,021
Bond discounts and premiums are reported in the governmental funds when debt is issued. The Statement of Net Position reports these items as assets or liabilities with amortization over the life of related debt.		
Unamortized bond discounts	18,078	
Unamortized bond premiums	(1,064,933)	(1,046,855)
Long-term liabilities, including bonds payable, arbitrage-rebate liabilities, compensated absences and net pension liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	(40,887,000)	
Accrued interest	(288,416)	
Compensated absences and pension	(63,165,934)	
Other post-employment benefits	(807,370)	(105,148,720)
<b>Total net position - governmental activities</b>		<b>\$ (18,708,208)</b>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2015**

	General Fund	Capital Projects Fund	Debt Service	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 32,942,687	\$ 84,514	\$ -	\$ 33,027,201
State sources	16,695,756	-	-	16,695,756
Federal sources	471,243	-	-	471,243
<b>Total revenues</b>	<b>50,109,686</b>	<b>84,514</b>	<b>-</b>	<b>50,194,200</b>
<b>Expenditures</b>				
Instructional	27,131,914	-	-	27,131,914
Support services	13,769,149	343,335	-	14,112,484
Operation of noninstructional services	977,819	-	-	977,819
Capital outlay	128,960	10,353,250	-	10,482,210
Debt service	4,214,547	-	-	4,214,547
Refund of prior-year receipts	27,987	-	-	27,987
<b>Total expenditures</b>	<b>46,250,376</b>	<b>10,696,585</b>	<b>-</b>	<b>56,946,961</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,859,310</b>	<b>(10,612,071)</b>	<b>-</b>	<b>(6,752,761)</b>
<b>Other Financing Sources and (Uses)</b>				
Interfund transfers in	-	2,500,000	-	2,500,000
Interfund transfers out	(2,620,000)	-	-	(2,620,000)
Insurance recoveries	-	118,000	-	118,000
<b>Total other financing sources and (uses)</b>	<b>(2,620,000)</b>	<b>2,618,000</b>	<b>-</b>	<b>(2,000)</b>
<b>Net changes in fund balances</b>	<b>1,239,310</b>	<b>(7,994,071)</b>	<b>-</b>	<b>(6,754,761)</b>
<b>Fund Balances:</b>				
July 1, 2014	12,863,413	22,331,954	-	35,195,367
June 30, 2015	\$ 14,102,723	\$ 14,337,883	\$ -	\$ 28,440,606

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2015**

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**Net changes in fund balances - all governmental funds** \$ (6,754,761)

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

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

Capital outlays	11,209,656	
Less net book value of disposed assets	(96,410)	
Less depreciation expense	(2,126,472)	8,986,774
		<b>8,986,774</b>

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" in the governmental funds. Deferred tax revenues increased by this amount this year. 99,763

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the Statement of Activities over the amount due is shown here. 16,781

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

District pension contributions		4,021,226
Cost of benefits earned net of employee contributions (pension expense)		(5,381,230)

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

Change in compensated absences	(45,947)	
Other post-employment benefits	(25,610)	(71,557)
		<b>(71,557)</b>

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

Repayment of long-term debt	2,974,000	
Amortization of refunding loss	(63,329)	
Amortization of premiums and discounts - net	140,582	3,051,253
		<b>3,051,253</b>

**Change in net position of governmental activities** **\$ 3,968,249**

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See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 32,141,954	\$ 32,141,954	\$ 32,942,687	\$ 800,733
State sources	16,279,814	16,279,814	16,695,756	415,942
Federal sources	483,679	483,679	471,243	(12,436)
<b>Total revenues</b>	<b>48,905,447</b>	<b>48,905,447</b>	<b>50,109,686</b>	<b>1,204,239</b>
<b>Expenditures</b>				
Instructional	28,791,728	28,952,115	27,131,914	1,820,201
Support services	14,765,881	14,905,504	13,769,149	1,136,355
Operation of noninstructional services	1,000,058	1,003,880	977,819	26,061
Capital outlay	-	91,320	128,960	(37,640)
Debt services	4,217,778	4,217,778	4,214,547	3,231
Refund of prior-year receipts	-	-	27,987	(27,987)
<b>Total expenditures</b>	<b>48,775,445</b>	<b>49,170,597</b>	<b>46,250,376</b>	<b>2,920,221</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>130,002</b>	<b>(265,150)</b>	<b>3,859,310</b>	<b>4,124,460</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(120,000)	(120,000)	(2,620,000)	(2,500,000)
Budgetary reserve	(500,000)	(104,848)	-	104,848
<b>Total other financing uses</b>	<b>(620,000)</b>	<b>(224,848)</b>	<b>(2,620,000)</b>	<b>(2,395,152)</b>
<b>Net changes in fund balance</b>	<b>\$ (489,998)</b>	<b>\$ (489,998)</b>	<b>1,239,310</b>	<b>\$ 1,729,308</b>
<b>Fund Balance:</b>				
July 1, 2014			12,863,413	
June 30, 2015			<u>\$ 14,102,723</u>	

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE**  
**June 30, 2015**

<b>Assets</b>	
Cash and cash equivalents	\$ 68,968
Receivables	
Federal subsidies	52,431
State subsidies	4,455
Inventories	36,579
Prepaid expenses	53,464
Other capital assets, net of depreciation	41,095
<b>Total assets</b>	<u>\$ 256,992</u>
 <b>Deferred Outflows of Resources</b>	
Deferred amounts on pension liability	<u>\$ 14,979</u>
 <b>Liabilities</b>	
Internal balances	\$ 121,300
Accounts payable	25,271
Unearned revenues	26,822
Long-term liabilities - compensated absences and pension	237,992
<b>Total liabilities</b>	<u>\$ 411,385</u>
 <b>Deferred Inflows of Resources</b>	
Deferred amounts on pension liability	<u>\$ 17,541</u>
 <b>Net Position</b>	
Net investment in capital assets	\$ 41,095
Unrestricted	(198,050)
<b>Total net position</b>	<u>\$ (156,955)</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -  
PROPRIETARY FUND - FOOD SERVICE  
Year Ended June 30, 2015**

Operating Revenues	
Food service revenues	\$ 550,897
Operating Expenses	
Salaries	71,534
Employee benefits	64,789
Purchased property service	30,619
Other purchased services	857,924
Supplies	74,285
Equipment	3,793
Depreciation	24,840
<b>Total operating expenses</b>	<u>1,127,784</u>
<b>Operating loss</b>	(576,887)
Nonoperating Revenues	
State sources	41,673
Federal sources	419,577
<b>Total nonoperating revenues</b>	<u>461,250</u>
Interfund Transfer In	<u>120,000</u>
<b>Change in net position</b>	4,363
Net Position - July 1, 2014 (as previously reported)	64,727
Prior period adjustment (see Note 11)	(226,045)
Net Position - July 1, 2014 (as restated)	<u>(161,318)</u>
Net Position - June 30, 2015	<u>\$ (156,955)</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND - FOOD SERVICE  
 Year Ended June 30, 2015**

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 556,476
Cash payments to employees for services	(135,374)
Cash payments for goods and services	(902,117)
<b>Net cash used in operating activities</b>	<u>(481,015)</u>
 Cash Flows From Noncapital Financing Activities	
Federal and state sources	397,823
Interfund transfers in	120,000
<b>Net cash provided by noncapital financing activities</b>	<u>517,823</u>
 Cash Flows From Capital and Related Financing Activities	
<b>Purchase of property and equipment</b>	<u>(16,997)</u>
 <b>Net increase in cash and cash equivalents</b>	19,811
 Cash and Cash Equivalents:	
July 1, 2014	49,157
June 30, 2015	<u>\$ 68,968</u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (576,887)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	24,840
Value of donated commodities	74,285
(Increase) decrease in:	
Inventories	(322)
Prepaid expenses	(10,874)
Deferred outflow resources	(14,979)
(Decrease) increase in:	
Internal balances	12,666
Accounts payable	(11,251)
Accrued payroll	(521)
Unearned revenues	5,579
Compensated absences and pension	(1,092)
Deferred inflow of resources	17,541
<b>Net cash used in operating activities</b>	<u>\$ (481,015)</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2015**

	Agency Fund	Private-Purpose Trust Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 97,388	\$ -
Investments	-	10,000
Other receivables	-	511
<b>Total assets</b>	<u>\$ 97,388</u>	<u>\$ 10,511</u>
<b>Liabilities</b>		
Due to student groups	<u>\$ 97,388</u>	<u>\$ -</u>
<b>Net Position</b>		
Restricted for student scholarship funds	\$ -	\$ 10,511
<b>Total net position</b>	<u>\$ -</u>	<u>\$ 10,511</u>

See Notes to Financial Statements.

**SOUTH EASTERN SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
PRIVATE-PURPOSE TRUST FUND  
Year Ended June 30, 2015**

	Private-Purpose Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 5
	<hr/>
Deductions	
Scholarships awarded	-
	<hr/>
<b>Change in net position</b>	5
Net Position - July 1, 2014	10,506
Net Position - June 30, 2015	<u>\$ 10,511</u>

See Notes to Financial Statements.

# **SOUTH EASTERN SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies**

South Eastern School District (the District), located in York County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12<sup>th</sup> grade. These include regular and advanced academic programs and special education programs. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The District is comprised of three elementary schools, two middle schools and one high school, serving approximately 2,900 students.

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

#### **A. Reporting Entity**

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

#### **B. Government-wide and Fund Financial Statements**

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

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

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

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

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

The District reports the following major governmental funds:

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

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

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

The District maintains the following fiduciary fund types:

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

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

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **D. Budget and Budgetary Accounting**

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

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

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

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

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

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

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Investments: Investments are stated at fair value.

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

A physical inventory of the Proprietary Fund food and supplies was taken as of June 30, 2015. The inventory consisted of government-donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at costs using the first-in, first-out (FIFO) method. The District has adopted a single, inventory-recordkeeping system which does not distinguish between donated and purchased commodities. Accordingly, no unearned revenues for donated commodities have been recorded.

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

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

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

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

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

#### Capital Assets and Depreciation (Continued):

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

Land (site) Improvements	40 years
Buildings and Building Improvements	40 - 45 years
Furniture and Equipment	5 - 20 years

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

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

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

Deferred Outflows of Resources - Pensions: The District recognizes the difference between actual employer contributions to their pension plan and the proportionate share of contributions and the contributions to the plan subsequent to the measurement date of June 30, 2014 as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

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

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

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences: The District's policy regarding payments for compensated absences varies based on the contract under which the individual is employed. Upon retirement from the District's service, teachers and non-certified employees will receive a lump-sum payment amounting to the greater of (1) \$100 for every year of service or (2) \$25 per accumulated sick day up to a maximum of 120 days. Administrative personnel will receive the greater of (1) \$100 for every year of service or (2) \$50 per accumulated sick day up to a maximum of 120 days. Upon separation, due to retirement or termination of employment, employees are compensated for any remaining vacation and personal leave days based on their per-diem rate. In the governmental funds, the cost of sick leave is recognized when payments are made to employees.

Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation, which is funded through the District's contribution to the statewide Public School Employees' Retirement System, a governmental, cost-sharing, multiple-employer defined-benefit pension plan. The District provides access to health and dental-care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

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

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

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

Deferred Inflows of Resources - Pensions: The District recognizes their share of the difference between projected earnings and actual investments of their pension plan and the changes in proportions in the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

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

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

##### Fund Balance:

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

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

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

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

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

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

#### F. Other

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

Implementation of New Accounting Principle: In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for the District's 2015 financial statements.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 10, 2015, the date the financial statements were available to be issued.

#### Note 2. Deposits and Investments

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

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

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

#### Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank default, the District's investments may not be returned to it. A summary of the District's deposits at June 30, 2015, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	Wells Fargo
Insured (FDIC)	176,356	187,421	M&T Bank
Insured (FDIC)	3,188,513	3,188,513	Various Banks CD's
Uninsured and collateralized by assets maintained in conformity with Act 72	164,333	352,097	
	<u>\$ 3,779,202</u>	<u>\$ 3,978,031</u>	

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 2. Deposits and Investments (Continued)

Financial Institutions - Various Banks CD's - The District invests in Certificates of Deposit at a number of banks through a PSDLAF program. These investments are individually covered by FDIC as they are under the FDIC insurance threshold of \$250,000. The certificates are invested at the various banks and are held in the name of the District.

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

#### Investments

As of June 30, 2015, the District had the following investments:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
PSDMAX	AAAm	0.208	\$ 4,406,089
PSDLAF Collateralized CD Pool Term	NA	1	20,250,000
			<u>\$ 24,656,089</u>

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. The PSDLAF collateralized CD Pool is collateralized in accordance with Act 72 and invests in certificates of deposit in the name of PSDLAF.

#### Weighted-Average Maturity

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

#### Interest-Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

#### Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Property Taxes

Property taxes are levied on July 1. Taxes are collected at a discount until August 31, at their face amount from September 1 until October 31, and include a penalty thereafter. The District tax rate for all purposes in 2014-2015 was 21.79 mills (\$21.7927 per \$1,000 assessed valuation). 97% of the assessed taxes were collected. The York County Tax Claim Bureau collects delinquent taxes for the District.

#### Note 4. Taxes Receivable and Deferred Inflows of Resources

A summary of the taxes receivable and related accounts at June 30, 2015, follows:

	Amount
Taxes Receivable	<u>\$ 1,381,377</u>
Taxes to be collected within 60 days	\$ 342,586
Deferred inflows of resources - delinquent property taxes	<u>1,038,791</u>
Taxes Receivable	<u>\$ 1,381,377</u>
Deferred Inflow of Resources	
Delinquent taxes	<u>\$ 1,038,791</u>
Total Deferred Inflow of Resources	<u>\$ 1,038,791</u>

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Interfund Accounts and Transfers**

Individual fund receivable and payable balances at June 30, 2015, are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	\$ 1,463,559	\$ 2,500,000
Capital Projects Fund	2,500,000	1,342,259
Business-Type Activities - Food Service	-	121,300
	<u>\$ 3,963,559</u>	<u>\$ 3,963,559</u>

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be repaid within the following year.

Individual fund transfers during the fiscal year ended June 30, 2015, are as follows:

	Transfers in	Transfers out
Governmental Activities		
General Fund	\$ -	\$ 2,620,000
Capital Projects Fund	2,500,000	-
Business-Type Activities - Food Service	120,000	-
	<u>\$ 2,620,000</u>	<u>\$ 2,620,000</u>

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

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. General Fixed Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,115,863	\$ -	\$ -	\$ 1,115,863
Construction-in-progress	2,682,129	9,223,965	(21,300)	11,884,794
Total capital assets, not being depreciated	3,797,992	9,223,965	(21,300)	13,000,657
Capital assets being depreciated				
Site improvements	3,761,208	8,176	-	3,769,384
Buildings and building improvements	59,319,844	1,222,249	-	60,542,093
Furniture and equipment	9,334,262	776,566	(322,476)	9,788,352
Total capital assets being depreciated	72,415,314	2,006,991	(322,476)	74,099,829
Less accumulated depreciation				
Site improvements	2,244,428	139,010	-	2,383,438
Buildings and building improvements	19,326,843	1,230,159	-	20,557,002
Furniture and equipment	5,397,208	757,303	(226,066)	5,928,445
Total accumulated depreciation	26,968,479	2,126,472	(226,066)	28,868,885
Total capital assets being depreciated, net	45,446,835	(119,481)	(96,410)	45,230,944
Total Governmental Activities, Capital Assets - Net	\$ 49,244,827	\$ 9,104,484	\$ (117,710)	\$ 58,231,601
<b>Business-Type Activities:</b>				
Capital assets being depreciated				
Furniture and equipment	\$ 840,976	\$ 16,997	\$ -	\$ 857,973
Less accumulated depreciation for machinery and equipment	792,038	24,840	-	816,878
Total Business-Type Activities, Capital Assets - Net	\$ 48,938	\$ 24,840	\$ -	\$ 41,095

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 6. General Fixed Assets (Continued)

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

	Amount
Governmental Activities:	
Instruction	\$ 1,094,962
Instructional student support	14,652
Administration and financial support	136,933
Operation and maintenance of plant	859,591
Student activities	20,334
Total Governmental Activities	<u>2,126,472</u>
Business-Type Activities:	
Food Service	24,840
Total Primary Government	<u><u>\$ 2,151,312</u></u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### Note 7. Long-Term Debt

During the fiscal year ended June 30, 2015, long-term debt changed as follows:

	Balances July 1, 2014	Increases	Decreases	Balances June 30, 2015	Due within one year
General Obligation Bonds					
Series of 2002	\$ 5,601,000	\$ -	\$ (654,000)	\$ 4,947,000	\$ 667,000
Series of 2009	1,685,000	-	(665,000)	1,020,000	690,000
Series of 2012	9,725,000	-	(5,000)	9,720,000	5,000
Series of 2013	9,645,000	-	(1,645,000)	8,000,000	1,690,000
Series A of 2013	17,205,000	-	(5,000)	17,200,000	5,000
Bond premium (discount)	1,187,437	-	(140,582)	1,046,855	-
Total General Obligation Bonds	45,048,437	-	(3,114,582)	41,933,855	3,057,000
Compensated Absences	943,505	42,421	-	985,926	-
Net Pension Liability	64,966,000	-	(2,548,000)	62,418,000	-
Other Post-Employment Benefits	781,760	25,610	-	807,370	-
Totals	\$ 111,739,702	\$ 68,031	\$ (5,662,582)	\$ 106,145,151	\$ 3,057,000

General Obligation Bonds - Series of 2002 - During fiscal 2002-2003, the District issued General Obligation Bonds - Series of 2002, in the principal amount of \$10,900,000. Interest is payable monthly at variable rates, not to exceed 15%. The rate at June 30, 2015, was 1.887%. The bonds mature serially in amounts ranging from \$357,000 to \$859,000. The bonds mature on February 25, 2022.

General Obligation Bonds - Series of 2009 - During fiscal 2009-2010, the District issued General Obligation Bonds - Series of 2009, in the principal amount of \$5,095,000. The proceeds were used to fully refund the Series of 2003 Bonds. The economic gain on the refunding of the Series of 2003 Bonds was \$67,486. The bonds bear annual interest rates ranging from 2.00% to 4.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$325,000 to \$895,000. The bonds mature on March 1, 2017.

General Obligation Bonds - Series of 2012 - During fiscal 2012-2013, the District issued General Obligation Bonds - Series of 2012, in the principal amount of \$9,735,000. The proceeds were used to fully refund the Series A of 2008 Bonds. The economic gain on the refunding of the Series A of 2008 Bonds was \$1,439,179. The bonds bear annual interest rates ranging from .30% to 2.35%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$5,000 to \$1,710,000. The bonds mature on June 1, 2026.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Long-Term Debt (Continued)

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

General Obligation Bonds - Series A of 2013 - During fiscal 2012-2013, the District issued General Obligation Bonds - Series A of 2013, in the principal amount of \$18,110,000. The proceeds were used to finance various capital projects of the District. The bonds bear annual interest rates ranging from .30% to 5.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$5,000 to \$3,280,000. The bonds mature on March 15, 2029.

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

Years	General Obligation Debt		
	Principal	Interest	Total
2015-2016	\$ 3,057,000	\$ 1,171,794	\$ 4,228,794
2016-2017	2,960,000	1,098,691	4,058,691
2017-2018	2,983,000	1,004,624	3,987,624
2018-2019	2,916,000	937,135	3,853,135
2019-2020	2,980,000	870,774	3,850,774
2020-2025	14,446,000	3,345,731	17,791,731
2025-2029	11,545,000	1,036,915	12,581,915
	<u>\$ 40,887,000</u>	<u>\$ 9,465,664</u>	<u>\$ 50,352,664</u>

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

### Compensated Absences

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

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Fund Balance Designations

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

Description of committed	Amount
General Fund	
PSERS	\$ 5,988,238

Description of nonspendable	Amount
General Fund	
Lincoln Benefit Trust deposit	\$ 4,209,628
Pollution liability deposit	11,694
	\$ 4,221,322

Description of assigned	Amount
General Fund	
Snow removal	\$ 12

### Note 9. Lincoln Benefit Trust

The School District is exposed to risk of loss related to employee health care. In July 1989, the District joined the Lincoln Benefit Trust, a public-entity risk pool currently operating as a claim-servicing pool for member school districts and the intermediate unit. The School District is liable for all claims up to \$100,000. Claims incurred for \$100,001-\$300,000 are paid from a stop-loss pool fund on a shared risk basis. Claims incurred for \$300,001-\$500,000 are paid from a stop-loss insurance policy purchased by the Trust. Stop loss insurance is purchased through an insurance carrier for \$500,000 and above per individual. The School District pays all of the premiums from the General Fund. At June 30, 2015, the District's funding for claims exceeded the payments to date; accordingly, the District has a prepaid balance of \$4,263,092 with Lincoln Benefit Trust, which is recorded in the General and Food Service Funds as an asset. The District has reserved fund balance for this amount.

The following is a summary of the financial information of the Lincoln Benefit Trust as of June 30, 2015:

Net assets available for benefits	Amount \$ 86,013,863
Accumulated plan benefits	\$ 7,222,000

The accumulated plan benefits represent estimated claims incurred, but not reported to the Plan Administrator at June 30, 2015. It is reasonably possible that actual benefit claims for all participating members will differ from the estimated amount, and the difference may be material to the District's financial position taken as a whole.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Lease Rental Obligation

In September 2011, the District entered into a five-year operating lease agreement with Phillip Capital for the copiers used in the various District facilities. The cost of the lease consists of quarterly payments of \$31,152. The lease will expire in September 2016. Add-on agreements in to the original five year operating lease agreement increased payment to 31,486 per quarter. The District entered into another lease in September 2013, which called for quarterly payments of \$4,856. This new lease originally expired September 2015, but a new agreement, extending the lease an additional year, began September 2015, and decreased payments to \$4,015 through September 2016. The future minimum lease payments are as follows:

<u>Years</u>	<u>Amount</u>
2015-2016	\$ 143,634
2016-2017	35,501
	<u>\$ 179,134</u>

#### Note 11. Defined-Benefit Pension Plan

##### Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly 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 or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 11. Defined-Benefit Pension Plan (Continued)**

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

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

#### Contribution Rates

##### Member Contributions:

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

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

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

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

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Defined-Benefit Pension Plan (Continued)**

Employer Contributions: The District’s required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2015, the District’s rate of contribution was 21.40% of covered payroll. The 21.40% rate is composed of a pension contribution rate of 20.50% for pension benefits and 0.90% for healthcare-insurance premium assistance.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth’s share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District’s rate. The District’s contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, were \$4,485,657, \$3,595,893, and \$2,646,975 respectively, and are equal to the required contributions for said years. For the year ended June 30, 2015 the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$2,174,150.

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

At June 30, 2015, the District reported a liability of \$62,418,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 to June 30, 2014. The District’s proportion of the new pension liability was calculated utilizing the employer’s one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2014, the District’s proportion was .1577 percent, which was a decrease of .001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$5,387,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources in the governmental funds and proprietary fund:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	4,462,000
Changes in proportions	-	330,000
Difference between employer contributions and proportionate share of total contributions	56,000	-
Contributions subsequent to the measurement date	4,036,000	-
	<u>\$ 4,092,000</u>	<u>\$ 4,792,000</u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Defined-Benefit Pension Plan (Continued)

\$4,036,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2016	\$ (1,181,000)
2017	(1,181,000)
2018	(1,181,000)
2019	(1,181,000)
2020	(12,000)
	<u>\$ (4,736,000)</u>

#### Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurements:

- Actuarial Cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00% real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females

The actuarial assumptions used in the June 30, 2013, valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011, Board meeting and were effective beginning with the June 30, 2011, actuarial valuation.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Defined-Benefit Pension Plan (Continued)

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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	90.0%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	<u>100.0%</u>	

The above table was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Defined-Benefit Pension Plan (Continued)**

Sensitivity of the District’s proportionate share of the new pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that 1-percentage point lower (6.50%) or 1-percentage point higher(8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 77,859,000	\$ 62,418,000	\$ 49,237,000

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).

Plan Payables

At June 30, 2015, the District has payables to the PSERS pension plan of \$1,376,106. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2015.

Prior Period Adjustment - GASB 68 Implementation

Implementation of GASB 68 requires the District to recognize the obligation and deferred inflows and outflows resulting from the proportionate share of the PSERS net pension liability as of June 30, 2013. This resulted in a decrease in net position of \$61,753,000 as of July 1, 2014.

**Note 12. Other Post-Employment Benefits**

Plan Description

The District provides retiree health, vision, and dental-care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. Benefits are provided to all faculties, academic staff and support staff who meet the following requirements. Act 93 staff and teachers are eligible under Act 110/43 requirements with at least 20 years and 34 years with the District, respectively. Support staff is eligible following Act 110/43 requirements. Currently, the plan has approximately 390 members. The plan does not issue a separate, stand-alone set of financial statements.

# SOUTH EASTERN SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 12. Other Post-Employment Benefits (Continued)

#### Funding Policy

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

**SOUTH EASTERN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Other Post-Employment Benefits (Continued)**

Funding Progress

For the year ended June 30, 2015, the District has estimated the cost (annual expense) of providing retiree health, vision, and dental-care benefits through an actuarial valuation as of January 1, 2014. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. This valuation's computed contribution and actual funding are summarized as follows:

	Amount
Annual required contribution	\$ 328,813
Interest on Net OPEB Obligation	35,179
Less adjustment to the annual required contribution	<u>(76,472)</u>
Annual OPEB cost	287,520
Amounts contributed:	
Payments of current premiums and claims	<u>(261,910)</u>
Increase in net OPEB obligation	25,610
OPEB obligation - beginning of year	<u>781,760</u>
OPEB obligation - end of year	<u><u>\$ 807,370</u></u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the years ended are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 332,636	70.56%	\$ 690,924
June 30, 2014	\$ 331,031	42.34%	\$ 781,760
June 30, 2015	\$ 287,520	35.61%	\$ 807,370

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 12. Other Post-Employment Benefits (Continued)**

##### Actuarial Methods and Assumptions

Actuarial valuations of an on-going plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost-trend rates. Amounts are determined regarding the funded status of the plan, and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the entry-Age normal cost method was used. The actuarial assumptions include an annual health-care, cost trend rate of 6.50% in 2015, reduced by periodic decrements to an ultimate rate of 5.50% in 2016. Both rates included a 4.50% inflation assumption. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years as a level percentage of projected payroll on an open basis, with 29 years remaining.

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 13. Joint Ventures

##### York County School of Technology

The District is one of fourteen member school districts participating in the operation of the York County School of Technology (YCST). YCST is operated, administered and managed by a joint-operating committee consisting of board members from the "fourteen member school districts." Member districts are responsible for funding the major portion of YCST's operating budget. The District's share of annual operating costs for YCST is based on the number of students attending the school from the District, and is reflected as instructional expenditures of the District's General Fund. For the year ended June 30, 2015, the District paid \$987,036 for its estimated share of the operating budget.

The York County School of Technology formed The York County School of Technology Authority (the Authority) on March 29, 1967, as a financing medium for the construction, improvement and maintenance of YCST. The Authority has issued Lease Revenue Bonds, Series of 2003 for the purpose of the funding of the renovations, alterations and additions to the school facilities constructed in previous years, and to refund the Guaranteed Revenue Note, Series of 2002. The Authority will lease the school facilities to YCST under a lease agreement dated May 15, 2003, under which YCST will operate and maintain the school facilities and will be obligated to pay the lease rentals to the Authority in fixed amounts sufficient to pay the principal and interest on the Lease Revenue Bonds, Series of 2003. The District's obligation for lease payments is calculated annually based on its pro-rata share of assessed market value of real estate located within the fourteen member districts. Pursuant to the Restated Articles of Agreement for the formation of the joint venture, withdrawal by a member district does not relieve the district of its obligations incurred while a member district, such as the required payment of funds for the lease rentals of YCST. As of June 30, 2015, the District's pro-rata share represented 5.80% of total assessed value, which resulted in a lease rental payment to YCST in the amount of \$218,497 which payment is included in the instructional expenditures of the District's General Fund.

As of the report date, audited financial statements for the York County School of Technology for the year ended June 30, 2015, are not yet available. The following is condensed financial information for the YCST, excerpted from the June 30, 2014, audited financial statements, available for inspection at the School District's Business Office:

	Amount
Total assets	\$ 6,246,111
Total liabilities	3,730,315
Net assets	
Investments in capital assets, net of related debt	2,798,558
Unrestricted	<u>(282,762)</u>
Total net assets	<u>\$ 2,515,796</u>
Total revenues (including \$17,277,972 from member districts)	\$ 24,934,731
Total expenses	<u>24,690,432</u>
Change in net assets	<u>\$ 244,299</u>

## SOUTH EASTERN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 13. Joint Ventures (Continued)

The annual requirements to amortize the Lease Revenue Bonds, Series 2003 recorded on the books of the York County School of Technology Authority, and upon which the annual lease payments of YCST are based, are as follows:

Year Ending September 30	Principal	Interest	Total
2015	\$ 2,540,000	\$ 1,163,700	\$ 3,703,700
2016	2,670,000	1,029,250	3,699,250
2017	2,805,000	888,175	3,693,175
2018	2,945,000	759,150	3,704,150
2019	3,070,000	638,850	3,708,850
2020-2023	13,555,000	1,217,825	14,772,825
Total	27,585,000	\$ 5,696,950	\$ 33,281,950
Less: due within one year	2,540,000		
Total long-term outstanding	\$ 25,045,000		

In 2010-2011 a member school District of the YCST issued General Obligation Bonds - Series B of 2011 in the aggregate of \$1,700,000 for the purpose of providing funds for the YCST to design and construct roof replacements for YCST. The District's pro rata share of the assessed value at June 30, 2015, is 5.80%. The bonds will mature in 2016.

#### York/LIU Joint Authority

The District is one of thirteen York County School Districts which are included within the Lincoln Intermediate Unit (LIU), which provides classes and other programs to students within each of the member school districts. In 2005, the LIU determined that it needed a facility in York County to house classes and other programs which it provides to York County students. During March 2006, the York/LIU Joint Authority (the Authority) was created with the purpose of purchasing the property and leasing it to the LIU. The LIU and the school districts which formed the Authority are not liable or responsible for the debts or obligations of the Authority. The Authority leases the property to the LIU for a monthly rental fee which is sufficient to provide the Authority with funds to pay (a) all interest and other payments which are due with respect to the debt incurred by the Authority and (b) the other costs and expenses which the Authority will incur. Total liabilities include a Construction Loan Note - Series of 2009 with a balance of \$4,038,183 as of June 30, 2015.

#### Note 14. Commitments and Subsequent Events

##### Construction Commitments

The District has approved \$17,130,000 of construction projects as of June 30, 2015. The District expended approximately \$11,000,000 during the 2014-2015 year which is shown in expenditures in the governmental funds. The remaining \$6,130,000 is an outstanding commitment of the District.

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 15. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Most significant losses are covered by commercial insurance for major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years. During the year ended June 30, 2015, the District did not incur any significant losses that were not covered by insurance.

The District does have a civil complaint pending against it with the U.S. Equal Employment Opportunity Commission. This Commission has not taken any action to date; the Pennsylvania Human Relations Commission has relinquished jurisdiction over the matter. Any potential loss pursuant to an unfavorable outcome to this matter, if any, could not be estimated by management and therefore, no liability has been recognized in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
POST-EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF FUNDING PROGRESS  
Year Ended June 30, 2015**

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Support Staff	1/1/2014	\$ -	\$ 68,252	\$ 68,252	\$ -	\$ 2,596,583	2.63%
Professional Teachers	1/1/2014	-	1,972,125	1,972,125	-	14,718,020	13.40%
Act 93 Staff	1/1/2014	-	325,541	325,541	-	1,839,117	17.70%
Total		\$ -	\$ 2,365,918	\$ 2,365,918	\$ -	\$ 19,153,720	12.35%
Support Staff	1/1/2012	\$ -	\$ 39,836	\$ 39,836	\$ -	\$ 2,549,887	1.56%
Professional Teachers	1/1/2012	-	2,681,551	2,681,551	-	15,558,095	17.24%
Act 93 Staff	1/1/2012	-	271,062	271,062	-	1,655,901	16.37%
Total		\$ -	\$ 2,992,449	\$ 2,992,449	\$ -	\$ 19,763,883	15.14%
Support Staff	1/1/2010	\$ -	\$ 53,551	\$ 53,551	\$ -	\$ 2,325,761	2.30%
Professional Teachers	1/1/2010	-	2,931,353	2,931,353	-	15,330,499	19.12%
Act 93 Staff	1/1/2010	-	361,043	361,043	-	1,633,376	22.10%
Total		\$ -	\$ 3,345,947	\$ 3,345,947	\$ -	\$ 19,289,636	17.35%

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF DISTRICT'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Year Ended June 30, 2015**

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District's proportion of the net pension liability	\$ 62,418,000
District's proportionate share of the net pension liability	0.1577%
District's covered-employee payroll	\$ 20,128,744
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	310.09%
Plan fiduciary net position as a percentage of the total pension liability	57.24%

**SOUTH EASTERN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
Year Ended June 30, 2015**

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Contractually required contribution	\$ 3,940,670
Contributions in relation to the contractually required contribution	(3,940,670)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 19,652,834</u>
Contributions as a percentage of covered-employee payroll	20.05%

**SUPPLEMENTARY INFORMATION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Eastern School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise South Eastern School District's basic financial statements, and have issued our report thereon dated November 10, 2015.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Camp Hill, Pennsylvania  
November 10, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited South Eastern School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Eastern School District's major federal programs for the year ended June 30, 2015. South Eastern School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of South Eastern School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Eastern School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, South Eastern School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of South Eastern School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Eastern School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Eastern School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Camp Hill, Pennsylvania  
November 10, 2015

**SOUTH EASTERN SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

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**Section I -- Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

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

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

- Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?  Yes  No

**SOUTH EASTERN SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2015**

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
10.555	National School Lunch Program
10.553	National School Lunch Breakfast Program
10.555	National School Lunch Program - Food Donation

Dollar threshold used to distinguish between  
type A and type B programs \$300,000

Auditee qualified as low-risk auditee?  X  Yes      No

**Section II -- Financial Statement Findings**

A. Significant Deficiency (ies) in Internal Control

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

B. Compliance Findings

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

**Section III -- Federal Award Findings and Questioned Costs**

A. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

B. Significant Deficiency (ies) in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

**SOUTH EASTERN SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015**

	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
<b>U.S. Department of Education</b>				
Passed through the Pennsylvania Department of Education:				
Title I - Improving Basic Programs	84.010	013-140395	13-14	\$ 231,492
Title I - Improving Basic Programs	84.010	013-150395	14-15	\$ 401,535
Title II - Improving Teacher Quality	84.367	020-140395	13-14	\$ 75,702
Title II - Improving Teacher Quality	84.367	020-150395	14-15	\$ 76,376
Total passed through the Pennsylvania Department of Education				
Passed through the Lincoln Intermediate Unit:				
Title III - English Language Acquisition Grants	84.365	010-150612	14-15	\$ 1,426
Special Education Cluster				
Special Education - Grants to States	84.027	N/A	14-15	\$ 531,739
Early Intervention - Special Education Preschool Grants	84.173	N/A	14-15	\$ 5,702
Total Special Education Cluster				
Total passed through the Lincoln Intermediate Unit				
<b>Total U.S. Department of Education</b>				

(Continued)

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2014	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2015
\$ 14,630	\$ 14,630	\$ -	\$ -	\$ -
367,476	-	401,535	401,535	34,059
382,106	14,630	401,535	401,535	34,059
4,904	346	4,558	4,558	-
71,225	-	63,724	63,724	(7,501)
76,129	346	68,282	68,282	(7,501)
458,235	14,976	469,817	469,817	26,558
1,426	-	1,426	1,426	-
531,739	-	531,739	531,739	-
5,702	-	5,702	5,702	-
537,441	-	537,441	537,441	-
538,867	-	538,867	538,867	-
997,102	14,976	1,008,684	1,008,684	26,558

**SOUTH EASTERN SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Year Ended June 30, 2015**

	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
<b>U.S. Department of Agriculture</b>				
Passed through the Pennsylvania Department of Education:				
National School Lunch Program*	10.555	N/A	13-14	N/A
National School Lunch Program*	10.555	N/A	14-15	N/A
School Breakfast Program*	10.553	N/A	13-14	N/A
School Breakfast Program*	10.553	N/A	14-15	N/A
Total passed through the Pennsylvania Department of Education				
Passed through the Pennsylvania Department of Agriculture:				
National School Lunch Program - Food Donation*	10.555	N/A	14-15	N/A
<b>Total U.S. Department of Agriculture</b>				
<b>Total Expenditures of Federal Awards</b>				
* Programs in the Child Nutrition Cluster				
National School Lunch Program	\$ 315,447			
School Breakfast Program	50,011			
National School Lunch Program - Food Donation	54,119			
	<u>\$ 419,577</u>			

Grant Period	Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2014	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2015
13-14	N/A	52,688	52,688	-	-	-
14-15	N/A	270,944	-	315,447	315,447	44,503
		<u>323,632</u>	<u>52,688</u>	<u>315,447</u>	<u>315,447</u>	<u>44,503</u>
13-14	N/A	9,559	9,559	-	-	-
14-15	N/A	42,083	-	50,011	50,011	7,929
		<u>51,642</u>	<u>9,559</u>	<u>50,011</u>	<u>50,011</u>	<u>7,929</u>
		<u>375,274</u>	<u>62,247</u>	<u>365,458</u>	<u>365,458</u>	<u>52,431</u>
14-15	N/A	54,119	-	54,119	54,119	-
		<u>429,393</u>	<u>62,247</u>	<u>419,577</u>	<u>419,577</u>	<u>52,431</u>
		<u>\$ 1,426,495</u>	<u>\$ 77,223</u>	<u>\$ 1,428,261</u>	<u>\$ 1,428,261</u>	<u>\$ 78,989</u>

## **SOUTH EASTERN SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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#### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School District's Federal award programs and presents transactions that would be included in financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

#### **Note 2. Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* and 2 CFR 200 Subpart E Cost Principles, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**SOUTH EASTERN SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**Year Ended June 30, 2015**

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There were no prior year's audit findings.