

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 31, 2023

NEW ISSUE BOOK-ENTRY ONLY

RATING: S&P: "AA" (Stable Outlook) (Underlying) (See "RATING" herein)

In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on Corporations under the Code for tax years, beginning after December 31, 2022.. This opinion of Bond Counsel is subject to continuing compliance by the School District with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the interest on the Bonds are exempt from personal property taxes in the Commonwealth of Pennsylvania and the interest on the Bonds is exempt from the Commonwealth of Pennsylvania Personal Income Tax and the Commonwealth of Pennsylvania Corporate Net Income Tax. This summary of Bond Counsel's opinion and the summary of Bond Counsel's opinion set forth under the caption "Opinion of Bond Counsel" does not purport to be and should not be construed to be a complete recitation of Bond Counsel's opinion.

The full text draft of Bond Counsel's opinion is appended hereto in Appendix "B" and reference is made hereto. For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Other Tax Matters" herein.

\$22,790,000\*
Council Rock School District
Bucks County, Pennsylvania
General Obligation Bonds, Series of 2023

Bonds Dated: Date of Delivery

Interest Due: May 15 and November 15

Principal Due: November 15, as shown on inside cover

First Interest Payment: November 15, 2023

The Bonds described herein are in the aggregate principal amount of \$22,790,000\* (the "Bonds") will be issued in registered book-entry only form in denominations of \$5,000 and any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration, transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"), acting as paying agent, registrar and sinking fund depository, at its office in Dallas, Texas or Philadelphia, Pennsylvania. Interest on the Bonds is payable initially on November 15, 2023 and thereafter semiannually May 15 and November 15 of each year, until the principal sum thereof is paid. DTC Participants and Indirect Participants will be responsible for remitting such payments to Beneficial Owners of the Bonds.

The Bonds are general obligations of the Council Rock School District, Bucks County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution (herein defined) or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District pledges its full faith, credit and taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable property within the School District within limitations provided by law. (See "THE BONDS - Security" and "SCHOOL DISTRICT FINANCES - The Taxpayer Relief Act (Act 1)" herein).

The Bonds are subject to optional redemption prior to maturity as described herein.

Proceeds of the Bonds will be used to (1) construction and renovations to Sol Feinstone, Hillcrest, and Richboro Elementary School, various capital improvement projects, and; (2) to pay the costs and expense of issuing the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

MATURITIES, AMOUNTS, COUPONS, RATES, YIELDS, PRICES AND CUSIPS
As Shown on Inside Front Cover

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of King, Spry, Herman, Freund & Faul, LLC, Bethlehem, Pennsylvania, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Eastburn and Gray, P.C., Doylestown, Pennsylvania, School District Solicitor. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, serves as Financial Advisor to the School District. It is expected that the Bonds will be available for delivery through DTC in New York, New York, on or about May 11, 2023.

PFM Financial Advisors LLC
Financial Advisor to the School District

Dated:
\*Estimated, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

**\$22,790,000\***  
**Council Rock School District**  
**Bucks County, Pennsylvania**  
**General Obligation Bonds, Series of 2023**

**Bonds Dated:** Date of Delivery  
**Interest Due:** May 15 and November 15

**Principal Due:** November 15, as shown below  
**First Interest Payment:** November 15, 2023

**BOND MATURITY SCHEDULE:**

<u>Maturity Date (November 15) Year</u>	<u>Principal Amounts</u>	<u>Coupons</u>	<u>Yields</u>	<u>Initial Offering Prices</u>	<u>CUSIP Numbers<sup>(1)</sup></u>
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					
2051					
2052					

<sup>(1)</sup>The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

(A portion of the Bonds may be structured as Term Bonds. See "Invitation to Bid".)

<sup>\*</sup>Estimated, subject to change

**COUNCIL ROCK SCHOOL DISTRICT**  
**Bucks County, Pennsylvania**

**BOARD OF SCHOOL DIRECTORS**

---

Ed Salamon .....	President
Michael Roosevelt.....	Vice President
Donna Heverly .....	Secretary*
Cheryl Rubanich.....	Treasurer*
Bob Hickey.....	Member
Joseph L. Hidalgo.....	Member
Dr. Stephen Nowmos.....	Member
Mariann McKee.....	Member
Yota Palli.....	Member
Edward F. Tate, III .....	Member
Dr. Michael Thorwart.....	Member

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\*Non-Voting Member

**SUPERINTENDENT**  
ANDREW J. SANKO, Ed. D.

**DIRECTOR OF BUSINESS ADMINISTRATION**  
ANTHONY RAPP

**SCHOOL DISTRICT SOLICITOR**  
EASTBURN & GRAY, P.C.  
Doylestown, Pennsylvania

**BOND COUNSEL**  
KING, SPRY, HERMAN, FREUND & FAUL, LLC  
Bethlehem, Pennsylvania

**FINANCIAL ADVISOR**  
PFM FINANCIAL ADVISORS LLC  
Harrisburg, Pennsylvania

**PAYING AGENT**  
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.  
Dallas, Texas or Philadelphia, Pennsylvania

**SCHOOL DISTRICT ADDRESS**  
30 North Chancellor Street  
Newtown, Pennsylvania 18940

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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# PRELIMINARY OFFICIAL STATEMENT

**\$22,790,000\***

## **Council Rock School District**

**Bucks County, Pennsylvania**

**General Obligation Bonds, Series of 2023**

### INTRODUCTION

This Preliminary Official Statement, including the cover and inside cover pages hereof, is furnished by Council Rock School District, Bucks County, Pennsylvania (the "School District"), in connection with the offering of \$22,790,000\* aggregate principal amount of its General Obligation Bonds, Series of 2023 (the "Bonds"), to be dated May 11, 2023, the date the Bonds are expected to be issued and delivered (the "Date of Delivery"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on March 16, 2023 (the "Resolution"), pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. Cons. Stat. §8001 et seq., as amended (the "Debt Act"). The Bank of New York Mellon Trust Company, N.A. will act as paying agent, sinking fund depository and bond registrar for the Bonds (in each capacity referred to as "Paying Agent").

### PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to(1) construction and renovations to Sol Feinstone, Hillcrest, and Richboro Elementary School, various capital improvement projects, and; (2) to pay the costs and expense of issuing the Bonds.

### Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

<b>Source of Funds</b>	<b>Total</b>
Bond Proceeds.....	
Net Original Issue Premium/(Discount).....	
<i>Total Source of Funds</i> .....	
<b>Use of Funds</b>	
Deposit to Construction Fund .....	
Costs of Issuance <sup>(1)</sup> .....	
<i>Total Use of Funds</i> .....	

<sup>(1)</sup>Includes legal, financial advisor, printing, rating, underwriter's discount, CUSIP, paying agent, and miscellaneous costs.

\*Estimated, subject to change

## THE BONDS

### Description

The Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$22,790,000\*, will be dated as of the Date of Delivery, which is expected to be May 11, 2023, and will bear interest at the rates and mature in the amounts and on the dates set forth on the cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on November 15, 2023 and semiannually on each November 15 and May 15 thereafter until the principal sum thereof is paid.

### Payment of Principal and Interest

Principal of the Bonds will be paid to the registered owners thereof or assigns, when due, upon surrender of the Bonds at the designated office of the Paying Agent.

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of authentication of the Bond, unless: (a) such Bond is authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is authenticated after a Regular Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such succeeding interest payment date, or (c) such Bond is authenticated on or prior to the Regular Record Date preceding November 15, 2023, in which event such Bond shall bear interest from the Date of Delivery. Interest shall be paid initially on November 15, 2023, and thereafter, semiannually on May 15 and November 15 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the last calendar day of the month (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the "Regular Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Regular Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable on a special interest payment date to the person in whose name the Bond is registered at the close of business on a special record date (which shall be a business day) for the payment of such defaulted interest. Notice of such special interest payment date and special record date shall be mailed by the Paying Agent to the registered owners of such Bonds at least ten (10) days preceding such special record date but not more than thirty (30) days prior to the special interest payment date of such defaulted interest.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania or in each of the cities in which the corporate trust or payment office of the Paying Agent is located are authorized by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

### Transfer, Exchange and Registration of Bonds

Subject to provisions described below under "BOOK-ENTRY ONLY SYSTEM", Bonds may be transferred or exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, at its designated office, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or other legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same maturity date and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The Paying Agent is not required to transfer or exchange any Bond during the fifteen (15) days immediately preceding the date of mailing of any notice of redemption or at any time following the mailing of any such notice, if the Bond to be transferred or exchanged has been called for such redemption. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

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\*Estimated, subject to change

## Security

The Bonds are general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted in the Resolution that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as defined herein, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable property within the School District, within limitations provided by law. (See “**The Taxpayer Relief Act (Act 1)**” herein.) The Act presently provides for enforcement of debt service payments as described herein (see “**DEFAULTS AND REMEDIES**” herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see “**Commonwealth Enforcement of Debt Service Payments**” hereafter).

### Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the “Public School Code”), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the Bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such Bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers’ salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. See “**Pennsylvania Budget Adoption**” hereinafter.

### Pennsylvania Budget Adoption

For the 2016-17 fiscal year, the state budget became law, known as Act 16A of 2016, on July 12, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on July 1, 2016. On July 13, 2016, the General Assembly adopted and Governor signed into law additional tax and revenue package, known as Act 85 of 2016, which was needed to balance the 2016-17 state budget.

For the 2017-18 fiscal year, the state budget became law, known as Act 1A of 2017, on July 11, 2017 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on June 30, 2017. Act 1A of 2017 did not have any accompanying legislation regarding the potential revenue that would be needed to fund the balance of the 2017-18 Budget at the time of its enactment. On October 25, 2017, the General Assembly adopted House Bill 542 which contained the necessary revenue to fund the balance of the previously adopted Act 1A of 2017. On October 30, 2017 the Governor approved and signed House Bill 542 and it became known as Act 43 of 2017.

The budget for the 2018-19 and the 2019-20 fiscal years were adopted timely. Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the governor passed a five-month stopgap budget for the fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven-months of fiscal year 2020-21. The legislation has been sent to the Governor’s desk for approval and on November 23, 2020, the Governor approved the 2020-21 Supplemental Budget. The 2020-21 Supplemental Budget includes mostly flat funding for public education similar to stopgap budget adopted for the first five months of the 2020-21 fiscal year.

The Governor has signed the state’s 2021-2022 fiscal year budget that directs more money to public schools on June 30, 2021. The budget includes an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that includes some in both urban and rural areas of the state. Special education would receive a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs will receive a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reaches a record high of \$13.55 billion in the new budget.

After a week’s delay and intense negotiations, the \$45.2 billion budget for Pennsylvania’s 2022-2023 fiscal year was signed by Governor Tom Wolf on July 8, 2022. The 2022-2023 enacted budget includes \$7,625,124,000 for the basic education funding appropriation and \$225,000,000 to supplement those school districts with a higher at risk student population. The total amount is a \$767,820,000 (10.83%) increase over the 2021-2022 fiscal year appropriation.

During a state budget impasse, school districts in Pennsylvania cannot be certain that state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants,

among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the School Code during any future budget impasses. See “Act 85 of 2016” hereinafter.

## **Act 85 of 2016**

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) (“Act 85 of 2016”), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code (“Fiscal Code”). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled “School District Intercepts for the Payment of Debt Service During Budget Impasse”, which provides for intercept of subsidy payments by the Pennsylvania Department of Education (“PDE”) to a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of “intercept statutes” Section 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts that may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement “shall be appropriated” to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

- (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;
- (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and
- (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated and paid to the paying agent on the day the scheduled payment for principal and interest is due on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district with bonds or notes subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information with respect to the Bonds to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

## **Sinking Fund**

Sinking fund for the payment of debt service on the Bonds, designated “Sinking Fund - General Obligation Bonds, Series of 2023” (the “Sinking Fund”), created under the Resolution shall be held by the Paying Agent as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain amounts which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon shall be a part of the Sinking Funds.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Funds the principal of and interest on the Bonds, as and when due and payable.

## REDEMPTION OF BONDS

### Mandatory Redemption

Bidders may elect to structure the issue to include term bonds, which term bonds, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts as shown in the Invitation to Bid, upon payment of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Bonds to be redeemed from within a particular maturity shall be selected by lot by the Paying Agent.

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

### Optional Redemption

The Bonds maturing on or after November 15, 2031 are subject to redemption prior to maturity, at the option of the School District, as a whole, or from time to time, in part (and if in part, in such order of maturity or portion of a maturity as selected by the School District and within a maturity by lot), at any time on and after May 15, 2031 in either case upon payment of a redemption price of 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the redemption date.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania or in each of the cities in which the corporate trust or payment office of the Paying Agent are located are authorized by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

## BOOK-ENTRY ONLY SYSTEM

*The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriter.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to

whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

*The School District and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.*

## **THE SCHOOL DISTRICT**

### **Introduction**

The School District encompasses the municipal subdivisions of the Borough of Newtown and the Townships of Newtown, Northampton, Upper Makefield and Wrightstown in Bucks County, Pennsylvania, and covers an area of approximately 71 square miles. Geographically, the area is located in south central Bucks County within easy commuting distance of the Philadelphia, New York/Northern New Jersey and the Trenton/Princeton labor markets. The School District lies 10 miles west of Trenton and Princeton, New Jersey; 20 miles north of Philadelphia; and 65 miles southwest of New York, New York. Many well-known unincorporated communities are located within the School District and these include: Richboro, Holland and Churchville in Northampton Township and Washington Crossing in Upper Makefield Township.

**Character**

The School District is characterized by rolling hills and valleys flanking both the Neshaminy Creek and the Delaware River. Economically, the northern portions of the School District remain agricultural in nature with several large family farms and estates. The central and southern portions of the School District have experienced moderate to high-grade residential growth in the last ten years. This residential growth has taken place mainly in the Townships of Newtown and Northampton and is due chiefly to the location of these Townships in relation to Interstate 95 and the ease of commuting to the various labor markets previously mentioned.

**Administration**

The governing body of the School District is a board of nine school directors who are elected on a staggered basis. The daily operations and management of the School District are carried out by the administrative staff of the School District headed by the Superintendent of Schools who is appointed by the Board of School Directors.

**School Facilities**

The School District operates ten (10) elementary schools, three (3) middle schools and two (2) high schools, all as described on the following table.

**TABLE 1  
COUNCIL ROCK SCHOOL DISTRICT  
SCHOOL FACILITIES**

<b>Building</b>	<b>Original Construction Date</b>	<b>Addition/Renovation Date(s)</b>	<b>Grades</b>	<b>Classrooms</b>	<b>2022-23 Enrollment</b>
<b>Elementary School:</b>					
Churchville.....	1959	1964/71 2010	K-6	36	556
Goodnoe.....	1963	1998/2013	2-6	40	694
Hillcrest.....	1989	---	K-6	37	491
Holland.....	1965	1966/2013	K-6	30	446
Welch.....	2000	---	K-6	42	536
Newtown.....	1994	1995	K-6	41	583
Richboro.....	1989	---	K-6	42	369
Rolling Hills.....	1971	1980	K-6	33	389
Sol Feinstone.....	1951	1969/89	K-6	39	651
Wrightstown.....	1958	1964	K-4	25	417
<b>Secondary School:</b>					
Holland Middle School.....	1975	---	7-8	32	920
Newtown Middle School.....	1954	1959/98	7-8	44	853
Richboro Middle School <sup>(1)</sup> .....	1963	---	--	27	n/a
Council Rock High School North.....	1970	1976/2002/06	9-12	152	1,625
Council Rock High School South.....	2000	---	9-12	92	1,939
<b>Other:</b>					
Twiningford/Facilities.....	1956	1970	n/a	n/a	n/a
Chancellor Street Administrative Center.....	1871	1892/35/2003	n/a	n/a	n/a

<sup>(1)</sup>Last operational year as Richboro Middle School, June 30, 2018. The building is being used as a temporary home for schools under renovation.

Source: School District Officials.

**Enrollment Trends**

The following table presents recent trends in school enrollment and projections of enrollment for the next 5 years, as prepared by the School District's administrative officials.

**TABLE 2  
COUNCIL ROCK SCHOOL DISTRICT  
ENROLLMENT TRENDS**

<b>Actual Enrollments</b>			
<b>Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>
2018-19	5,378	5,482	10,860
2019-20	5,392	5,420	10,812
2020-21	5,114	5,370	10,484
2021-22	5,106	5,347	10,453
2022-23	5,132	5,356	10,488
<b>Projected Enrollments</b>			
2023-24	5,063	5,355	10,418
2024-25	5,074	5,265	10,339
2025-26	5,118	5,178	10,296
2026-27	5,197	5,086	10,283
2027-28	5,291	5,020	10,311

Source: School District Officials.

**SCHOOL DISTRICT FINANCES**

**Introduction**

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education (“PDE”). An annual operating budget is prepared by the Superintendent and the Director of Business Administration and then submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

**Financial Reporting**

The School District keeps its books and prepares its financial reports according to a modified accrual basis of accounting. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. The School District’s financial statements are audited annually by a firm of independent certified public accountants, as required by State law. The firm of BBD, LLP located in Philadelphia, Pennsylvania, serves as the School District’s auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of its report included in an Appendix to this Preliminary Official Statement, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Preliminary Official Statement.

**Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)**

In General. School districts budget and expend funds according to procedures mandated by the PDE. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days’ public notice be given of the board’s intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

**Summary and Discussion of Financial Results**

A summary of the General Fund balance sheet and changes in fund balances is presented in Table 3 and Table 4. Table 5 shows revenues and expenditures for the past five years, and the budget for 2022-23 as adopted June 23, 2022. The budget for 2022-23, projected revenue of \$257,702,534 and expenditures of \$258,292,658.

**TABLE 3  
COUNCIL ROCK SCHOOL DISTRICT  
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET  
(Years ending June 30)**

<b>ASSETS</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Cash and Cash Equivalents.....	\$14,891,986	\$10,636,896	\$21,662,914	\$31,910,015	\$50,888,631
Investments.....	20,436,453	19,663,007	11,327,465	11,340,299	10,974,730
Taxes Receivable.....	2,778,616	2,595,721	3,710,309	3,583,372	3,398,857
Due from Other Funds.....	0	0	175,000	175,000	175,000
Due from Other Governments .....	0	0	373,121	482,705	6,499
State Revenue Receivable.....	8,047,408	9,052,891	8,352,226	8,351,120	8,540,081
Federal Revenue Receivable.....	42,389	47,739	331,624	655,398	652,262
Other Receivables.....	283,753	1,461,402	67,872	94,809	107,247
Inventories.....	31,336	30,457	301,119	140,482	183,462
Prepaid Expenses.....	0	0	0	0	0
<b>TOTAL ASSETS.....</b>	<b>\$46,511,941</b>	<b>\$43,488,086</b>	<b>\$46,301,650</b>	<b>\$56,733,200</b>	<b>\$74,926,769</b>
<b>LIABILITIES</b>					
Due to Other Funds .....	\$3,255,553	\$315,519	\$2,674,258	\$3,505,400	\$22,507,778
Due to Other Governments.....	427	0	775	0	92
Accounts Payable .....	3,288,137	1,429,728	1,015,981	1,206,806	3,477,578
Accrued Salaries and Benefits .....	119,029	192,167	92,241	213,570	178,364
Payroll Deductions and Withholdings .....	15,371,158	16,312,994	16,485,677	16,199,396	26,639,715
Deferred Revenues .....	0	0	18,045	65,280	31,210
Other.....	1,161,725	376,813		0	0
<b>TOTAL LIABILITIES.....</b>	<b>\$23,196,029</b>	<b>\$18,627,221</b>	<b>\$20,286,977</b>	<b>\$21,190,452</b>	<b>\$52,834,737</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$1,930,835</b>	<b>\$2,595,721</b>	<b>\$2,776,157</b>	<b>\$2,632,387</b>	<b>\$2,391,209</b>
<b>FUND EQUITIES</b>					
Nonspendable Fund Balance .....	\$31,336	\$30,457	\$30,119	\$140,482	\$306,214
Restricted Fund Balance.....	\$0	\$0	\$12,811	\$9,374	\$3,443
Committed Fund Balance .....	10,610,495	6,519,018	10,529,316	20,083,587	8,590,124
Assigned Fund Balance.....	0	0	87,390	169,234	220,000
Unassigned Fund Balance.....	10,743,246	15,715,669	12,307,880	12,507,684	10,581,042
<b>TOTAL FUND EQUITIES.....</b>	<b>\$21,385,077</b>	<b>\$22,265,144</b>	<b>\$22,967,516</b>	<b>\$32,910,361</b>	<b>\$19,700,823</b>
<b>TOTAL LIABILITIES AND FUND EQUITIES.....</b>	<b>\$47,894,002</b>	<b>\$48,090,753</b>	<b>\$46,511,941</b>	<b>\$56,733,200</b>	<b>\$74,926,769</b>

Source: School District Annual Financial Reports.

**TABLE 4  
COUNCIL ROCK SCHOOL DISTRICT GENERAL FUND  
SUMMARY OF CHANGES IN FUND BALANCE\*  
(For years ending June 30)**

	<b>Actual</b>					<b>Budgeted</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023<sup>(1)</sup></b>
<b>Beginning Fund Balance.....</b>	\$24,086,667	\$21,385,077	\$22,265,144	\$22,967,518	\$32,910,360	\$19,700,823
Revenues over (under) Expenditures	(2,701,591)	880,067	702,375	9,942,842	(12,163,927)	(590,124)
Change in Inventory Reserve/Prior Period Adjustment.....	0	0	0	0	(1,045,611)	0
<b>Ending Fund Balance.....</b>	<b>\$21,385,077</b>	<b>\$22,265,144</b>	<b>\$22,967,519</b>	<b>\$32,910,360</b>	<b>\$19,700,823</b>	<b>\$19,110,699</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Budget, as adopted June 23, 2022.

Source: School District Annual Financial Reports, Audit, and Budget.

**General Fund Revenue**

The School District received an estimated \$259,181,273 in revenue in 2021-22 and has budgeted revenue of \$257,702,534 in 2022-23. Local sources stayed consistent at 77 percent during this five-year period. Revenue from Commonwealth sources contributed a decreased share of total revenue from 23 percent to 21 percent over this period. Federal and other revenues remained consistent at one percent during this five-year period.

**TABLE 5  
COUNCIL ROCK SCHOOL DISTRICT  
SUMMARY OF SCHOOL DISTRICT GENERAL FUND REVENUE  
(For years ending June 30)**

<b>REVENUE:</b>	<b>Actual</b>					<b>Budgeted</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Local Sources:</b>						
Current Real Estate	\$146,022,920	\$150,648,543	\$154,912,300	\$160,218,248	\$163,422,434	\$164,484,209
Interim Real Estate	797,270	787,061	468,661	576,839	473,163	720,000
Public Utility Taxes	168,529	173,084	159,858	174,418	180,019	160,000
Payments in Lieu of Current Taxes	3,266	3,266	3,266	3,266	3,266	3,300
Per Capita Tax	0	0	0	0	0	0
Total Act 511 Taxes	25,421,657	25,475,907	23,983,079	30,096,341	31,459,144	27,493,000
Delinquent Taxes	2,236,913	1,778,236	1,673,307	1,881,787	2,370,031	1,750,000
Earnings from Investments	1,064,474	2,387,352	1,888,854	279,172	-194,289	1,000,000
Revenue from LEA Activities	70,341	73,734	73,664	4,663	75,603	80,000
Federal IDEA received as Pass Through	1,822,607	1,868,791	1,826,654	2,000,214	2,113,105	1,800,000
Rentals	404,247	419,469	353,102	176,098	414,971	450,000
Contributions/Donations	0	0	58,627	59,282	35,516	0
Tuition From Patrons	233,798	149,168	114,190	50,282	63,778	150,000
Revenue from Community Service Activities	160,618	146,787	85,338	34,890	106,099	150,000
Refund Prior Years' Expenditures	(5,355)	75,390		3,547	31,396	0
Energy Efficiency Revenues and Incentives	26,069	48,362	32,706	45,278	15,258	0
Other Sources	165,269	99,602	66,539	53,334	120,165	150,000
<b>Total Local Sources</b>	<b>\$178,592,625</b>	<b>\$184,133,752</b>	<b>\$185,700,145</b>	<b>\$195,657,659</b>	<b>\$200,689,659</b>	<b>\$198,390,509</b>
<b>State Sources:</b>						
Instructional Subsidy	\$14,444,756	\$14,596,917	\$14,791,030	\$14,791,020	\$15,141,565	\$15,141,567
Tuition for Orphans & Children in Prvt Homes	84,963	29,046	26,834	95,265	111,965	30,000
Special Education	6,569,813	6,429,729	6,658,002	6,728,782	6,596,391	6,364,012
Transportation	1,736,516	1,763,228	1,572,408	1,236,238	1,622,413	1,425,000
Rentals & Sinking Fund Payments	1,346,042	1,511,156	1,688,547	1,522,370	1,364,259	1,400,000
Health Services	227,219	224,488	222,781	221,008	214,087	230,000
State Property Tax Reduction Allocation	5,619,415	5,432,557	5,601,931	5,613,736	5,650,059	6,771,446
PA Accountability Grant	0	0	19,783	543,285	532,668	0
Ready to Learn Block Grant	416,762	416,762	416,762	416,762	416,762	416,000
Revenue for Social Security Payments	3,989,523	4,077,779	3,830,474	4,435,462	4,104,628	4,200,000
Revenue for Retirement Payments	17,872,045	18,684,087	19,248,122	19,634,396	19,722,810	20,850,000
Other State Revenues	629	28,234	79,753	243,420	0	0
<b>Total State Sources</b>	<b>\$52,307,683</b>	<b>\$53,193,983</b>	<b>\$54,156,427</b>	<b>\$55,481,744</b>	<b>\$55,477,609</b>	<b>\$56,828,025</b>
<b>Total Federal Sources</b>	<b>\$1,558,292</b>	<b>\$1,629,874</b>	<b>\$2,201,414</b>	<b>\$1,963,172</b>	<b>\$3,014,004</b>	<b>\$2,484,000</b>
<b>Total Other Sources</b>	<b>\$6,425</b>	<b>\$6,250</b>	<b>\$0</b>	<b>\$500</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL REVENUE</b>	<b>\$232,465,024</b>	<b>\$238,963,859</b>	<b>\$242,057,986</b>	<b>\$253,103,075</b>	<b>\$259,181,273</b>	<b>\$257,702,534</b>
<b>EXPENDITURES:</b>						
Instruction	\$149,973,880	\$154,132,925	\$156,259,635	\$154,888,947	\$158,189,041	\$162,574,969
Pupil Personnel	8,010,920	8,407,077	8,292,326	8,540,507	8,759,344	8,938,557
Instructional Staff	6,659,916	6,959,537	6,651,899	6,516,253	6,482,852	7,177,386
Administration	10,601,673	10,627,695	10,808,754	10,905,490	11,207,499	10,896,016
Pupil Health	2,863,573	2,834,087	2,874,739	2,719,766	2,720,995	2,859,422
Business	1,430,182	1,501,774	1,597,779	1,824,022	1,584,745	1,672,046
Operation & Maintenance	13,660,912	13,478,507	13,393,468	13,607,839	14,196,637	15,719,574
Transportation	11,819,439	12,377,414	10,120,042	9,993,018	14,212,573	13,760,005
Central	5,279,916	5,396,264	6,038,572	6,686,326	8,127,143	7,455,570
Other Support	95,141	96,426	95,991	97,616	97,308	0
Non-Instructional Services	3,644,490	3,562,607	3,265,849	3,055,117	3,403,071	3,612,712
Debt Service	17,871,018	18,568,960	335,255	18,387,591	28,668	0
Refund Prior Years' Revenues / Receipts	0	0	18,578,828	0	0	0
Fund Transfers	3,255,553	140,519	0	5,937,740.51	42,335,325	22,416,401
Budgetary Reserve	0	0	3,042,474	0	0	1,210,000
<b>TOTAL EXPENDITURES</b>	<b>\$235,166,615</b>	<b>\$238,083,792</b>	<b>\$241,355,611</b>	<b>\$243,160,233</b>	<b>\$272,345,199</b>	<b>\$258,292,658</b>
<b>SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(\$2,701,591)</b>	<b>\$880,067</b>	<b>\$702,375</b>	<b>\$9,942,842</b>	<b>(\$12,163,927)</b>	<b>(\$590,124)</b>

\*Totals may not add due to rounding.

(1) Budget, as adopted June 23, 2022.

Source: School District Annual Financial Reports and Budget.

## TAXING POWERS OF THE SCHOOL DISTRICT

### In General

*Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see “The Taxpayer Relief Act (Act 1)” herein), the School District is empowered by the School Code and other statutes to levy the following taxes:*

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - a. for minimum salaries and increments of the teaching and supervisory staff;
  - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
  - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

### The Taxpayer Relief Act (Act 1)

Under Act 1, a school district may not levy any tax for the support of the public schools which was not levied in the preceding year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by PDE:

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the next, current, and prior fiscal years are as follows:

<b>Fiscal Year</b>	<b>Index %</b>
2023-24	4.1%
2022-23	3.4%
2021-22	3.0%
2020-21	2.6%
2019-20	2.3%

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **not** approved by the voters.

The board of school directors may submit, but is not required to submit, a referendum question to the voters in a future municipal election seeking approval to levy or increase the rate of an EIT or levy a new personal income tax (PIT) for the purpose of increased funding homestead and farmstead exclusions, and thereby reducing local real estate tax collections, but the proposed rate of the EIT or PIT shall not exceed the rate required to provide the maximum homestead and farmstead exclusions allowable under law.

*Set forth above is a summary of the Taxpayer Relief Act and its impact. This summary is not intended to be an exhaustive discussion of the provisions or consequences of the Taxpayer Relief Act, nor a legal interpretation of any provision of the Taxpayer Relief Act. Any prospective purchaser of the Bonds should review the full text of the Taxpayer Relief Act as part of any decision to purchase the Bonds.*

**Status of the Bonds Under Act 1**

The Bonds constitute indebtedness incurred after the effective date of Act 1 and, therefore, no exception to the referendum requirement is expected for new taxes to pay the debt service on the Bonds if a tax increase greater than the Index is required.

**Limitation on Estimated Ending Unreserved Undesignated Fund Balances**

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<b><u>Total Budgeted Expenditures</u></b>	<b><u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u></b>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated Ending Unreserved Undesignated Fund Balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

*Set forth above is summary of portions of Act 48. This summary is not intended to be an exhaustive discussion of the provisions of Act 48 nor a legal interpretation of any provisions of Act 48. A prospective purchaser of the Bonds should review the full text of Act 48 as a part of any decision to purchase the Bonds.*

**Tax Levy Trends**

Table 6 shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the Borough and four Townships comprising the School District and the County.

**TABLE 6  
COUNCIL ROCK SCHOOL DISTRICT TAX RATES**

<b>Year</b>	<b>Real Estate (mills)</b>	<b>Occupation (mills)</b>	<b>Real Estate Transfer (%)</b>	<b>Earned Income (%)</b>	<b>Local Services (\$)</b>
2018-19	123.607	400	0.5	0.5	5.00
2019-20	126.301	400	0.5	0.5	5.00
2020-21	130.216	400	0.5	0.5	5.00
2021-22	132.807	400	0.5	0.5	5.00
2022-23	134.467	400	0.5	0.5	5.00

Source: Department of Community and Economic Development- Municipal Statistics

**TABLE 7  
COUNCIL ROCK SCHOOL DISTRICT  
COMPARATIVE REAL PROPERTY TAX RATES  
(Mills on Assessed Value)**

	<b><u>2018-19</u></b>	<b><u>2019-20</u></b>	<b><u>2020-21</u></b>	<b><u>2021-22</u></b>	<b><u>2022-23</u></b>
<b><i>School District</i></b>	123.6070	126.3010	130.2160	132.8073	134.4673
<b><i><u>Municipalities within the School District</u></i></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Newtown Borough	13.7500	14.2500	14.2500	17.25	17.2500
Newtown Township	4.5000	4.5000	8.4900	8.49	8.4900
Northampton Township	14.9111	18.5111	18.5111	21.6111	21.6111
Upper Makefield Township	7.6025	7.6025	7.6025	7.25	6.4500
Wrightstown Township	9.2300	9.2300	9.2300	9.23	9.2300
<b><i>Bucks County</i></b>	24.4500	24.4500	24.4500	24.45	24.4500

Source: Local Government Officials and Department of Community and Economic Development- Municipal Statistics

**Real Property Tax**

The real property tax including interim collections (excluding delinquent collections) produced \$165,880,971 in 2021-22, approximately 64 percent of total revenue.

School District real estate taxes are billed on July 1st; the first day of the levy year, with a discount of 2% available to the taxpayer if paid before September 1 and a 10% penalty is added to any payment made after November 1 of the levy year. Taxes are returned to the County and lienied after December 31 of the levy year. The School District has implemented installment payments for qualified residential property owners. Installment payments are based upon three (3) one-third payments of the base tax amount. The due date for installment payments for qualified real estate taxpayers are August 31, October 15 and November 30.

The following tables summarize recent trends of assessed and market valuations of real property. Table 8 shows real property assessment data for the School District, Table 9 shows assessment for the School District, Bucks County, and municipalities within the School District. Table 10 shows assessment by land use for the School District. Table 11 summarizes recent trends in real property tax collection. The last countywide re-assessment in Bucks County was in 2005. Effective in 2005, the County changed the assessed to market value ratio from 25% to 100%.

**TABLE 8  
COUNCIL ROCK SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA**

<b>Year</b>	<b>Market Value</b>	<b>Assessed Value</b>	<b>Ratio</b>
2017-18 .....	\$10,927,582,100	\$1,280,968,100	11.72%
2018-19 .....	11,268,874,398	1,290,121,230	11.45%
2019-20 .....	11,324,553,853	1,295,314,890	11.44%
2020-21 .....	11,642,173,285	1,299,989,170	11.17%
2021-22 .....	11,661,497,296	1,303,279,170	11.18%
Compound Average Annual Percentage Change.....	0.69%	0.20%	

Source: Pennsylvania State Tax Equalization Board (STEB)/Tax Equalization Division (TED).

**TABLE 9  
COUNCIL ROCK SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA**

	<b>2020 Market Value</b>	<b>2020 Assessed Value</b>	<b>2021 Market Value</b>	<b>2021 Assessed Value</b>
<i>School District</i> .....	\$11,642,173,285	\$1,299,989,170	\$11,661,497,297	\$1,303,279,170
<b><i>Municipalities within the School District</i></b>				
Newtown Borough .....	472,424,639	45,258,630	474,442,308	45,424,270
Newtown Township .....	3,137,378,120	346,028,700	3,153,911,215	348,183,270
Northampton Township.....	4,992,220,764	587,523,490	4,997,112,628	588,352,120
Upper Makefield Township.....	2,364,145,925	245,503,660	2,359,874,282	245,636,880
Wrightstown Township .....	676,003,837	75,674,690	676,156,864	75,682,630
Bucks County .....	\$74,488,608,704	\$8,339,158,740	\$74,670,110,061	\$8,357,455,350

Source: Pennsylvania State Tax Equalization Board (STEB)/Tax Equalization Division (TED).

**TABLE 10  
COUNCIL ROCK SCHOOL DISTRICT  
ASSESSMENT BY LAND USE**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Residential.....	\$1,115,691,380	\$1,118,832,300	\$1,122,733,826	\$1,126,940,120	\$1,140,019,650
Trailers .....	26,250	26,250	9,690	9,690	9,690
Lots.....	5,578,240	5,219,770	5,498,700	5,850,030	4,014,090
Industrial .....	23,787,280	23,725,810	23,384,900	23,245,380	23,494,980
Commercial .....	86,851,940	95,754,260	96,319,204	97,197,530	89,658,810
Agriculture .....	44,548,720	44,669,150	45,530,280	44,940,300	44,497,030
Oil/Gas/Mineral...	2,558,200	0	0	0	71430
Land .....	1,926,090	1,893,690	1,838,290	1,806,120	1,513,490
<b>Total</b> .....	<b>\$1,280,968,100</b>	<b>\$1,290,121,230</b>	<b>\$1,295,314,890</b>	<b>\$1,299,989,170</b>	<b>\$1,303,279,170</b>

Source: Pennsylvania State Tax Equalization Board (STEB)/Tax Equalization Division (TED).

**TABLE 11  
COUNCIL ROCK SCHOOL DISTRICT  
REAL PROPERTY TAX COLLECTION DATA**

<b>Fiscal Year</b>	<b>Adjusted Levy</b>	<b>Current Collections</b>		<b>Total Collections</b>	
		<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
2017-18	\$155,071,690	\$153,192,683	98.79%	\$154,743,032	99.79%
2018-19	159,701,989	157,237,595	98.46%	158,394,089	99.18%
2019-20	164,142,958	161,596,932	98.45%	162,647,815	99.09%
2020-21	162,787,063	160,218,248	98.42%	161,365,365	99.13%
2021-22	167,733,169	165,880,971	98.90%	167,578,693	99.91%

Source: School District Officials.

The ten largest real property taxpayers, together with their assessed values, are shown on Table 12. The aggregate assessed value of these ten taxpayers totals approximately 1.59 percent of the total budgeted assessed value.

**TABLE 12  
COUNCIL ROCK SCHOOL DISTRICT  
TEN LARGEST REAL PROPERTY TAXPAYERS**

<b>Owner</b>	<b>2022-23 Assessed Value</b>
NEWTOWN VILLAGE PLZ ASSOC LP <sup>(1)</sup>	\$4,948,280
NEWTOWN BUCKS ASSOC L P	3,756,500
100(ONE) CAMPUS DR., L P	2,700,000
280 MIDDLE HOLLAND ROAD LLC	2,288,380
LAW SCHOOL ADMISSION COUNCIL, INC	2,235,960
TROILO, CAMERON	2,108,510
BT NEWTOWN PLACE <sup>(2)</sup>	2,047,600
EIGHT (826) NEWTOWN ASSOC LP	1,762,720
NEWTOWN RAQUETBALL ASSOC	1,730,860
NEWTOWN CENTER ASSOCIATION	1,624,770
<b>Total</b>	<b>\$25,203,580</b>

<sup>(1)</sup>Five appeals filed by the School District are pending in the Court of Common Pleas. These appeals seek an increase in the assessed values of the subject properties.

<sup>(2)</sup>Two taxpayer appeals are now pending in the Court of Common Pleas. These appeals seek a decrease in assess value for two properties owned by the taxpayer.

Source: School District Officials.

**Other Taxes**

Under Act 511, the School District collected an estimated \$31,459,144 in taxes in 2021-22. Among the taxes authorized by Act 511, the Real Estate Transfer, Earned Income, Occupation and Local Services Taxes are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was approximately \$139,937,968.

*Real Estate Transfer.* The School District levies a tax of one-half percent of the value of real estate transfers. In 2021-22 the School District’s collected portion of this tax yielded \$4,457,494 or 2 percent of total revenue.

*Earned Income Tax.* The School District levies a tax of one-half percent of the earned income of residents. In 2021-22 the collected portion of this tax yielded \$2,461,122 or 1 percent of total revenue.

*Occupation Tax.* A tax of 400 mills is levied on each person with an occupation who resides in the School District. In 2021-22 the collected portion of this tax yielded \$4,405,544 or 2 percent of total revenue.

*Local Services Tax (replaced Emergency and Municipal Services Tax) (replaced Occupational Privilege Tax).* A \$5.00 tax is levied on each person pursuing an occupation within the School District. In 2021-22 the collected portion of this tax yielded \$134,983 or less than one percent of total revenue.

**COMMONWEALTH AID TO SCHOOL DISTRICTS**

**General**

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district’s Fiscal Year 2014-15 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district’s average daily membership by a number of factors specific to the composition of the student population as well as the school district’s median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero.

Information concerning the calculation of the School District’s basic education funding can be found on the Pennsylvania Department of Education’s website at <https://www.education.pa.gov>

School districts may also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

## **Current Lack of State Appropriations for Debt Service Subsidies**

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the “Reimbursable Percentage” assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction (“CARF”) (33.03%) or the wealth based Market Value Aid Ratio (“MVAR”) currently (10.00%), whichever is higher. The Reimbursable Percentage is determined through a process known as the “Planning and Construction Workbook” or “PlanCon”.

Based on the current PlanCon program, School District officials have estimated that the Reimbursable Percentage of the Bonds will be 21.16% (there has been no determination by the PDE). The School District's CARF (which is higher than the MVAR) is 33.03%. The product of these two factors is 6.99%, which is the estimated percentage of debt service which may be reimbursed by the Commonwealth, subject to annual appropriation. In future years, this percentage may change as the School District’s MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 (“Act 25”), which contains authorization for the Commonwealth Finance Authority (“CFA”) to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and expired on June 30, 2017. On November 6, 2017, House Bill 178 became law without the signature of the Governor and became known as Act 55 of 2017. Contained in Act 55 of 2017 was an extension of the PlanCon moratorium through the end of the 2017-18 fiscal year and a retroactive effective date of July 1, 2017. Subsequently, the Commonwealth enacted Act 42 of 2018, which permitted PlanCon applications submitted between July 1, 2017 and November 6, 2017, and whose school district votes to proceed with construction and award bids on their construction contracts no later than July 1, 2021, to receive PlanCon funding as permitted by law, if made available by the Commonwealth. On June 22, 2018, the Governor approved and signed House Bill 1448, known as Act 39 of 2018, extending the PlanCon moratorium through the end of the 2018-2019 fiscal year. On June 28, 2019, the Governor approved and signed House Bill 1615, known as Act 16 of 2019, that included a continuation of the moratorium on new PlanCon Part A submittals through the end of the 2019-20 fiscal year. Act 30 of 2020 extended the moratorium on new PlanCon Part A submittals through the end of the 2020-21 fiscal year. On June 30, 2021, the Governor approved and signed Senate Bill 381, known as Act 26 of 2021, extended the moratorium on new PlanCon Part A submittals through the end of the 2021-2022 fiscal year, and the 2022-23 Commonwealth Budget, as adopted, extended it once again through June 30, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenues Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District’s anticipated receipt of PlanCon reimbursements.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

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**DEBT AND DEBT LIMITS**

**Debt Statement**

Table 13 which follows shows the debt of the Council Rock School District as of February 27, 2023, including the issuance of the Bonds.

**TABLE 13  
COUNCIL ROCK SCHOOL DISTRICT  
DEBT STATEMENT  
(As of February 27, 2023) \***

	<b>Gross Outstanding</b>
<b>NONELECTORAL DEBT</b>	
General Obligation Bonds, Series of 2023 (last maturity 2052).....	\$22,790,000
General Obligation Bonds, Series A of 2022 (last maturity 2045).....	18,985,000
General Obligation Bonds, Series of 2022 (last maturity 2035).....	9,125,000
General Obligation Bonds, Series A of 2021 (last maturity 2045).....	4,530,000
General Obligation Bonds, Series of 2021 (last maturity 2045).....	25,245,000
General Obligation Bonds, Series of 2020 (last maturity 2029).....	9,310,000
General Obligation Bonds, Series B of 2019 (last maturity 2029).....	12,780,000
General Obligation Bonds, Series A of 2019 (last maturity 2029).....	15,090,000
General Obligation Bonds, Series of 2019 (last maturity 2044).....	18,735,000
General Obligation Bonds, Series A of 2018 (last maturity 2023).....	1,035,000
General Obligation Bonds, Series of 2018 (last maturity 2039).....	42,980,000
General Obligation Bonds, Series A of 2017 (last maturity 2023).....	6,600,000
General Obligation Bonds, Series A of 2016 (last maturity 2035).....	59,970,000
General Obligation Bonds, Series of 2016 (last maturity 2023).....	1,735,000
<b>TOTAL NONELECTORAL DEBT</b> .....	<b>\$248,910,000</b>
<b>TOTAL LEASE RENTAL DEBT</b> .....	<b>\$0</b>
<b>TOTAL PRINCIPAL OF DIRECT DEBT</b> .....	<b>\$248,910,000</b>

\*Includes the estimated Bonds offered through this Preliminary Official Statement.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of net non-electoral debt of the School District will total \$248,910,000\*. After adjustment for available funds and estimated State Aid, the local effort of direct debt will total \$231,366,642\*.

**TABLE 14**  
**COUNCIL ROCK SCHOOL DISTRICT**  
**BONDED INDEBTEDNESS AND DEBT RATIOS**  
**(As of February 27, 2023)\***

<b>DIRECT DEBT</b>	<b>Gross Outstanding</b>	<b>Local Effort or Net of Available Funds and Estimated State Aid<sup>(1)</sup></b>
Nonelectoral Debt .....	\$248,910,000	\$231,366,642
Lease Rental Debt .....	0	0
<b>TOTAL DIRECT DEBT</b> .....	<b>\$248,910,000</b>	<b>\$231,366,642</b>
<b>OVERLAPPING DEBT</b>		
Bucks County, General Obligations <sup>(2)</sup> .....	\$37,161,989	\$37,161,989
Municipal Debt .....	75,039,847	75,039,847
<b>TOTAL OVERLAPPING DEBT</b> .....	<b>\$112,201,837</b>	<b>\$112,201,837</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b> .....	<b>\$361,111,837</b>	<b>\$343,568,479</b>
<b>DEBT RATIOS</b>		
Per Capita .....	\$4,972.21	\$4,730.65
Assessed Value .....	27.71%	26.36%
Market Value .....	3.10%	2.95%

\*Includes the estimated Bonds offered through this Preliminary Official Statement.

<sup>(1)</sup>Gives effect to current appropriations for payment of debt service, and expected future State reimbursement of School District sinking fund payments based on current CARF. See “COMMONWEALTH AID TO SCHOOL DISTRICTS.”

<sup>(2)</sup>Pro rata 15.6% of \$237,953,134 principal amount outstanding.

**Debt Limit and Remaining Borrowing Capacity**

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's “Borrowing Base”. The “Borrowing Base” is defined as the annual arithmetic average of “Total Revenues” (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2019-20 .....	\$240,369,442
Total Revenues for 2020-21 .....	251,580,207
Total Revenues for 2021-22 .....	257,817,013
<b>Total</b> .....	<b>\$749,766,662</b>
Annual Arithmetic Average (Borrowing Base) .....	<b>\$249,922,221</b>

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<b>Legal Limit</b>	<b>Net Debt Outstanding*</b>	<b>Remaining Borrowing Capacity</b>
<b>Net Non-electoral Debt and Lease Rental Debt Limit:</b>			
225% of Borrowing Base .....	\$562,324,996	\$248,910,000	\$313,414,996

\*Includes the estimated principal amount of the Bonds offered through this Preliminary Official Statement. Excludes credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by State aid.

**Debt Service Requirements**

Table 15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

The School District has never defaulted on the payment of debt service.

**TABLE 15  
COUNCIL ROCK SCHOOL DISTRICT  
DEBT SERVICE REQUIREMENTS\***

<b>Fiscal Year</b>	<b>Other General Obligations Outstanding</b>	<b>Series of 2022</b>			<b>Total Requirements</b>
		<b>Principal</b>	<b>Interest</b>	<b>Subtotal</b>	
2022-23	\$18,974,183				
2023-24	19,134,341				
2024-25	15,955,129				
2025-26	15,968,894				
2026-27	15,953,524				
2027-28	15,931,699				
2028-29	13,934,743				
2029-30	13,931,499				
2030-31	13,933,243				
2031-32	13,935,524				
2032-33	13,935,088				
2033-34	13,935,855				
2034-35	13,937,483				
2035-36	13,934,275				
2036-37	13,971,682				
2037-38	13,967,869				
2038-39	13,970,155				
2039-40	13,967,624				
2040-41	8,347,870				
2041-42	8,346,063				
2042-43	8,347,529				
2043-44	8,346,080				
2044-45	8,346,700				
2045-46	8,346,235				
<b>Total</b>	<b>\$319,353,282</b>				

\*Totals may not add due to rounding.

Table 16 presents data on the extent to which State Aid provides coverage for debt service and lease rental requirements.

**TABLE 16  
COUNCIL ROCK SCHOOL DISTRICT  
COVERAGE OF DEBT SERVICE AND LEASE RENTAL  
REQUIREMENTS BY STATE AID\***

2021-22 State Aid Received .....	\$55,477,609
2021-22 Debt Service Requirements .....	\$18,365,253
Maximum Future Debt Service Requirements after Issuance of Bonds.....	
Coverage of 2021-22 Debt Service Requirements.....	3.02 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds.....	

\*Assumes current State Aid Ratio. See "COMMONWEALTH AID TO SCHOOL DISTRICTS."

**Future Financing**

The School District anticipates issuing additional debt for approximately \$20,000,000 in the next 1-2 years for the funding of various capital improvement projects.

**LABOR RELATIONS**

**School District Employees**

There are approximately 1,507 employees of the School District, including teachers, administrators and support personnel including secretaries, maintenance staff and monitors.

The professional employees of the School District, other than administrators, are represented by the Council Rock Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District, which expires on June 30, 2025. The support personnel are represented by the Council Rock Educational Support Personnel Association under a contract which expires on June 30, 2026.

**Pension Program**

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees’ Retirement System (“PSERS”), and a percentage of each eligible employee’s salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees’ Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 34.0% for the fiscal year 2023-24.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 (“Act 5”) PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members’ classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

<b>Fiscal Year</b>	<b>Contributions</b>
2017-18.....	\$35,588,886
2018-19.....	37,387,668
2019-20.....	38,971,214
2020-21.....	38,838,162
2021-22(estimated).....	39,536,571
2022-23 (budgeted).....	41,720,404

Source: School District Officials.

At June 30, 2022, the School District reported a liability of \$327,345,308 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2020 to June 30, 2021. The School District’s proportion of

the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2022, the School District's proportion was 0.7973% which was a decrease of 0.0132% from its proportion measured as of June 30, 2021.

As of June 30, 2022, the PSERS plan was 61.34% funded, with an unfunded actuarial accrued liability of approximately \$45.5 billion. PSERS' rate of return for fiscal year ended June 30, 2022 was 2.23%. The Fund had plan net assets of \$71.2 billion at June 30, 2022. For more information, visit the PSERS website at [www.psers.pa.gov](http://www.psers.pa.gov), which is not incorporated by specific reference into this Official Statement.

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Source: School District Administrative Officials and PSERS.

### **Other Post-Employment Benefits (OPEB)**

The School District is obligated under collective bargaining agreements to provide future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The School District became subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District's annual financial statements for the fiscal year ending June 30, 2009.

For a full description of the plan, please refer to Appendix "D" – Audited Financial Statements – Fiscal Year Ended June 30, 2022.

### **INFECTIOUS DISEASE OUTBREAK – COVID-19**

The 2019 Novel Coronavirus (COVID-19) global pandemic (the Pandemic) is a lifetime event that has impacted every state of the United States including the Commonwealth of Pennsylvania. The Commonwealth has responded aggressively to slow and impede the spread of COVID-19, with the cooperation of all levels of government including all school districts. The Commonwealth's and local governments' actions have proven to be an essential and effective measure to reduce the spread of COVID-19.

In accordance with Orders, guidance or recommendations issued by the Centers for Disease Control and Prevention (CDC), the Pennsylvania Governor, the Pennsylvania Department of Health, the Pennsylvania Department of Education, and local health professionals the School District adopted a Health & Safety Plan for school year 2020-2021. Because COVID-19 continues to spread in the form of variant(s), the School District again adopted a Health & Safety Plan for school year 2021-2022 (the Plan and collectively the Plans). The Plans are designed to take into account the health and safety of students, staff and others and aims to balance the educational imperative to open schools for in-person instruction with the public imperative to mitigate COVID-19 infection and transmission rates. The Plan has been posted on the School District's publicly available website.

As a result of COVID-19, the School District has needed to include in its budget for fiscal years 2020-2021 and 2021-2022 expenditures to implement mitigation measures to minimize the risks of COVID-19. Also the budgets take into account that the School District has received significant financial assistance from the federal government through multiple COVID-19 related relief bills passed by Congress. As of the date of this Official Statement, the School District's revenue sources have been adequate to support the School District's added expenditures for COVID-19. While the potential impact of COVID-19 on the School District cannot be quantified into the future, the continuation of the pandemic could have an adverse effect on the School District's operations and financial condition, and the effect could be material.

Additional information with respect to events surrounding the continuing outbreak of COVID-19 and responses thereto can be found on Commonwealth websites, including but not limited to the Governor's office (<http://www.pa.gov/>), the Pennsylvania Department of Health (<http://www.health.pa.gov/>), and the Pennsylvania Department of Education (<http://www.education.pa.gov/>). The School District makes reference to these websites, not for the purpose of incorporating them into this Official Statement, but only for informational purposes. The School District does not assume any responsibility for the accuracy of the information on such websites.

### **LITIGATION**

At the time of settlement, the President or Vice-President of the Board of School Directors of the School District will deliver a certificate dated as of the Date of Delivery of and payment for the Bonds, certifying that there is no litigation pending which challenges the validity or enforceability of the Bonds and there is no litigation pending which would materially affect the School District's financial condition; or in the event that such litigation is pending, a description of the nature of such litigation, together with an opinion of legal counsel approved by the School District, to the effect that such litigation is without legal merit.

### **DEFAULTS AND REMEDIES**

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of Bucks County. The Act provides that any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

## TAX EXEMPTION AND OTHER TAX MATTERS

### Opinion of Bond Counsel

The information which follows is a summary of Bond Counsel's opinion. This summary does not purport and should not be construed to be a complete recitation of Bond Counsel's opinion. The full text draft of Bond Counsel's opinion is appended hereto in Appendix "B" and reference is made hereto. On the Date of Delivery of the Bonds, King, Spry, Herman, Freund & Faul, LLC, as Bond Counsel, will issue an opinion to the effect that under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of Federal income taxation and is not an item of tax preference for purposes of the Federal alternative minimum tax imposed; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on Corporations under the Code for tax years, beginning after December 31, 2022. This opinion of Bond Counsel will assume the accuracy of certifications made by the School District and will be subject to the condition that the School District will comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excluded from gross income for Federal income tax purposes. The School District has covenanted to comply with all such requirements. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. In the opinion of Bond Counsel, under the law of the Commonwealth of Pennsylvania, interest on the Bonds shall at all times be free from taxation for state and local purpose within the Commonwealth of Pennsylvania but such exemption does not extend to gift, succession, or inheritance taxes, taxes on gain on the same or transfer thereof, or other taxes not levied or assed directly on the Bonds or the transfer thereof. Specifically the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. All other discussions concerning the Code or tax consequences discussed within the Official Statement are not statements or comments of Bond Counsel and are not matters to which Bond Counsel will opine.

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

### Federal Income Tax Matters

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than the stated redemption price of such Bonds at maturity (that is, at less than par or the stated principal amount), the difference being "original issue discount". Generally, original issue discount accruing on a tax-exempt obligation is treated as interest excludable from gross income for federal income tax purposes. In addition, original issue discount that has accrued on a tax-exempt obligation is treated as an adjustment to the issue price of the obligation for the purpose of determining taxable gain upon sale or other disposition of such obligation prior to maturity. The Internal Revenue Code of 1986, as amended, provides specific rules for the accrual of original issue discount on tax-exempt obligations for federal income tax purposes. Prospective purchasers of Bonds being sold with original issue discount should consult their tax advisors for further information.

No representation is made or can be made by the School District or any other party associated with the issuance of the Bonds as to whether or not any legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to inclusion in gross income for Federal income tax purposes or so as to otherwise affect the marketability or market value of the Bonds. Enactment of any legislation that subjects the interest on the Bonds to inclusion in gross income for federal income tax purposes or otherwise imposes taxation on the Bonds or the interest paid thereon may have an adverse effect on the market value or marketability of the Bonds.

### Federal Income Tax Interest Expense Deductions for Financial Institutions

Under the Code, financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the disallowance, is provided for certain tax-exempt obligations that are designated or "deemed designated" by the issuer as "qualified tax-exempt obligations" under Section 265 of the Code. The Bonds have **not** been designated as qualified tax-exempt obligations.

Financial institutions intending to purchase Bonds should consult with their professional tax advisors to determine the effect of the interest expense disallowance on their federal income tax liability.

## Other Federal Income Tax Consequences

Ownership of the Bonds may result in other collateral Federal income tax consequences to certain taxpayers, including, but not limited to, financial institutions, property and casualty insurance companies, certain subchapter S corporations with substantial passive income and subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. No opinion or representation concerning these matters is being given or made by the School District, Bond Counsel or any other party associated with the issuance, offering or sale of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors concerning these matters.

## Pennsylvania Tax Matters

The Pennsylvania Department of Revenue has issued final regulations which provide that unstated or imputed interest, such as original issue discount on the Bonds, will be computed in the same manner as such unstated interest is required to be computed for federal income tax purposes. The final regulations further provide that the basis of a Pennsylvania state or local obligation in the hands of the holder will be adjusted upward by the amount of unstated or imputed interest that would have been includible in income but for its statutory exemption and shall be adjusted downward, but not below zero, by the amount of payments under the obligation, other than payment of stated interest. Prospective purchasers of the Bonds should consult with their tax advisors regarding the treatment of original issue discount with respect to the Bonds and the reporting of profits, gains or other income related to the sale, exchange or other disposition of the Bonds for Pennsylvania tax purposes.

Prospective purchasers of the Bonds issued with original issue discount should consult their tax advisors for further information and advice concerning the reporting of profits, gains or other income related to a sale, exchange or other disposition of such Bonds for Pennsylvania tax purposes, including information with respect to any revision of the referenced Statement of Policy and Proposed Regulations or the adoption of final regulations by the Department of Revenue subsequent to the preparation of this Preliminary Official Statement.

## CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of the Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the School District (being an "obligated person" with respect to the Bonds, within the meaning of the Rule), will agree to provide the following to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent:

- (A) Annually, not later than **270 days** following the end of each fiscal year, beginning with the fiscal year ending June 30, 2023, the following financial information and operating information for the School District:
  - (1) financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units
  - (2) a summary of the budget for the current fiscal year (i.e. the fiscal year following the fiscal year of the financial statements being provided)
- (B) If not submitted as part of the annual financial information, then when and if available, audited financial statements for the School District;
- (C) In a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:
  - (1) principal and interest payment delinquencies;
  - (2) non-payment related defaults, if material;
  - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (5) substitution of credit or liquidity providers, or their failure to perform;
  - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
  - (7) modifications to rights of holders of the Bonds, if material;
  - (8) bond calls, if material, and tender offers;
  - (9) defeasances;
  - (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
  - (11) rating changes;
  - (12) bankruptcy, insolvency, receivership or similar event of the School District;
  - (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to

- undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
  - (15) incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
  - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties and

(D) in a timely manner, notice of a failure of the School District to provide the required annual financial information specified above, on or before the date specified above.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The events listed in (C) above are those specified in the Rule, not all of which may be relevant to the Bonds. The School District may from time to time choose to file notice of the occurrence of other events, in addition to the events listed in (C) above, but the School District does not commit to provide notice of the occurrence of any events except those specifically listed in (C) above.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other “obligated persons” with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (“EMMA”) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

Certain operating data of the School District may be inherently included in the annual filings of financial statements, the summary of the budget, contents in Preliminary Official Statements of future bond issues as well as publicly available information.

**Existing Continuing Disclosure Filing History**

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District’s filing history of its annual financial and operating information during the past five (5) years is outlined in the table below.

Fiscal Year Ending	Filing Deadline <sup>[1]</sup>	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>
6/30/2018	12/27/2018	12/21/2018	ER915161	12/21/2018	ER915161	12/27/2018	ER915161
6/30/2019	12/27/2019	12/26/2019	ER993721	12/26/2019	ER993330	12/26/2019	ER993329
6/30/2020	12/27/2020	12/21/2020	P11106180	12/21/2020	P11106185	12/21/2020	P11106176
6/30/2021	3/27/2022	12/27/2021	P11179228	12/27/2021	P11179288	N/A	
6/30/2022	3/27/2023	03/31/2023 <sup>(3)</sup>	P21278592	03/27/2023	P21278592	N/A	

**Notes**

<sup>[1]</sup>For these purposes, assumes the shortest filing deadline of the School District’s previous Continuing Disclosure Agreements

<sup>[2]</sup>Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below: <https://emma.msrb.org/MarketActivity/ContinuingDisclosureDetails/>

<sup>[3]</sup> The School District did file their audit late, but did file their preliminary audit on March 27, 2023 (EMMA ID P21278592) as an interim filing. The Failure to File Notice was filed late on March 27, 2023 (EMMA ID P21278592). The Audit Report was filed on March 31, 2023 (EMMA ID P21278592 \_\_\_\_\_).

Based on the information above, the School District’s annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2018, the School District filed timely to EMMA its Audit and Budget on December 21, 2018 and the operating data on December 27, 2018.

For fiscal year ending June 30, 2019 the School District filed timely to EMMA its Audit, Budget and operating data on December 26, 2019.

For fiscal year ending June 30, 2020 the School District filed timely to EMMA its Audit, Budget and operating data on December 21, 2020.

For fiscal year ending June 30, 2021 the School District filed timely to EMMA its Audit and Budget on December 27, 2021.

For fiscal year ending June 30, 2022 the School District filed the Budget timely, and the Audit late on March 31, 2023.

### **Future Continuing Disclosure Compliance**

The School District has conducted a thorough review of its continuing disclosure obligations and submissions. Upon discovering any inadvertent omissions with respect to these filings, the School District, to the best of its knowledge, has attempted to bring its continuing disclosure filings up to date.

In an effort to augment the School District's procedures and policies to maintain future compliance, the School District has taken additional steps intended to assure future compliance with its Continuing Disclosure Certificates. These steps include implementing the MSRB's EMMA's internal notification system whereby the School District will receive timely email reminders a month in advance for all of the School District's annual disclosure filings and coordinating with the School District's financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District's business office will be responsible for ensuring ongoing continuing disclosure compliance. Members of the School District's business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaken if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its' State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

### **RATING**

S&P Global Ratings has assigned the School District an underlying rating of “\_” (\_\_\_\_ Outlook). Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address S&P Global Ratings, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **UNDERWRITING**

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased at a purchase price of \$\_\_\_\_\_, equal to the par value of the Bonds less an Underwriter's discount of \$\_\_\_\_\_ plus/less a net original issue premium/(discount) of \$\_\_\_\_\_, plus accrued interest, if any, from the dated date to the Date of Delivery of the Bonds.

### **LEGAL OPINION**

The Bonds are offered subject to the receipt of the approving legal opinion of King, Spry, Herman, Freund & Faul, LLC, Bond Counsel of Bethlehem, Pennsylvania. Certain other legal matters will be passed upon for the School District by Eastburn and Gray, P.C., Doylestown, Pennsylvania, School District Solicitor.

## FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania, as financial advisor (the “Financial Advisor”) in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## MISCELLANEOUS

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

COUNCIL ROCK SCHOOL DISTRICT  
Bucks County, Pennsylvania

By: \_\_\_\_\_  
Director of Business Administration

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**APPENDIX A**  
**Demographic and Economic Information**  
**Relating to the Council Rock School District**

**Introduction**

The Council Rock School District (the “School District”) encompasses of the municipal subdivisions of the Borough of Newtown and the Townships of Newtown, Northampton, Upper Makefield and Wrightstown in Bucks County, Pennsylvania, and covers an area of approximately 71 square miles. Geographically, the area is located in south central Bucks County within easy commuting distance of the Philadelphia, New York/Northern New Jersey and the Trenton/Princeton labor markets. The School District lies 20 miles north of Philadelphia, 10 miles west of Trenton and Princeton, New Jersey; and 65 miles southwest of New York, New York. Many well-known unincorporated communities are located within the School District and these include: Richboro, Holland and Churchville in Northampton Township and Washington Crossing in Upper Makefield Township.

**Population**

Table A-1 which follows shows recent population trends for the School District, Bucks County and the Commonwealth of Pennsylvania. Table A-2 shows 2015 age composition and average number of persons per household in Bucks County and for the Commonwealth. Average household size was higher for Bucks County than for the State.

**TABLE A-1  
RECENT POPULATION TRENDS**

<b>Geographic Area</b>	<b>2010</b>	<b>2020</b>	<b>Compound Average Annual Percent</b>
<i>School District</i> .....	72,626	72,895	0.07%
Bucks County.....	626,583	646,538	0.12%
Pennsylvania.....	12,779,559	13,002,700	0.20%

Source: U.S. Census Bureau, 2020

**TABLE A-2  
AGE COMPOSITION**

	<b>0-19</b>	<b>20-64</b>	<b>65+</b>	<b>Persons Per</b>
	<b><u>Years</u></b>	<b><u>Years</u></b>	<b><u>Years</u></b>	<b><u>Household</u></b>
Bucks County.....	22.0%	60.5%	16%	2.49
Pennsylvania.....	25.5%	60.1%	16%	2.52

Source: U.S. Census Bureau, 2020

## Employment

Overall employment data is not compiled for the School District but is compiled for the PMSA (the “PMSA”), (an area which includes the School District).

Although the School District is primarily a residential community for the surrounding urban employment markets, it does include several large employers, which are located in Newtown Commons, a corporate center located in Newtown Township adjacent to Interstate 95. Major employers within the School District include.

<b>Employer</b>	<b>Service</b>	<b>Approximate Number of Employees</b>
Council Rock School District	Education	1,450
Bucks County Community College	Education	1,377
Aydin Vector	Telemetry Systems	459
Chandler Hall	Nursing Home	344
Genuardi's	Retail Food	319
Twining Village	Life Care Center	299
Auto Club Cellular	Telecommunications	248
Newtown Racquetball	Fitness Center	200
Law School Admission Service	Data Processor	197

Source: School District officials.

The location of the School District provides residents with many employment opportunities in surrounding communities all within easy commuting time. Some of the major employers located within commuting distance of the School District for Quarter 2 of 2022 include:

<b>Name</b>
Giant Food Stores LLC
Central Bucks School District
Doylestown Hospital
Bucks County
Saint Mary Medical Center
Northtec LLC
Wal-Mart Associates Inc
Pennsbury School District
Grand View Health
Woods Services

Source: Quarterly Census of Employment and Wages.

**TABLE A-3**  
**DISTRIBUTION OF EMPLOYMENT BY INDUSTRY**  
**MONTGOMERY-BUCKS-CHESTER, PA METROPOLITAN DIVISION**  
**(Bucks, Chester and Montgomery – PA Counties)**  
**NONFARM JOBS – NOT SEASONALLY ADJUSTED**

Establishment Data	Industry Employment				Net Change From:	
	Aug 2022	Jul 2022	Aug 2021	Aug 2020	Jul 2022	Aug 2021
TOTAL NONFARM	1,093,500	1,094,200	1,058,500	1,002,100	-700	35,000
TOTAL PRIVATE	1,018,800	1,019,900	984,000	928,700	-1,100	34,800
GOODS PRODUCING	147,900	148,900	145,500	141,800	-1,000	2,400
Construction, Natural Resources, and Mining	57,500	58,100	57,600	54,800	-600	-100
Manufacturing	90,400	90,800	87,900	87,000	-400	2,500
Durable Goods	45,300	45,200	44,300	44,100	100	1,000
Non-Durable Goods	45,100	45,600	43,600	42,900	-500	1,500
SERVICE-PROVIDING	20,800	21,000	20,100	19,700	-200	700
PRIVATE SERVICE-PROVIDING	945,600	945,300	913,000	860,300	300	32,600
Trade, Transportation, and Utilities	870,900	871,000	838,500	786,900	-100	32,400
Wholesale Trade	201,500	202,100	193,900	185,200	-600	7,600
Retail Trade	58,700	58,400	54,300	52,700	300	4,400
Transportation, Warehousing, and Utilities	109,500	110,200	109,700	104,500	-700	-200
<b>Information</b>	17,300	17,400	16,700	15,100	-100	600
<b>Financial Activities</b>	33,300	33,500	29,900	28,000	-200	3,400
Finance and insurance	25,500	25,400	25,600	23,500	100	-100
<b>Professional and Business Services</b>	87,500	87,500	87,000	85,500	0	500
Professional and technical services	72,900	72,900	72,600	71,900	0	300
Administrative and waste services	18,800	18,800	18,600	17,900	0	200
<b>Education and Health Services</b>	9,300	9,300	9,300	9,600	0	0
Health care and social assistance	27,900	27,900	28,600	28,600	0	-700
Hospitals	14,600	14,600	14,400	13,600	0	200
<b>Leisure and Hospitality</b>	217,400	217,300	210,000	195,900	100	7,400
Accommodation and food services	114,300	115,100	113,700	105,900	-800	600
<b>Other Services</b>	23,700	23,700	22,200	20,900	0	1,500
<b>Government</b>	31,100	31,000	30,400	28,300	100	700
Federal Government	72,000	71,200	65,900	61,700	800	6,100
State Government	200,900	200,100	191,200	185,000	800	9,700
Local Government	25,300	25,900	24,000	22,200	-600	1,300
Data benchmarked to March 2021	***Data changes of 100 may be due to rounding***					

Source: Pennsylvania Center for Workforce Information & Analysis

Table A-4 shows recent trends in labor force, employment and unemployment for Bucks County and the Commonwealth. The unemployment rate for Bucks County has been lower than for the Commonwealth during this period.

**TABLE A-4  
TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
NOT SEASONALLY ADJUSTED**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<b>Compound Average Annual % Rate</b>
<b><i>Bucks County</i></b>							
Civilian Labor Force (000)	328.4	342.6	341.4	344.1	347.4	335.3	0.42%
Employment (000)	323.1	326.7	327.0	332	335.2	292.6	-1.96%
Unemployment (000)	15.3	15.9	14.5	12.1	12.2	42.7	22.79%
Unemployment Rate	4.50%	4.60%	4.20%	3.50%	3.50%	12.70	
<b><i>Pennsylvania</i></b>							
Civilian Labor Force (000)	6,424.0	6,472.0	6,427.0	6,455.0	6,492.0	6,414.0	-0.03%
Employment (000)	6,094.0	6,120.0	6,112.0	6,201.0	6,208.0	6,559.0	1.48%
Unemployment (000)	330.0	352.0	316.0	253.0	284.0	855.0	20.97%
Unemployment Rate	5.10%	5.40%	4.90%	3.90%	4.40%	13.30%	

Source: Pennsylvania Center for Workforce Information and Analysis.

### Income

The data on Table A-5 shows trends in per capita income for the School District, Bucks County and Pennsylvania over the 2010-2015 period. Per capita income in the School District is somewhat higher than average per capita income for the Commonwealth and the County.

**TABLE A-5  
RECENT TRENDS IN PER CAPITA INCOME\***

	<u>2010</u>	<u>2015</u>	<b>Compound Average Percentage Change <u>2010-2015</u></b>
Newtown Borough .....	\$48,047	\$59,415	4.34%
Newtown Township .....	45,738	53,243	3.09%
Northampton Township .....	43,046	46,561	1.58%
Upper Makefield Township .....	76,554	77,394	0.22%
Wrightstown Township .....	44,097	57,536	5.46%
Bucks County .....	35,039	38,795	2.06%
Pennsylvania .....	26,678	29,291	1.89%

\*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: U.S. Census Bureau, 2010 Census and the U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

## Commercial Activity

Commercial activity within the School District tends to be centered in the Borough of Newtown and in the unincorporated community of Richboro. Also located just outside the School District is the Oxford Valley Mall.

Table A-6 shows retail sales over a recent five-year period for the County and the Commonwealth.

**TABLE A-6**  
**TOTAL RETAIL SALES**  
**(000)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bucks County .....	\$ 12,946,128	\$ 13,069,185	\$ 12,162,282	\$ 11,455,396	\$ 12,162,282
Pennsylvania .....	198,215,135	207,887,941	213,005,475	188,389,810	244,709,540

Source: The Nielsen Company.

## Educational Institutions

The Bucks County Community College (the “Community College”), located in Newtown Township, has an enrollment of approximately 3,200 full time students and approximately 8,500 part-time students. The Community College offers transfer programs paralleling the first two years at a four-year college and also terminal programs designed to prepare students for employment. Forty-nine degree programs and eleven certificate programs are offered by the Community College.

## Medical Facilities

Three non-profit hospitals, Saint Mary Hospital, Holy Redeemer, and Doylestown Hospital provide health care facilities to residents of the School District.

## Recreation

School District residents have access to a variety of recreational facilities through public, private and quasi-public agencies. Tyler State Park (1,150 acres), located in Newtown and Northampton Townships, provide residents with many recreational facilities.

Northampton Valley Country Club and The Spring Mill Country Club maintain 18-hole golf facilities for their members. Both complexes are located in Northampton Township. Northampton Township maintains an 18-acre Civic Center, which provides School District residents with ball fields, tennis and basketball courts and a library.

## Utilities

Water and Sewer: Residents of Northampton Township, Newtown Township and Newtown Borough are provided water and sewer service by various local municipal authorities. All other areas are currently served by on-site systems.

Electricity and Gas: PECO Energy distributes both electricity and natural gas to users within the School District.

## Municipal Services

All Townships and the Borough have police protection provided by local departments, which are augmented by the State Police. All communities support their local volunteer fire companies.

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**APPENDIX B**  
**Form of Bond Counsel Opinion**

# DRAFT

KING, SPRY, HERMAN, FREUND & FAUL, LLC  
One West Broad Street, Suite 700  
Bethlehem, Pennsylvania 18018

\_\_\_\_\_ 2023

Re: Council Rock School District, Bucks County, Pennsylvania  
\$ \_\_\_\_\_ General Obligation Bonds, Series of 2023

The Council Rock School District, Bucks County, Pennsylvania (the "School District"), is a Local Government Unit, as defined in the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa.C.S. Chs. 80-82 (the "Act").

The School District has determined to undertake a program to fund capital projects "Projects").

The School District, pursuant to a resolution duly adopted on March 16, 2023 (the "Resolution"), and a bond purchase proposal dated March 16, 2023 and an addendum thereto consisting of an invitation to bid and winning bid form dated \_\_\_\_\_, 2023 (together "Bond Purchase Agreement") has determined to implement the foregoing decisions by the authorization, issuance and sale, of a series of obligations, its General Obligation Bonds, Series of 2023, in the aggregate principal amount of \$ \_\_\_\_\_ ("2023 Bonds"). All of the proceeds the 2023 Bonds will be made available, after payment of costs of issuance, together with any other monies available or to be available for the purpose, to provide necessary monies for the Project.

The principal and interest due on the Bonds are payable from the School District's general revenues and constitute general obligation bonds under the Act.

Proceedings for authorization, issuance and sale of the Bonds have been conducted in accordance with provisions of the Act. The Department of Community and Economic Development of the Commonwealth has approved the proceedings relating to issuance and delivery of the Bonds, as authorized by the Resolution, as required by the Act.

In our capacity as bond counsel to the School District, we have examined the Constitution of the Commonwealth of Pennsylvania; the Act and such other statutes, regulations, decisions, proceedings, and documents as we have deemed necessary as the basis of this opinion; the Resolution; a representative Bond; and certain statements, certifications, reports, affidavits and documents and agreements pertaining to the issuance and sale of the Bonds.

On the basis of the foregoing, we are of the opinion that:

1. The School District is authorized, under the Act, to issue the Bonds with the proceeds together with any other money made available for the purpose, to be used for the purpose of providing the monies required to fund the Projects, as defined in the Resolution.

2. The amount of the nonelectoral debt of the School District issued and outstanding or authorized by vote of the Board of School Directors of the School District (the "School Board"), after giving effect to the issuance and delivery of the Bonds, computed in accordance with the Act, is not in excess of legal limitations; and the nonelectoral debt of the School District, which is evidenced by the Bonds, is permitted by the Act and the Constitution of the Commonwealth to be made by vote of the School Board without assent of the electors.

3. The Bonds and interest thereon are payable from the School District's general revenues. The School District has covenanted, in the Resolution, to and with holders or registered owners of such Bonds which shall be outstanding, from time to time, pursuant to the Resolution, that the School District shall include the amount of the debt service thereof, for each fiscal year of the School District in which such sums are payable, in its budget for that fiscal year; shall appropriate such amounts to the place and in the manner stated in the Bonds according to the true intent and meaning thereof; and, for such budgeting, appropriation, and payment, the School District has pledged, irrevocably, its full faith, credit and available taxing power. The Act provides that the foregoing covenant of the School District shall be enforceable specifically. The Bonds are additionally secured by the "State Aid" Intercept Provisions of Section 633 of the Public School Code of 1999, as amended by Act 150 of 1975.

We call to your attention, however, that pursuant to Act 1 of Special Session 2006, the School District may not, in any fiscal year, without voter approval by referendum (a so-called "back-end referendum"), or without approval by the Pennsylvania Department of Education, increase the rate of any tax for school purposes by more than the index, increase the rate of any earned income tax levied under Act 511 (the Local Tax Enabling Act) or levy any tax not previously imposed.

There are exceptions to the back-end referendum and school districts such as the School District may increase the rate of a tax levied for the support of the public schools by more than the applicable Index without voter approval on debt issued to refinance debt incurred prior to the effective date (such as the Bonds), so long as such increase has been approved by the Pennsylvania Department of Education.

The Undersigned is of the opinion that the aforementioned exception to the referendum requirement is not available for the Bonds.

4. The School District, in the Resolution, has established a sinking fund for the Bonds, with the paying agent named in the Resolution as the sinking fund depository, into which funds for the payment of the principal of and interest on the Bonds shall be deposited no later than the date fixed for disbursement thereof. The School District has covenanted, in the Resolution, to make payments therefrom in such amounts as shall be sufficient for prompt and full payment of all obligations of the Bonds.

5. The annual amounts appropriated to the sinking funds under the Resolution are sufficient to pay the principal of and interest on the Bonds.

6. The Bonds constitute valid, binding and enforceable general obligations of the School District in accordance with their terms and the terms of the Resolution, entitled to the benefit and security of the Resolution and the Act, for the payment of which all taxable real property within the School District is presently subject to ad valorem taxes without limitation as to rate or amount.

7. The Resolution has been properly adopted, and the provisions thereof represent valid and binding obligations of the School District in accordance with the terms thereof.

8. The interest on the Bonds are payable without deduction of any taxes now or hereafter levied or assessed thereon under any present or future law of the Commonwealth, provided, however, that the foregoing shall not be applicable to gift, estate, succession or inheritance taxes, taxes on gains on the sale of the Bonds, or to other taxes not levied or assessed directly on the Bonds or the interest paid thereon. Profit, gains, or income derived from the sale, exchange or other disposition of the Bonds are subject to state and local taxation with the Commonwealth of Pennsylvania. Specifically, the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

9. Under existing statutes, regulations and decisions, interest on the Bonds, including any original issue discount properly allocable to the holder thereof, is excluded from gross income for purposes of Federal income taxation and is not an item of tax preference for purposes of Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022. Furthermore, the Bonds are not arbitrage bonds.

The opinion set forth above in Paragraph 9 is subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for Federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements and has the legal power to do so. We express no opinion regarding other Federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of holders or registered owners of Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

The Cusip Number printed on each of the Bonds pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures is for convenience of identification

only and does not in any way affect or modify the legality, negotiability, transferability or procedure for redemption of the Bonds.

This opinion is expressly limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated herein. This opinion is given as of the date hereof and we assume no obligation to update this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. This opinion is expressly limited to the present internal laws of the Commonwealth and present federal law.

KING, SPRY, HERMAN, FREUND & FAUL, LLC

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**APPENDIX C**  
**Continuing Disclosure Certificate**

# DRAFT

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is made as of the \_\_\_\_ day of \_\_\_\_\_, 2023, by the Council Rock School District (the "School District").

### WITNESSETH:

WHEREAS, pursuant to the bond purchase proposal dated March 16, 2023 and an addendum thereto consisting of a bid and winning bid form dated \_\_\_\_\_, 2023 by and between the School District and \_\_\_\_\_ (the "Underwriter"), the School District is selling the School District's General Obligation Bonds, Series of 2023 ("2023 Bonds") in the final aggregate principal amount of \$\_\_\_\_\_ to the Underwriter; and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain material events; and

WHEREAS, the School District currently is the only obligated person with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to enable the Underwriters to comply with the requirements of the Rule, the School District, as such obligated person, agrees to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the premises, the School District, intending to be legally bound hereby, agrees as follows:

Section 1. Definitions. In addition to the terms defined in the above recitals, the following terms shall have the meanings specified below:

"EMMA" shall mean the Electronic Municipal Market Access System as provided by the MSRB.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"SID" shall mean the state information depository, if any, established for Pennsylvania for purposes of the Rule. As of the date hereof, there is no SID.

Section 2. Covenants of the School District.

The School District covenants to comply with all requirements of the Rule in furtherance of the foregoing and without limiting the generality thereof:

(a) The School District shall deliver to any bond insurer then insuring the Bonds, the MSRB through EMMA and to the SID, if any, within 270 days after the end of each fiscal year commencing with the fiscal year ending June 30, 2023:

- (1) Financial statements for the most recent fiscal year prepared in accordance with generally accepted accounting principles for local government units; and
- (2) a copy of (or a summary of) the budget for the current fiscal year.

(b) If not submitted as part of the annual financial information, the School District shall deliver if and when available, the audited financial statements for the School District;

(c) The School District shall file in a timely manner not in excess of ten (10) business days after the occurrence of the event, to any bond insurer then insuring the Bonds and to EMMA and to the MSRB through EMMA and to the SID, if any, notice of any of the following events (collectively, "Reportable Events") with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;

- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances; or events affecting the tax-exempt status of the Bonds;
- (10) release, substitution or sale of property securing payment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

(d) The School District shall file in a timely manner with MSRB through EMMA notice of a failure of any obligated person to provide required annual financial information, on or before the date specified within this Disclosure Certificate.

(e) The School District shall send to any bond insurer then insuring the Bonds:

- (1) Copies of any information delivered to MSRB through EMMA and the SID, if any, pursuant to subsections (a) or (b) above; and
- (2) Concurrently with the delivery of any information required pursuant to subsection (a) or (b) above, a certificate signed by an authorized officer of the School District, that it has filed such information with the MSRB through EMMA and the SID, if any.

(f) The School District agrees to provide information required in subsection (a) or (b) above for all persons who are determined by it to be "Obligated Persons" under the Rule.

(g) The School District agrees that the provisions of this Section 2 shall be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by any holders or beneficial owners of the Bonds, or by the Paying Agent on their behalf.

Section 3. Termination of Reporting Obligations. The School District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the School District's obligations with respect to the payment of the Bonds are assumed in full by some other entity, such other entity shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the School District's, and the School District shall have no further responsibility hereunder. In addition, the School District's obligation to provide information and notices as specified in Section 2 hereof shall terminate (i) at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds, (ii) in the event of a repeal or rescission of the Rule or (iii) upon a determination that the Rule is invalid or unenforceable.

Section 4. Amendment. The School District may amend this Disclosure Certificate and waive any of the provisions hereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the School District or the operations conducted by the School District, (ii) this Disclosure Certificate, as modified by the amendment or waiver complies with the requirements of the Rule, and (iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds. Prior to executing any requested amendment, the School District shall provide an opinion of counsel knowledgeable in federal securities laws to the effect that the proposed amendment satisfies the requirements described above. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the School District shall describe such amendment in its next annual report delivered pursuant to Section 2(a) hereof, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the financial information or operating data being presented by the School District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i.e., changes other than those prescribed by generally accepted accounting principles), (i) notice of such change shall be given pursuant to the Reportable Event notice requirements as set forth

in this Disclosure Certificate; and (ii) the annual report for the year in which the change is made will present a comparison between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. To the extent that the Rule requires or permits an approving vote of beneficial owners of the Bonds in connection with an amendment, the approving vote of beneficial owners of Bonds constituting more than 50% of the aggregate principal amount of the then outstanding Bonds shall constitute such approval. The School District shall provide notice of any amendment to this Disclosure Certificate to the MSRB through EMMA and the SID and to the registered holders of the Bonds.

Section 5. Remedies for Default. In the event of a breach or default by the School District of its covenants to provide annual financial information and notices as provided in Section 2 hereof, the Paying Agent, the Underwriter, or any holder or beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel specific performance by the School District. A breach or default under this Disclosure Certificate shall not constitute an event of default under the Bonds or any other agreement. The Paying Agent shall be under no obligation to enforce this Disclosure Certificate but may do so and may require that it be furnished with indemnity and security for expenses satisfactory to it.

Section 6. Miscellaneous.

(a) Binding Nature of Undertaking. This Disclosure Certificate shall be binding upon and inure to the benefit of the Underwriter, and its respective successors and assigns. In addition, registered owners of the Bonds, which for the purposes of this Section 6 includes the holders of a book-entry credit evidencing an interest in the Bonds, from time to time shall be third party beneficiaries hereof and shall be entitled to enforce the provisions hereof as if they were parties hereto; but no consent of beneficial owners of the Bonds shall be required in connection with any amendment of this Disclosure Certificate, except as required by the Rule. Holders of book-entry credits evidencing an interest in the Bonds may file their names and addresses with the School District for the purposes of receiving notices or giving direction under this Disclosure Certificate.

(b) Notices. All notices and other communications required or permitted under this Disclosure Certificate shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Paying Agent:

Bank of New York Mellon  
2001 Bryan Street, 11<sup>th</sup> Floor  
Dallas, TX 75201  
Attn: Vice President  
Telecopy No.: (214) 468-6322

- (ii) If to the School District:

Anthony Rapp, Director of Business Administration  
Council Rock School District  
30 North Chancellor Street  
Newtown, PA 18940  
Telecopy No.: (215) 944-1041

- (iii) If to the MSRB:

Municipal Services Rulemaking Board  
1640 King Street  
Suite 300  
Alexandria, VA 22314-2719  
Attn: CDI  
Telecopy No. (703) 683-1938

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section.

(c) Execution in Counterparts. This Disclosure Certificate may be executed in any number of counterparts, each of which shall be deemed to be an original as against the party whose signature appears thereon, and all of which shall together constitute one and the same instrument.

(d) Controlling Law. This Disclosure Certificate and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and the Rule.

(e) Successor and Assigns. Notwithstanding anything herein to the contrary, any successor under the Paying Agent Agreement dated as of \_\_\_\_\_, 2023 between the School District and the Paying Agent relating to the Bonds shall automatically succeed to the rights of the Paying Agent under this Disclosure Certificate.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Certificate as of the date first above written.

COUNCIL ROCK SCHOOL DISTRICT

BY: \_\_\_\_\_  
(Vice) President

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**APPENDIX D**  
**Audited Financial Statements**



Council Rock School District  
Newtown, Pennsylvania  
Bucks County

Financial Statements  
Year Ended June 30, 2022



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

215/567-7770 | [bbdcpa.com](http://bbdcpa.com)

# COUNCIL ROCK SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

**Board of School Directors  
Council Rock School District  
Newtown, Pennsylvania**

### **Opinions**

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 Council Rock School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Council Rock School District's basic financial statements as listed in the table of contents.

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 Council Rock School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Change in Accounting Principle**

As described in Note 14 to the financial statements, Council Rock School District adopted new accounting guidance, GASB Statement No. 87, "*Leases*". Our opinions are not modified with respect to that matter.

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions - PSERS on pages 4 through 15 and 52 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

## **Report on Summarized Comparative Information**

We have previously audited Council Rock School District's 2021 financial statements, and our report dated December 21, 2021 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Council Rock School District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards and certain state grants 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 combining and individual fund financial statements and the schedule of expenditures of federal awards and certain state grants are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of Council Rock 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 Council Rock School District's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
March 30, 2023**

# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

---

Management's discussion and analysis ("**MD&A**") of the financial performance of the Council Rock School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2022. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

### DISTRICT PROFILE

The District consists of 15 schools – 10 elementary schools, three middle schools (although one is no longer used as a middle school) and two senior high schools consisting of approximately 10,500 students. The District encompasses the municipal subdivisions of the Borough of Newtown and Townships of Newtown, Northampton, Upper Makefield and Wrightstown in Bucks County, Pennsylvania and covers approximately 71 square miles. Geographically, the area is located in south central Bucks County and lies 20 miles north of Philadelphia, 10 miles west of Trenton and Princeton, New Jersey; and 65 miles southwest of New York, New York. Many well-known unincorporated communities are located within the District which include Richboro, Holland and Churchville in Northampton Township and Washington Crossing in Upper Makefield Township. There are approximately 1,472 employees in the District including teachers, administrators and support personnel.

As a leader in educational excellence, and a vital resource in the community, the District is committed to children and will empower them with skills and knowledge through comprehensive, innovative and diverse educational experiences, enabling them to achieve self-fulfillment and to become productive, responsible citizens who contribute to the world community.

### FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2021-2022 fiscal year of \$198,371,775. During the 2021-2022 fiscal year, the District had an increase in total net position of \$34,743,073. The net position of governmental activities increased by \$33,743,830 and net position of the business-type activities increased by \$999,243.
  - The General Fund reported a decrease in fund balance of \$12,163,927, bringing the cumulative balance to \$19,700,822 at the conclusion of the 2021-2022 fiscal year. At June 30, 2022, the General Fund fund balance includes \$9,053,430 considered nonspendable, restricted, committed or assigned by the School Board and management for the following purposes:
    - ◆ \$283,362 nonspendable inventory and encumbrances
    - ◆ \$3,692 restricted for unspent grants and contributions
    - ◆ \$8,000,000 committed to future education initiatives
    - ◆ \$590,124 committed to balance the 2022-2023 budget
    - ◆ \$36,414 assigned to facility use fees allocation
    - ◆ \$117,235 assigned to artificial turf
  - At June 30, 2022, the General Fund fund balance includes unassigned amounts of \$10,670,095 or 4.13% of the \$258,292,658 2022-2023 General Fund expenditure budget. This is in compliance with School Board policy and guidelines prescribed by the Pennsylvania Department of Education which allows a district to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditure budget.
  - The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2021-2022, the Capital Projects Fund reported an increase in fund balance of \$7,854,195 due to proceeds received from general obligation debt and transfers from the General Fund in excess of capital expenditures. The remaining fund balance of \$44,458,835 as of June 30, 2022 is restricted for future capital expenditures.
-

# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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### OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statement, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finance, in a manner similar to a private-sector business.

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

#### ***Governmental Activities***

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

#### ***Business-Type Activities***

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 16 and 17 of this report.

### FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

#### ***Governmental Funds***

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 18 through 21 of this report.

### **Proprietary Funds**

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses its Internal Service Fund to account for the District's self-funded healthcare and the prior workers' compensation plan. The District now has a fully insured workers' compensation contract, but maintains a small reserve in the Internal Service Fund. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The proprietary fund financial statements provide separate financial information for the Food Service Fund and Internal Service Fund.

The proprietary fund financial statements can be found on Pages 22 through 24 of this report.

### **Fiduciary Funds**

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship, student activity and flexible spending funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 25 and 26 of this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 27 through 51 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS, as well as additional analysis which consists of combining and individual fund financial statements.

# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The required supplementary information and additional analysis can be found on Pages 52 through 59 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2021-2022 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$198,371,775. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>						
Current assets	\$ 136,099,484	\$ 122,785,887	\$2,298,104	\$1,313,600	\$ 138,397,588	\$ 124,099,487
Noncurrent assets	<u>321,292,527</u>	<u>297,822,828</u>	<u>213,350</u>	<u>149,333</u>	<u>321,505,877</u>	<u>297,972,161</u>
<b>Total assets</b>	<u>457,392,011</u>	<u>420,608,715</u>	<u>2,511,454</u>	<u>1,462,933</u>	<u>459,903,465</u>	<u>422,071,648</u>
<b>DEFERRED OUTFLOWS</b>						
Deferred charges – pension	54,404,024	56,733,922	-	-	54,404,024	56,733,922
Deferred charges – OPEB	4,744,927	3,823,542	-	-	4,744,927	3,823,542
Deferred amounts on debt refunding	<u>193,884</u>	<u>224,726</u>	<u>-</u>	<u>-</u>	<u>193,884</u>	<u>224,726</u>
<b>Total deferred outflows</b>	<u>59,342,835</u>	<u>60,782,190</u>	<u>-</u>	<u>-</u>	<u>59,342,835</u>	<u>60,782,190</u>
<b>LIABILITIES</b>						
Current liabilities	42,474,133	26,960,295	264,251	214,973	42,738,384	27,175,268
Noncurrent liabilities	<u>607,977,790</u>	<u>674,357,962</u>	<u>-</u>	<u>-</u>	<u>607,977,790</u>	<u>674,357,962</u>
<b>Total liabilities</b>	<u>650,451,923</u>	<u>701,318,257</u>	<u>264,251</u>	<u>214,973</u>	<u>650,716,174</u>	<u>701,533,230</u>
<b>DEFERRED INFLOWS</b>						
Deferred credits – OPEB	5,326,787	2,161,536	-	-	5,326,787	2,161,536
Deferred credits – pension	<u>61,575,114</u>	<u>12,273,920</u>	<u>-</u>	<u>-</u>	<u>61,575,114</u>	<u>12,273,920</u>
<b>Total deferred inflows</b>	<u>66,901,901</u>	<u>14,435,456</u>	<u>-</u>	<u>-</u>	<u>66,901,901</u>	<u>14,435,456</u>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	92,814,571	87,670,573	213,350	149,333	93,027,921	87,819,906
Restricted	32,748,971	11,254,756	-	-	32,748,971	11,254,756
Unrestricted (deficit)	<u>(326,182,520)</u>	<u>(333,288,137)</u>	<u>2,033,853</u>	<u>1,098,627</u>	<u>(324,148,667)</u>	<u>(332,189,510)</u>
<b>Total net position (deficit)</b>	<u>\$(200,618,978)</u>	<u>\$(233,362,808)</u>	<u>\$2,247,203</u>	<u>\$1,247,960</u>	<u>\$(198,371,775)</u>	<u>\$(233,114,848)</u>

The District's total assets as of June 30, 2022 were \$459,903,465 of which \$123,639,516 or 26.88% consisted of cash and investments and \$321,505,877 or 69.91% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2022 were \$650,716,174 of which \$245,840,949 or 37.78% consisted of general obligation debt used to acquire and construct capital assets and \$327,345,308 or 50.31% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$324,148,667. The District's unrestricted net position increased by \$8,040,843 during 2021-2022 primarily due to the current year results of operations and change in the net pension liability and related deferred outflows and inflows of resources.

A portion of the District's net position reflects its restricted net position which totaled \$32,748,971 as of June 30, 2022. The District's restricted net position related to amounts restricted for future capital expenditures, debt service, student activities, self insurance healthcare claims.

# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2022, the District's net investment in capital assets increased by \$5,208,015 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the District for 2022 and 2021:

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,243,364	\$ 481,260	\$ 1,879,893	\$ 96,586	\$ 3,123,257	\$ 577,846
Operating grants and contributions	39,871,336	39,144,935	3,448,291	3,390,845	43,319,627	42,535,780
Capital grants and contributions	820,958	1,073,697	-	-	820,958	1,073,697
<b>General revenues</b>						
Property taxes levied for general purposes	165,352,141	161,807,805	-	-	165,352,141	161,807,805
Earned income taxes levied for general purposes	22,461,944	21,426,859	-	-	22,461,944	21,426,859
Other taxes levied for general purposes	9,852,794	9,572,466	-	-	9,852,794	9,572,466
Grants and entitlements not restricted to specific programs	20,791,624	20,404,755	-	-	20,791,624	20,404,755
Investment earnings (loss)	(143,476)	295,283	2,800	123	(140,676)	295,406
Miscellaneous income	-	1,355	-	-	-	1,355
<b>Total revenues</b>	<u>260,250,685</u>	<u>254,208,415</u>	<u>5,330,984</u>	<u>3,487,554</u>	<u>265,581,669</u>	<u>257,695,969</u>
<b>EXPENSES</b>						
Instruction	150,827,814	158,424,075	-	-	150,827,814	158,424,075
Instructional student support services	17,142,175	18,281,952	-	-	17,142,175	18,281,952
Administrative and financial support services	20,882,156	18,870,507	-	-	20,882,156	18,870,507
Operation and maintenance of plant services	14,332,806	14,105,794	-	-	14,332,806	14,105,794
Pupil transportation	13,464,269	10,944,721	-	-	13,464,269	10,944,721
Student activities	3,499,834	3,227,285	-	-	3,499,834	3,227,285
Community services	157,830	86,833	-	-	157,830	86,833
Interest and amortization expense related to noncurrent liabilities	6,199,971	6,180,722	-	-	6,199,971	6,180,722
Food service	-	-	4,331,741	2,895,924	4,331,741	2,895,924
<b>Total expenses</b>	<u>226,506,855</u>	<u>230,121,889</u>	<u>4,331,741</u>	<u>2,895,924</u>	<u>230,838,596</u>	<u>233,017,813</u>
<b>Change in net position before transfers</b>	33,743,830	24,086,526	999,243	591,630	34,743,073	24,678,156
<b>TRANSFERS</b>	-	(7,966)	-	7,966	-	-
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>\$ 33,743,830</u>	<u>\$ 24,078,560</u>	<u>\$ 999,243</u>	<u>\$ 599,596</u>	<u>\$ 34,743,073</u>	<u>\$ 24,678,156</u>

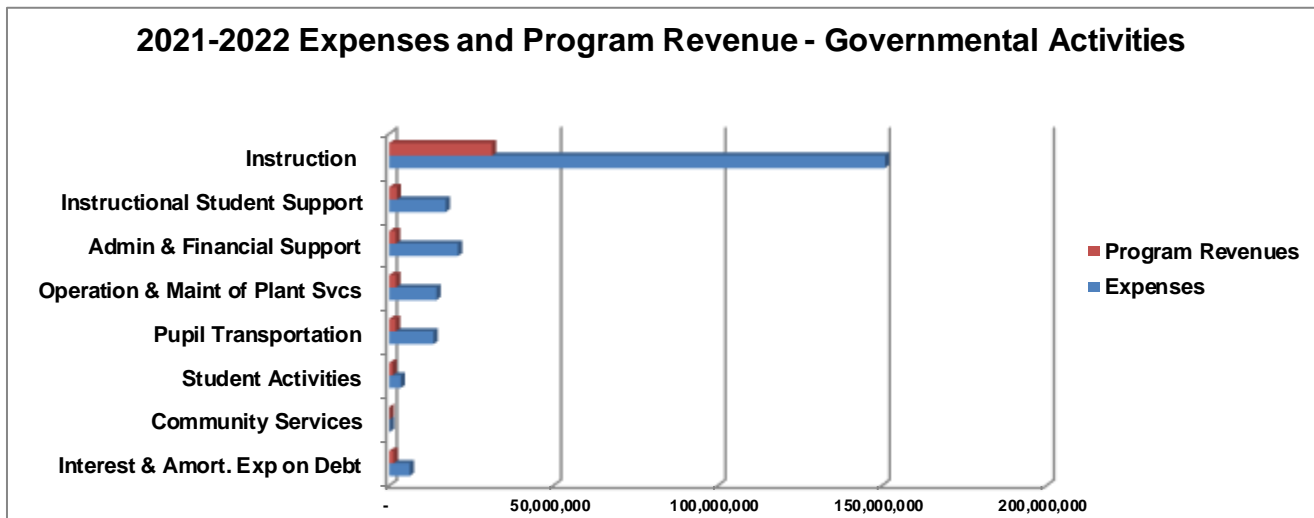
# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

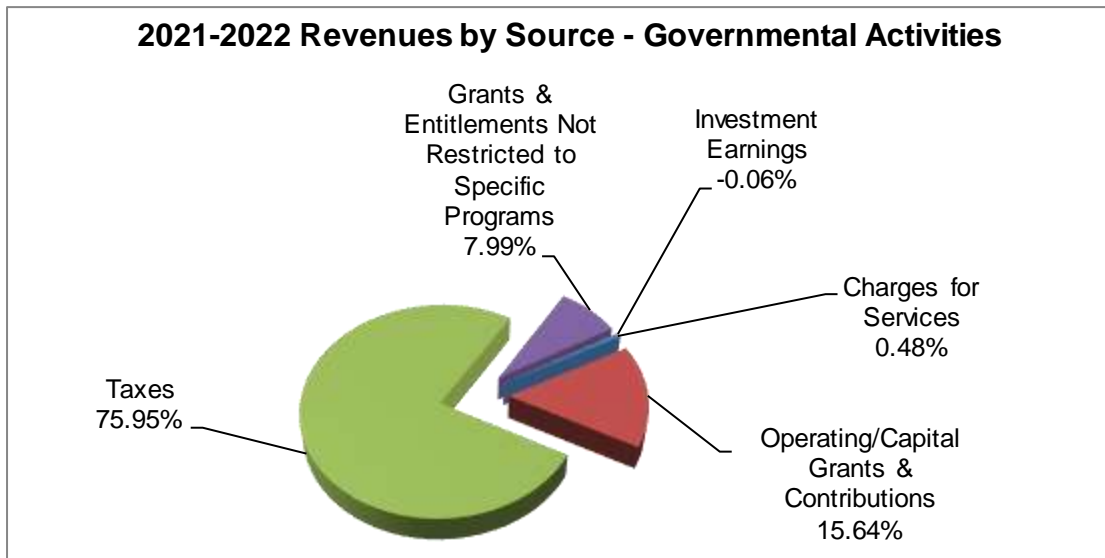
June 30, 2022

Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. The District's property tax base is primarily residential housing whose growth has slowed in recent years. The District also has a commercial property tax base.

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, none of the District's governmental activities raise enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the District's functions or programs cost more than the revenue generated, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District heavily relies on tax revenues to finance its governmental activities.



# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

### GOVERNMENTAL FUNDS

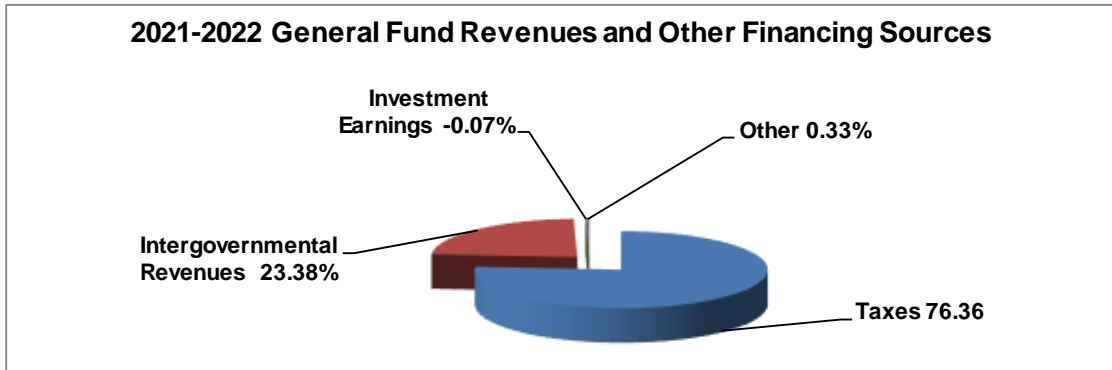
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2022, the District's governmental funds reported a combined fund balance of \$67,271,060 which is a decrease of \$3,861,338 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2022 and 2021 and the total 2022 change in governmental fund balances.

	<u>2022</u>	<u>2021</u>	<u>Change</u>
General Fund	\$19,700,822	\$31,864,749	\$(12,163,927)
Capital Projects	44,458,835	36,604,640	7,854,195
Debt Service Fund	2,758,894	2,370,931	387,963
Student Sponsored Activity Fund	<u>352,509</u>	<u>292,078</u>	<u>60,431</u>
	<u>\$67,271,060</u>	<u>\$71,132,398</u>	<u>\$ (3,861,338)</u>

### GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2021-2022 fiscal year, the General Fund fund balance was \$19,700,822 representing a decrease of \$12,163,927 in relation to the prior year. The decrease in the District's General Fund fund balance is due to a transfer of funds to the Capital Projects Fund for future capital projects. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2021-2022 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 76.36% of General Fund revenues are derived from local taxes.



### General Fund Revenues and Other Financing Sources

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$197,908,057	\$192,950,900	\$4,957,157	2.57
Intergovernmental revenues	60,604,719	59,445,130	1,159,589	1.95
Investment earnings	(194,289)	279,173	(473,462)	(169.59)
Other	<u>862,786</u>	<u>427,160</u>	<u>435,626</u>	<u>101.98</u>
	<u>\$259,181,273</u>	<u>\$253,102,363</u>	<u>\$6,078,910</u>	<u>2.40</u>

Tax revenues increased by \$4,957,157 or 2.57% in 2021-2022 when compared to 2020-2021. The reason for this increase is primarily due to \$3,204,186 in additional real estate tax revenue. This increase is the result of a 0.43% increase in assessed values and a 1.99% increase in the millage rate. The other major change in tax revenues related to the collection of earned income taxes, which increased by \$1,035,085 or 4.83%. This increase is due to the a more favorable work-from-home environment, leading to more local earned income tax remaining in the District. There was also an increase of \$550,606 or 48.00% in delinquent real estate tax collections. This increase is due to a change in collection agencies for delinquent real estate tax.

# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

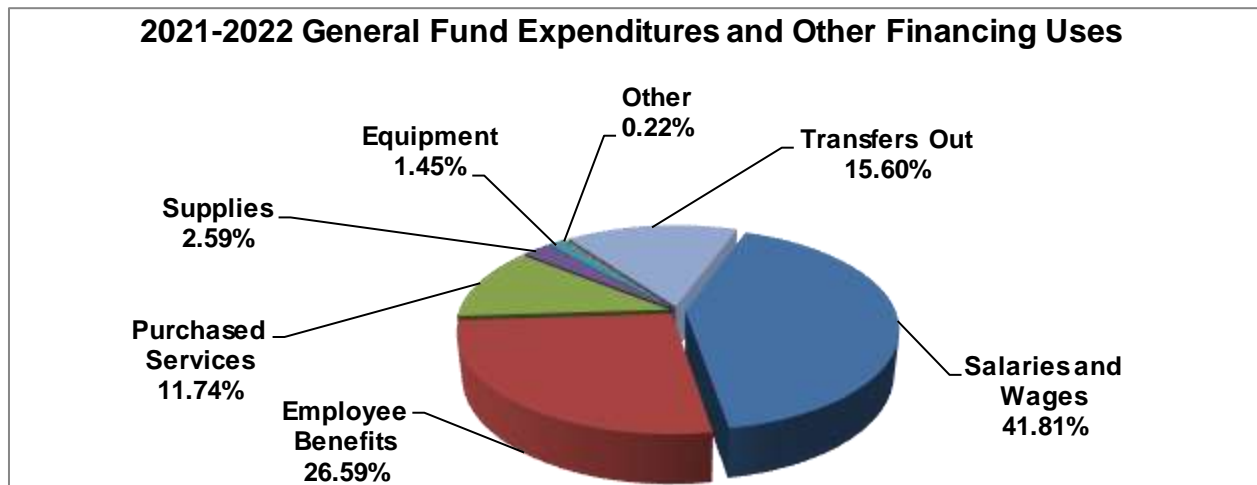
June 30, 2022

Intergovernmental revenues increased by \$1,159,589 or 1.95% in 2021-2022 when compared to 2020-2021 due to increased funding of federal grants through the Elementary and Secondary School Emergency Relief Fund ("**ESSER**").

Investment earnings decreased by \$473,462 or 169.59% in 2021-2022 due to a decline in interest rates and market losses on U.S. Treasury securities

Other revenues increased by \$435,626 or 101.98% in 2021-2022 when compared to 2020-2021, primarily attributed to an increase in rental revenues due to the District's prior year response to COVID-19 with the limitation of indoor facility rentals.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is a labor-intensive operation.



### General Fund Expenditures and Other Financing Uses

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 113,456,692	\$ 112,739,617	\$ 717,075	0.64
Employee benefits	72,138,294	71,606,528	531,766	0.74
Purchased services	31,849,106	26,629,006	5,220,100	19.60
Supplies	7,034,394	6,736,311	298,083	4.43
Equipment	3,932,963	1,583,953	2,349,010	148.30
Other	598,426	606,721	(8,295)	(1.37)
Debt service	-	18,365,253	(18,365,253)	(100.00)
Transfers out	<u>42,335,325</u>	<u>5,937,740</u>	<u>36,397,585</u>	<u>612.99</u>
	<u>\$ 271,345,200</u>	<u>\$ 244,205,129</u>	<u>\$ 27,140,071</u>	<u>11.11</u>

Salaries and wages increased by \$717,025 or 0.64% in 2021-2022 when compared to 2020-2021. This is based on negotiated increases in the collective bargaining agreements.

Employee benefits increased by \$531,766 or 0.74% in 2021-2022 when compared to 2020-2021. This is primarily due to the increase in employer retirement contributions to 34.94% in 2021-2022 from 34.51% in 2020-2021 of \$698,409.

Purchased services increased by \$5,220,100 or 19.60% in 2021-2022 when compared to 2020-2021. The major area of increase was in transportation, totaling \$2,726,668 or 30.12% because the transportation provider was unable to fill all routes which necessitated the use of other third-party vendors at a higher cost. Professional substitute services increased by \$936,911, or 99.88% caused by the need to increase rates to attract talented substitutes for increased teacher absences. Tuition to other LEA's and charter schools increased by \$1,192,357, or 19.71%. The increase in school tuition is becoming a trend and requires further monitoring.

# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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The District purchases equipment annually based on specific needs. The increase in equipment expenditures of \$2,349,010 or 148.30% in 2021-2022 when compared to 2020-2021 can be attributed in part due to the one-to-one initiative for student Chromebooks, which was partially funded by ESSER grants.

During 2021-2022 the District made transfers, totaling \$23,568,924 to the Capital Reserve Fund for future summer maintenance and improvement projects. The District also made a transfer of \$18,766,401 to the Debt Service Fund to fund the payment of current year debt service expenditures, which prior to the establishment of the Debt Service Fund was paid directly from the General Fund.

### CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2021-2022, the Capital Projects Fund reported an increase in fund balance of \$7,854,195 due to proceeds received from general obligation debt and transfers from the General Fund in excess of capital expenditures. The District has resumed its facility improvement program (and the associated borrowing) in accordance with its capital improvement projects plan. The remaining fund balance of \$44,458,835 as of June 30, 2022 is restricted for future capital expenditures.

### GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Actual revenues and other financing sources exceeded budgeted amounts by \$10,391,943 and actual expenditures and other financing uses were more than budget by \$21,191,520 resulting in a net negative variance of \$10,799,577. Major budgetary highlights for 2021-2022 were as follows:

- Actual local source revenues were \$8,040,894 more than budgeted amounts which can be primarily attributed to the following variances:

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
Current real estate taxes	\$162,642,021	\$163,422,434	\$ 780,413
Earned income taxes	17,349,999	22,461,944	5,111,945
Delinquent taxes	1,725,001	2,370,031	645,030
Transfer taxes	2,916,984	4,457,494	1,540,510
Interim real estate taxes	705,389	473,163	(232,226)
Occupation taxes	4,158,001	4,405,545	247,544
Other local sources	<u>1,038,265</u>	<u>985,943</u>	<u>(52,322)</u>
	<u>\$190,535,660</u>	<u>\$198,576,554</u>	<u>\$8,040,894</u>

- ♦ Current real estate taxes exceeded budgeted expectations by \$780,413 or 0.48% due to a slightly more positive collection rate in 2021-2022 than expected and a greater increase in assessed value of taxable properties than was assumed in the budget.
  - ♦ Earned income tax ("**EIT**") revenues exceeded budgeted expectations by \$5,111,945 or 29.46%. This increase is due to a more favorable work-from-home environment, leading to more local earned income tax remaining in the District.
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# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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- ◆ Delinquent tax receipts exceeded budgeted expectations by \$645,030 or 37.39%. This was caused by a greater collection rate than the District anticipated.
- ◆ Interim real estate taxes continued to trend downward and were less than the budget by \$232,226 or 32.92%.
- ◆ Real estate transfer taxes exceeded budget expectations by \$1,540,510 or 52.81%.
- ◆ Revenue from investments did not meet the budgeted amount by \$544,289 or 155.51% due to unfavorable interest rates.
- Revenues from state sources were more than budget in the amount of \$1,481,554 due to the following factors:
  - ◆ The District received more subsidy than budgeted for basic \$350,535 and special education \$311,864 due to changes in the District's allocation percentages.
  - ◆ In addition, the District received more than budgeted reimbursements for retirement adding \$459,130 to the above increases.
- The District made an operating transfer totaling \$18,766,401 to the Debt Service Fund, which was budgeted, and \$23,568,924 to the Capital Reserve Fund most of which was substantially not budgeted. The transfer to the Capital Projects Fund represents, unassigned fund balance in excess of 5% of the following year's expenditure budget and in accordance with Board policy must be appropriated to the Capital Projects Fund.

### BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2021-2022, the net position of the business-type activities and Food Service Fund increased by \$999,243. As of June 30, 2022, the business-type activities and Food Service Fund had net position of \$2,247,203.

### CAPITAL ASSETS

The District's investment in capital asset for its governmental and business-type activities as of June 30, 2022 amounted to \$321,505,877 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture and equipment and right-to-use leased assets. The total increase in the District's investment in capital assets for the current fiscal year was \$23,533,716 or 7.90%. The increase was the result of current year capital additions due to facility improvements in excess of current year depreciation expense.

Current year capital additions were \$36,575,375 and depreciation expense was \$13,041,659.

Major capital additions for the current fiscal year included the following:

- Sol Feinstone Elementary School renovations – construction in progress \$13,942,385
- Hillcrest Elementary School renovations – construction in progress \$14,931,665

### NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$245,840,949 consisting of \$237,400,000 in bonds payable and net deferred credits of \$8,440,949. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt increased by \$7,536,962 or 3.16% during the fiscal year.

# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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During 2021-2022, the District issued general obligation bond, Series of 2022, in the amount of \$9,130,000, the proceeds from which were used to currently refund all of the District's outstanding general obligation bond, Series of 2017 and to pay the costs of issuing the bonds. The District currently refunded general obligation bonds, Series of 2017 to reduce future debt service payments by approximately \$869,278.

During 2021-2022, the District issued \$18,990,000 of general obligation bonds, Series of 2022A, for the costs of acquiring, designing, constructing, furnishing, and equipping alterations, additions and renovations and other improvements to the School District's existing school buildings and to pay for the cost of issuing the bonds.

The District has a capital improvement plan, which includes provisions for future borrowings. These borrowings will fund the much needed work on deferred maintenance projects from prior years.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$245,840,949 is within the current debt limitation of the District which was \$564,050,843 as of June 30, 2022.

The District reports its allocated portion of its unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$327,345,308 as of June 30, 2022. The District's net pension liability decreased by \$71,736,917 or 17.98% during the fiscal year.

The District maintains an AA rating from Standard and Poor's.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$28,391,967 as of June 30, 2022. The District's OPEB liability decreased by \$1,444,183 or 4.84% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for compensated absences and right-to-use leases payable which totaled \$6,399,566 as of June 30, 2022 and decreased by \$736,034 or 10.31% during the fiscal year.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's current student enrollment for 2022-2023 is 10,488 and is projected to stay relatively stable in the 2023-2024 year.
- The District has been involved in an aggressive facility improvement plan that most recently included the renovation of Rolling Hills Elementary School and the construction of the STAR Center, a building that will house certain District programs that previously occupied rented space. The renovation projects at Sol Feinstone and Hillcrest Elementary Schools (suspended during the design phase) are now continuing. The District intends to evaluate whether it is prudent to commence additional facility improvements upon receipt of project bids in 2021-2022.
- The District has a backlog of deferred maintenance projects, and must continue to complete this work in order to avoid the additional costs associated with continued deferral. The projects have been funded by General Fund transfers upon conclusion of the audit, and the amount of funding is determined by any operating surplus from the prior fiscal year. In the 2021-2022 fiscal year the District transferred an additional \$22,500,000 from the General Fund to the Capital Reserve Fund to fund these projects in the future.

# COUNCIL ROCK SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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- Additional tax and enrollment information is available on the District’s website: <http://www.crsd.org>.
- The District adopted its 2022-2023 General Fund expenditure budget totaling \$258,292,658 that includes the use of \$590,124 of fund balance and a real estate tax millage rate increase of 1.25%. If the economic environment resulting from the end of the pandemic does not allow for growth in local revenue, the District will struggle to continue to rely on favorable budget variances to recoup the budgeted deficits. It is important to proactively address budget deficits to avoid having to make reductions to educational programs.
- Act 1 of 2006 provides taxpayer relief through gambling revenues generated by the Commonwealth. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education by property owners. This legislation also put a ceiling on the percentage increase of local real estate taxes that can be levied in order to balance the school district budget (the Act 1 Index). This law ostensibly requires the District to raise taxes every year because it cannot increase the levy beyond the Act 1 index and may not carryover unused tax increases from one year to the next. This legislation also introduced new requirements on school districts including:
  - ♦ That in the event a school district wishes to increase the property tax millage rate by more than the Act 1 Index (3.40% for Council Rock School District for 2022-2023), the District must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
  - ♦ Gaming revenues distributed under the provision of Act 1 (Act 1 permitted gambling in Pennsylvania) are to be used for reducing property taxes for homesteads and farmsteads.
- In November 2010, and again in 2017, legislation was adopted to implement a series of actuarial and funding changes to the Public School Employees’ Retirement System ("**PSERS**"). The 2017 legislation changed the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2023-2024 has been certified at 34.00%. Currently, the employer contribution rate for 2022-2023 is 35.26%, which is an increase of 0.92% from the 2021-2022 employer contribution rate of 34.94%. The increase in the employer contribution rate in 2022-2023 is estimated to increase the District’s retirement contribution by approximately \$2,184,134 (irrespective of contractual salary increases), of which the District’s local share is \$1,092,067.

The following table presents the projected employer contribution rates published by PSERS and the District’s projected share of retirement contribution for the next three years.

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Increase/ (Decrease) Over Previous Budget</u>	<u>Total Contributions</u>	<u>Increase in/ (Decrease in) State Support</u>	<u>Increase in/ (Decrease in) Local Support</u>	<u>Mill Equivalent</u>	<u>% Mill Increase/ (Decrease)</u>
2023-2024	34.00%	(3.57)%	40,229,834	(745,435)	(745,435)	(0.55)	(0.41)%
2024-2025	34.73%	2.15%	41,093,592	431,879	431,879	0.32	0.24%
2025-2026	35.49%	2.19%	41,992,847	449,628	449,628	0.33	0.25%

### CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the District's finances for those with an interest in the District's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Business Administration, Council Rock School District, 30 North Chancellor Street, Newtown, Pennsylvania 18940.

# COUNCIL ROCK SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT)

June 30, 2022 with summarized comparative totals for 2021

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 110,644,764	\$ 2,020,022	\$ 112,664,786	\$ 97,328,225
Investments	10,974,730	-	10,974,730	11,340,299
Taxes receivable	3,398,858	-	3,398,858	3,583,372
Due from other governments	9,198,841	155,443	9,354,284	9,745,808
Internal balances	(7,779)	7,779	-	-
Other receivables	736,584	-	736,584	907,235
Deposit	412,000	-	412,000	412,000
Prepaid expenditures	558,024	-	558,024	545,694
Inventories	183,462	114,860	298,322	236,854
<b>Total current assets</b>	<b>136,099,484</b>	<b>2,298,104</b>	<b>138,397,588</b>	<b>124,099,487</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	321,292,527	213,350	321,505,877	297,972,161
<b>Total assets</b>	<b>457,392,011</b>	<b>2,511,454</b>	<b>459,903,465</b>	<b>422,071,648</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts on debt refunding	193,884	-	193,884	224,726
Deferred charges - OPEB	4,744,927	-	4,744,927	3,823,542
Deferred charges - pension	54,404,024	-	54,404,024	56,733,922
<b>Total deferred outflows of resources</b>	<b>59,342,835</b>	<b>-</b>	<b>59,342,835</b>	<b>60,782,190</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	7,784,418	223,574	8,007,992	3,674,214
Accrued salaries, payroll withholdings and benefits	26,818,080	-	26,818,080	16,412,966
Insurance claims payable	2,477,984	-	2,477,984	2,020,525
Accrued interest payable	1,311,837	-	1,311,837	1,254,789
Unearned revenue	4,081,814	40,677	4,122,491	3,812,774
<b>Total current liabilities</b>	<b>42,474,133</b>	<b>264,251</b>	<b>42,738,384</b>	<b>27,175,268</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	13,656,299	-	13,656,299	13,025,352
Due in more than one year	594,321,491	-	594,321,491	661,332,610
<b>Total noncurrent liabilities</b>	<b>607,977,790</b>	<b>-</b>	<b>607,977,790</b>	<b>674,357,962</b>
<b>Total liabilities</b>	<b>650,451,923</b>	<b>264,251</b>	<b>650,716,174</b>	<b>701,533,230</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits - OPEB	5,326,787	-	5,326,787	2,161,536
Deferred credits - pension	61,575,114	-	61,575,114	12,273,920
<b>Total deferred outflows of resources</b>	<b>66,901,901</b>	<b>-</b>	<b>66,901,901</b>	<b>14,435,456</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	92,814,571	213,350	93,027,921	87,819,906
Restricted	32,748,971	-	32,748,971	11,254,756
Unrestricted (deficit)	(326,182,520)	2,033,853	(324,148,667)	(332,189,510)
<b>Total net position (deficit)</b>	<b>\$ (200,618,978)</b>	<b>\$ 2,247,203</b>	<b>\$ (198,371,775)</b>	<b>\$ (233,114,848)</b>

See accompanying notes

# COUNCIL ROCK SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2022 with summarized comparative totals for 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges	Operating	Capital	Governmental	Business-type	Totals	
		for	Grants and	Grants and			Activities	Activities
	Services	Contributions	Contributions					
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$ 150,827,814	\$ 176,475	\$ 31,082,140	\$ -	\$ (119,569,199)	\$ -	\$ (119,569,199)	\$ (130,990,442)
Instructional student support	17,142,175	-	2,242,951	-	(14,899,224)	-	(14,899,224)	(15,906,118)
Administrative and financial support services	20,882,156	-	1,988,875	-	(18,893,281)	-	(18,893,281)	(16,602,307)
Operation and maintenance of plant services	14,332,806	414,971	824,159	820,958	(12,272,718)	-	(12,272,718)	(9,831,425)
Pupil transportation	13,464,269	-	1,979,841	-	(11,484,428)	-	(11,484,428)	(8,625,104)
Student activities	3,499,834	545,819	389,111	-	(2,564,904)	-	(2,564,904)	(2,756,306)
Community services	157,830	106,099	-	-	(51,731)	-	(51,731)	(51,943)
Interest and amortization expense related to noncurrent liabilities	6,199,971	-	1,364,259	-	(4,835,712)	-	(4,835,712)	(4,658,352)
<b>Total governmental activities</b>	<u>226,506,855</u>	<u>1,243,364</u>	<u>39,871,336</u>	<u>820,958</u>	<u>(184,571,197)</u>	<u>-</u>	<u>(184,571,197)</u>	<u>(189,421,997)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	4,331,741	1,879,893	3,448,291	-	-	996,443	996,443	591,507
<b>Total primary government</b>	<u>\$ 230,838,596</u>	<u>\$ 3,123,257</u>	<u>\$ 43,319,627</u>	<u>\$ 820,958</u>	<u>(184,571,197)</u>	<u>996,443</u>	<u>(183,574,754)</u>	<u>(188,830,490)</u>
<b>GENERAL REVENUES</b>								
Property taxes levied for general purposes					165,352,141	-	165,352,141	161,807,805
Earned income taxes levied for general purposes					22,461,944	-	22,461,944	21,426,859
Other taxes levied for general purposes					9,852,794	-	9,852,794	9,572,466
Grants and entitlements not restricted to specific programs					20,791,624		20,791,624	20,404,755
Investment earnings (loss)					(143,476)	2,800	(140,676)	295,406
Miscellaneous income					-	-	-	1,355
<b>Total general revenues</b>					<u>218,315,027</u>	<u>2,800</u>	<u>218,317,827</u>	<u>213,508,646</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>					33,743,830	999,243	34,743,073	24,678,156
<b>NET POSITION (DEFICIT)</b>								
Beginning of year					(234,362,808)	1,247,960	(233,114,848)	(257,793,004)
<b>End of year</b>					<u>\$ (200,618,978)</u>	<u>\$ 2,247,203</u>	<u>\$ (198,371,775)</u>	<u>\$ (233,114,848)</u>

See accompanying notes

# COUNCIL ROCK SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022 with summarized comparative totals for 2021

	Major Funds			Totals	
	General	Capital	Nonmajor	2022	2021
	Fund	Projects	Governmental		
<b>ASSETS</b>					
Cash	\$ 50,899,792	\$ 26,265,544	\$ 3,111,442	\$ 80,276,778	\$ 68,902,302
Investments	10,974,730	-	-	10,974,730	11,340,299
Taxes receivable	3,398,858	-	-	3,398,858	3,583,372
Due from other funds	-	22,500,000	-	22,500,000	3,500,000
Due from other governments	9,198,841	-	-	9,198,841	9,489,223
Other receivables	282,247	-	-	282,247	270,336
Inventories	183,462	-	-	183,462	140,482
<b>Total assets</b>	<b>\$ 74,937,930</b>	<b>\$ 48,765,544</b>	<b>\$ 3,111,442</b>	<b>\$ 126,814,916</b>	<b>\$ 97,226,014</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 3,477,670	\$ 4,306,709	\$ 39	\$ 7,784,418	\$ 2,448,532
Due to other funds	22,507,779	-	-	22,507,779	3,500,000
Accrued salaries, payroll withholdings and benefits	26,818,080	-	-	26,818,080	16,412,966
Unearned revenue	42,370	-	-	42,370	54,119
<b>Total liabilities</b>	<b>52,845,899</b>	<b>4,306,709</b>	<b>39</b>	<b>57,152,647</b>	<b>22,415,617</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - property, occupational assessment and per capita taxes	2,391,209	-	-	2,391,209	2,632,387
<b>FUND BALANCES</b>					
Nonspendable					
Inventories	183,462	-	-	183,462	140,482
Encumbrances	99,800	-	-	99,800	-
Restricted for					
Summer maintenance projects	-	-	-	-	6,727,373
Capital projects	-	44,458,835	-	44,458,835	29,877,267
Unspent CREF grants	3,501	-	-	3,501	8,974
Achieve	182	-	-	182	-
CSO program award	9	-	-	9	400
Debt service	-	-	2,758,894	2,758,894	2,370,931
Student activities	-	-	352,509	352,509	292,078
Committed to					
COVID-19 contingency	-	-	-	-	14,719,236
Future education initiatives	8,000,000	-	-	8,000,000	4,000,000
Balance 2021-2022 budget	-	-	-	-	1,364,350
Balance 2022-2023 budget	590,124	-	-	590,124	-
Assigned					
Facility use fees allocation	36,414	-	-	36,414	62,090
Artificial turf	117,235	-	-	117,235	107,144
Unassigned	10,670,095	-	-	10,670,095	12,507,685
<b>Total fund balances</b>	<b>19,700,822</b>	<b>44,458,835</b>	<b>3,111,403</b>	<b>67,271,060</b>	<b>72,178,010</b>
<b>Total liabilities and fund balances</b>	<b>\$ 74,937,930</b>	<b>\$ 48,765,544</b>	<b>\$ 3,111,442</b>	<b>\$ 126,814,916</b>	<b>\$ 97,226,014</b>

See accompanying notes

# COUNCIL ROCK SCHOOL DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2022

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 67,271,060</b>
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	321,292,527
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	193,884
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	(7,752,950)
Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	2,391,209
The Internal Service Fund is used by management to charge the cost of health insurance claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	25,274,919
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(607,977,790)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(1,311,837)</u>
<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (200,618,978)</u></b>

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See accompanying notes

# COUNCIL ROCK SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	Major Funds			Totals	
	General	Capital	Nonmajor	2022	2021
	Fund	Projects	Governmental		
		Fund	Funds		
<b>REVENUES</b>					
Local sources	\$ 198,576,554	\$ 41,367	\$ 479,661	\$ 199,097,582	\$ 193,835,476
State sources	55,167,271	820,958	-	55,988,229	56,019,040
Federal sources	5,437,448	-	-	5,437,448	4,499,787
<b>Total revenues</b>	<u>259,181,273</u>	<u>862,325</u>	<u>479,661</u>	<u>260,523,259</u>	<u>254,354,303</u>
<b>EXPENDITURES</b>					
Current					
Instruction	158,189,041	-	-	158,189,041	154,888,946
Support services	67,389,095	1,003,259	75,380	68,467,734	61,442,699
Operation of noninstructional services	3,403,071	-	409,785	3,812,856	3,253,152
Facilities acquisition, construction and improvement services	-	35,386,558	-	35,386,558	19,017,562
Debt service	-	-	18,392,860	18,392,860	18,365,253
<b>Total expenditures</b>	<u>228,981,207</u>	<u>36,389,817</u>	<u>18,878,025</u>	<u>284,249,049</u>	<u>256,967,612</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>30,200,066</u>	<u>(35,527,492)</u>	<u>(18,398,364)</u>	<u>(23,725,790)</u>	<u>(2,613,309)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	-	18,995,922	-	18,995,922	25,250,000
Issuance of debt - refunding	-	-	9,038,700	9,038,700	5,395,000
Payment of debt - refunding	-	-	(9,411,700)	(9,411,700)	(6,210,213)
Bond premiums	-	816,841	453,357	1,270,198	924,367
Bond discounts	-	-	-	-	(180,334)
Refund of prior year receipts	(28,668)	-	-	(28,668)	(21,623)
Transfers in	-	23,568,924	18,766,401	42,335,325	5,929,774
Transfers out	(42,335,325)	-	-	(42,335,325)	(5,937,740)
Sale of/compensation for capital assets	-	-	-	-	500
<b>Total other financing sources (uses)</b>	<u>(42,363,993)</u>	<u>43,381,687</u>	<u>18,846,758</u>	<u>19,864,452</u>	<u>25,149,731</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(12,163,927)</u>	<u>7,854,195</u>	<u>448,394</u>	<u>(3,861,338)</u>	<u>22,536,422</u>
<b>FUND BALANCES</b>					
Beginning of year	<u>31,864,749</u>	<u>36,604,640</u>	<u>2,663,009</u>	<u>71,132,398</u>	<u>49,641,588</u>
<b>End of year</b>	<u>\$ 19,700,822</u>	<u>\$ 44,458,835</u>	<u>\$ 3,111,403</u>	<u>\$ 67,271,060</u>	<u>\$ 72,178,010</u>

See accompanying notes

# COUNCIL ROCK SCHOOL DISTRICT

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2022

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (3,861,338)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay expenditures	\$ 36,484,824	
Depreciation expense	<u>(13,015,125)</u>	23,469,699

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount in the current period.

Deferred inflows of resources June 30, 2021	(2,632,387)	
Deferred inflows of resources June 30, 2022	<u>2,391,209</u>	(241,178)

The Internal Service Fund is used by management to charge the cost of health insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported with the governmental activities.

1,959,320

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 the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of debt	(18,990,000)	
Issuance of debt - refunding	(9,130,000)	
Proceeds from bond premiums	(1,270,198)	
Repayment of bonds payable - refunding	9,280,000	
Repayment of bonds payable	11,130,000	
Repayment of right-to-use leases payable	441,091	
Amortization of discounts, premiums and deferred amounts on debt refunding	<u>1,412,395</u>	(7,126,712)

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 the governmental funds.

Current year change in accrued interest payable	(57,048)	
Change in net pension liability and related deferred inflows and outflows	20,105,826	
Current year change in compensated absences	294,943	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>(799,682)</u>	<u>19,544,039</u>

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** \$ 33,743,830

See accompanying notes

**COUNCIL ROCK SCHOOL DISTRICT**

**STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS**

June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2022</u>	<u>2021</u>
	<u>Fund</u>	<u>Fund</u>		
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 2,020,022	\$ 30,367,986	\$ 32,388,008	\$ 28,425,923
Due from other governments	155,443	-	155,443	256,585
Due from other funds	7,779	-	7,779	-
Other receivables	-	454,337	454,337	636,899
Deposit	-	412,000	412,000	412,000
Prepaid expense	-	558,024	558,024	545,694
Inventories	114,860	-	114,860	96,372
<b>Total current assets</b>	<u>2,298,104</u>	<u>31,792,347</u>	<u>34,090,451</u>	<u>30,373,473</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	213,350	-	213,350	149,333
<b>Total assets</b>	<u>2,511,454</u>	<u>31,792,347</u>	<u>34,303,801</u>	<u>30,522,806</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	223,574	-	223,574	180,067
Insurance claims payable	-	2,477,984	2,477,984	2,020,525
Unearned revenue	40,677	4,039,444	4,080,121	3,758,655
<b>Total liabilities</b>	<u>264,251</u>	<u>6,517,428</u>	<u>6,781,679</u>	<u>5,959,247</u>
<b>NET POSITION</b>				
Net investment in capital assets	213,350	-	213,350	149,333
Restricted	-	2,317,000	2,317,000	1,855,000
Unrestricted	2,033,853	22,957,919	24,991,772	22,559,226
<b>Total net position</b>	<u>\$ 2,247,203</u>	<u>\$ 25,274,919</u>	<u>\$ 27,522,122</u>	<u>\$ 24,563,559</u>

See accompanying notes

# COUNCIL ROCK SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service Fund</u>	<u>Service Fund</u>	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,879,893	\$ 26,418,328	\$ 28,298,221	\$ 27,280,734
Other operating revenues	-	18,731	18,731	25,644
<b>Total operating revenues</b>	<u>1,879,893</u>	<u>26,437,059</u>	<u>28,316,952</u>	<u>27,306,378</u>
<b>OPERATING EXPENSES</b>				
Employee benefits	-	24,518,783	24,518,783	23,446,497
Purchased professional and technical services	-	93,541	93,541	87,996
Other purchased services	4,151,727	-	4,151,727	2,663,938
Supplies	153,480	-	153,480	208,852
Depreciation	26,534	-	26,534	23,134
<b>Total operating expenses</b>	<u>4,331,741</u>	<u>24,612,324</u>	<u>28,944,065</u>	<u>26,430,417</u>
<b>Operating income (loss)</b>	<u>(2,451,848)</u>	<u>1,824,735</u>	<u>(627,113)</u>	<u>875,961</u>
<b>NONOPERATING REVENUES</b>				
Earnings on investments	2,800	13,571	16,371	123
State sources	66,482	-	66,482	26,343
Federal sources	3,381,809	-	3,381,809	3,364,502
Insurance recoveries	-	121,014	121,014	449,195
<b>Total nonoperating revenues</b>	<u>3,451,091</u>	<u>134,585</u>	<u>3,585,676</u>	<u>3,840,163</u>
<b>Change in net position before transfers</b>	999,243	1,959,320	2,958,563	4,716,124
<b>TRANSFERS</b>				
Transfers in	-	-	-	7,966
<b>CHANGE IN NET POSITION</b>	999,243	1,959,320	2,958,563	4,724,090
<b>NET POSITION</b>				
Beginning of year	<u>1,247,960</u>	<u>23,315,599</u>	<u>24,563,559</u>	<u>19,839,469</u>
<b>End of year</b>	<u>\$ 2,247,203</u>	<u>\$ 25,274,919</u>	<u>\$ 27,522,122</u>	<u>\$ 24,563,559</u>

See accompanying notes

# COUNCIL ROCK SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2022</u>	<u>2021</u>
	<u>Fund</u>	<u>Fund</u>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from charges for services	\$ 1,879,893	\$ -	\$ 1,879,893	\$ 96,586
Cash received from assessments made to other fund	-	26,935,316	26,935,316	27,159,432
Cash payments to supplies for goods and services	(4,121,728)	-	(4,121,728)	(2,534,329)
Cash payments for insurance claims	-	(24,073,654)	(24,073,654)	(23,885,393)
Cash payments for other operating expenses	-	(93,541)	(93,541)	(87,996)
<b>Net cash provided by (used for) operating activities</b>	<u>(2,241,835)</u>	<u>2,768,121</u>	<u>526,286</u>	<u>748,300</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Capital asset additions	(90,551)	-	(90,551)	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State sources	63,148	-	63,148	26,783
Federal sources	3,333,596	-	3,333,596	2,912,757
Insurance recoveries	-	121,014	121,014	449,195
Transfers in	(7,779)	-	(7,779)	106,082
<b>Net cash provided by noncapital financing activities</b>	<u>3,388,965</u>	<u>121,014</u>	<u>3,509,979</u>	<u>3,494,817</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	2,800	13,571	16,371	123
<b>Net increase in cash</b>	1,059,379	2,902,706	3,962,085	4,243,240
<b>CASH</b>				
Beginning of year	960,643	27,465,280	28,425,923	24,182,683
<b>End of year</b>	<u>\$ 2,020,022</u>	<u>\$ 30,367,986</u>	<u>\$ 32,388,008</u>	<u>\$ 28,425,923</u>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (2,451,848)	\$ 1,824,735	\$ (627,113)	\$ 875,961
<b>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities</b>				
Depreciation	26,534	-	26,534	23,134
Donated commodities used	152,689	-	152,689	205,789
(Increase) decrease in				
Accounts receivable	-	182,562	182,562	(221,812)
Deposit	-	-	-	275,000
Prepaid expenses	-	(12,330)	(12,330)	(545,694)
Inventories	(18,488)	-	(18,488)	(22,573)
Increase (decrease) in				
Accounts payable	43,507	-	43,507	147,901
Insurance claims payable	-	457,459	457,459	106,798
Unearned revenue	5,771	315,695	321,466	(96,204)
<b>Net cash provided by (used for) operating activities</b>	<u>\$ (2,241,835)</u>	<u>\$ 2,768,121</u>	<u>\$ 526,286</u>	<u>\$ 748,300</u>
<b>SUPPLEMENTAL DISCLOSURE</b>				
<b>Noncash noncapital financing activity</b>				
USDA donated commodities	\$ 152,689	\$ -	\$ 152,689	\$ 132,228

See accompanying notes

# COUNCIL ROCK SCHOOL DISTRICT

## STATEMENT OF NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	Private- Purpose Trust	Custodial Funds	Totals	
			2022	2021
<b>ASSETS</b>				
Cash	\$ 24,880	\$ 949,431	\$ 974,311	\$ 900,294
Accounts receivable	-	-	-	5,445
<b>Total assets</b>	<u>24,880</u>	<u>949,431</u>	<u>974,311</u>	<u>905,739</u>
<b>LIABILITIES</b>				
Other current liabilities	-	175,000	175,000	175,000
<b>NET POSITION</b>				
Net position held in trust for scholarships	24,880	-	24,880	25,347
Restricted for flexible spending	-	210,067	210,067	191,227
Restricted for student activities	-	564,364	564,364	514,165
<b>Total net position</b>	<u>24,880</u>	<u>774,431</u>	<u>799,311</u>	<u>730,739</u>
<b>Total liabilities and net position</b>	<u>\$ 24,880</u>	<u>\$ 949,431</u>	<u>\$ 974,311</u>	<u>\$ 905,739</u>

See accompanying notes

# COUNCIL ROCK SCHOOL DISTRICT

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	Private- Purpose Trust Fund	Custodial Funds	Totals	
			2022	2021
<b>ADDITIONS</b>				
Local contributions	\$ 33	\$ -	\$ 33	\$ 5
Receipts for flexible spending	-	635,769	635,769	506,548
Receipts from student groups	-	2,086,378	2,086,378	1,209,463
<b>Total additions</b>	<u>33</u>	<u>2,722,147</u>	<u>2,722,180</u>	<u>1,716,016</u>
<b>DEDUCTIONS</b>				
Scholarships awarded and fees paid	500	-	500	1,000
Flexible spending payments	-	619,929	619,929	545,812
Student activity disbursements	-	2,036,179	2,036,179	1,233,436
<b>Total deductions</b>	<u>500</u>	<u>2,656,108</u>	<u>2,656,608</u>	<u>1,780,248</u>
<b>CHANGE IN NET POSITION</b>	(467)	66,039	65,572	(64,232)
<b>NET POSITION</b>				
Beginning of year	<u>25,347</u>	<u>708,392</u>	<u>733,739</u>	<u>794,971</u>
<b>End of year</b>	<u>\$ 24,880</u>	<u>\$ 774,431</u>	<u>\$ 799,311</u>	<u>\$ 730,739</u>

See accompanying notes

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Council Rock School District (the "**District**") operates ten elementary schools, three middle schools and two senior high schools to provide education and related services to the residents in the Townships of Newtown, Northampton, Wrightstown and Upper Makefield and the Borough of Newtown. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("**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:

#### **Reporting Entity**

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the 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 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. The District is considered to be an independent reporting entity and has no component units.

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position (deficit) is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

### ***Fund Financial Statements***

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

### ***Governmental Funds***

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

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

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

In addition, the District reports the following nonmajor governmental fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term principal, interest, and other related costs.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Student Sponsored Activity Fund is the District's Special Revenue Fund.

### ***Revenue Recognition***

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

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# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### ***Expenditure Recognition***

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### ***Proprietary Funds***

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Internal Service Fund is used to account for the District's self-funded healthcare plan.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Fiduciary Funds***

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The custodial funds account for funds held on behalf of the students in the District and for funds being held on behalf of employees for future medical costs.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

### **Investments**

Investments are stated at fair value based upon quoted market prices.

### **Fair Value Measurements of Assets and Liabilities**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

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# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

### **Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### **Property Taxes**

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 to collection	- Penalty period, 10% of gross levy
January 1	- Lien date

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2021-2022 was 132.8073 mills (\$132.81 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- October 15
Installment Three	- November 30

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

### **Prepaid Items and Inventories**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

### **Unearned Revenues**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$25,000 and composite groups in excess of \$150,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: land improvements – 15-40 years, buildings and improvements – 15-40 years and furniture and equipment – 5-20 years.

### **Impairment of Long-Lived Assets**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2022.

### **Compensated Absences**

District policies permit employees to accumulate earned but unused vacation and sick days. The liability for these compensated absences is recorded as a non-current liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

### **Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

### **Fund Equity**

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### ***Nonspendable***

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

### ***Restricted***

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

### ***Committed***

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

### ***Assigned***

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

### ***Unassigned***

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a policy to maintain an unassigned General Fund fund balance of not less than 4% and a maximum of 5% of the following year's expenditure budget. In accordance with Board policy, unassigned fund balance in excess of 5% of the following year's expenditure budget must be appropriated to the Capital Projects Fund.

### **Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Implementation of New Accounting Pronouncements

Effective July 1, 2021, the District adopted the provisions of GASB Statement No. 87 "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period"; GASB Statement No. 91, "Conduit Debt Obligations", and GASB Statement No. 92, "Omnibus 2020".

The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. As a result of the implementation of Statement No. 87, the District recognized its right-to-use lease assets and corresponding liabilities for its operating leases for the year ended June 30, 2022.

The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs include all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles. The implementation of GASB Statement No. 89 had no impact on the financial statements of the District for the year ended June 30, 2022.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 had no impact on the District's financial statements for the year ended June 30, 2022.

GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 had no impact on the District's financial statements for the year ended June 30, 2022.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### **New Accounting Pronouncements**

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

## **(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

An annual 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, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the 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 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. 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.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### (3) DEPOSITS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

#### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2022, the carrying amount of the District's deposits was \$113,639,097 and the bank balance was \$117,380,869. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$10,518,305 was covered by federal depository insurance and \$40,115,021 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net assets value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2022, PLGIT was rated as AAA by a nationally recognized statistical rating agency.

#### **Investments**

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

As of June 30, 2022, the District had the following investments:

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Investment Maturities (In Years)</u></b>	
		<b><u>Less than 1</u></b>	<b><u>1 – 5</u></b>
U.S. Treasury money market	\$ 41,890	\$ 41,890	\$ -
U.S. Treasury bonds	981,752	-	981,752
U.S. Government agency bonds	<u>9,951,088</u>	<u>2,281,780</u>	<u>7,669,308</u>
	<u>\$10,974,730</u>	<u>\$2,323,670</u>	<u>\$8,651,060</u>

All District investments were valued using Level 2 inputs.

#### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral that is in the possession of an outside party. The collateral for all of the District's investments are held by the pledging bank's agent in the District's name. The District had no investments subject to custodial credit risk as of June 30, 2022.

#### **Interest Rate Risk**

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### **Credit Risk**

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal or state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

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**COUNCIL ROCK SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

**(4) CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land and improvements	\$ 23,024,123	\$ -	\$ -	\$ 23,024,123
Construction in progress	<u>21,001,892</u>	<u>35,386,558</u>	<u>21,339,947</u>	<u>35,048,503</u>
<b>Total capital assets not being depreciated</b>	<u>44,026,015</u>	<u>35,386,558</u>	<u>21,339,947</u>	<u>58,072,626</u>
Capital assets being depreciated				
Land improvements	9,185,412	-	-	9,185,412
Buildings and improvements	337,005,318	21,011,841	-	358,017,159
Right-to-use lease assets	2,349,124	-	-	2,349,124
Furniture and equipment	<u>8,143,705</u>	<u>1,426,372</u>	<u>-</u>	<u>9,570,077</u>
<b>Total capital assets being depreciated</b>	<u>356,683,559</u>	<u>22,438,213</u>	<u>-</u>	<u>379,121,772</u>
Less accumulated depreciation for				
Land improvements	(7,094,549)	(214,014)	-	(7,308,563)
Buildings and improvements	(91,618,403)	(10,789,055)	-	(102,407,458)
Right-to-use lease assets	(404,091)	(445,440)	-	(849,531)
Furniture and equipment	<u>(3,769,703)</u>	<u>(1,566,616)</u>	<u>-</u>	<u>(5,336,319)</u>
<b>Total accumulated depreciation</b>	<u>(102,886,746)</u>	<u>(13,015,125)</u>	<u>-</u>	<u>(115,901,871)</u>
<b>Total capital assets being depreciated, net</b>	<u>253,796,813</u>	<u>9,423,088</u>	<u>-</u>	<u>263,219,901</u>
<b>Governmental activities, net</b>	<u>\$ 297,822,828</u>	<u>\$ 44,809,646</u>	<u>\$ 21,339,947</u>	<u>\$ 321,292,527</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 425,501	\$ 90,551	\$ -	\$ 516,052
Less accumulated depreciation	<u>(276,168)</u>	<u>(26,534)</u>	<u>-</u>	<u>(302,702)</u>
<b>Business-type activities, net</b>	<u>\$ 149,333</u>	<u>\$ 64,017</u>	<u>\$ -</u>	<u>\$ 213,350</u>

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

<b>Governmental activities</b>	
Instruction	\$ 9,597,765
Instructional student support	1,089,876
Administrative and financial support services	1,269,237
Operation and maintenance of plant services	861,349
Student activities	<u>196,898</u>
<b>Total depreciation expense – governmental activities</b>	<u>\$13,015,125</u>
<b>Business-type activities</b>	
Food service	<u>\$ 26,534</u>

As of June 30, 2022, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2022 are as follows:

<u>Description</u>	<u>Project Amount</u>	<u>Completed Through June 30, 2022</u>	<u>Remaining Commitments</u>
Sol Feinstone Elementary School – renovations	\$31,695,284	\$17,261,862	\$14,433,422
Richboro Elementary School – renovations	1,513,640	966,887	546,753
Hillcrest Elementary School - renovations	<u>21,034,202</u>	<u>16,605,053</u>	<u>4,429,149</u>
	<u>\$54,243,126</u>	<u>\$34,833,802</u>	<u>\$19,409,324</u>

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

As of June 30, 2022, there was an additional \$214,701 of construction in progress capitalized that was not under any formal contractual commitment related to the projects listed above.

### (5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Capital Projects Fund	\$22,500,000	General Fund	\$22,500,000
Food Service Fund	<u>7,779</u>	General Fund	<u>7,779</u>
	<u>\$22,507,779</u>		<u>\$22,507,779</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$23,568,924	General Fund	\$23,568,924
Debt Service Fund	<u>18,766,401</u>	General Fund	<u>18,766,401</u>
	<u>\$42,335,325</u>		<u>\$42,335,325</u>

Transfers from the General Fund to the Capital Projects Fund represent transfers to subsidize costs associated with the acquisition of capital, while transfers from the General Fund to the Debt Service Fund were for the payment of debt service maturities.

### (6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2022:

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$229,690,000	\$28,120,000	\$20,410,000	\$237,400,000	\$11,280,000
Bond premiums	8,841,605	1,270,198	1,455,473	8,656,330	1,455,473
Bond discounts	<u>(227,618)</u>	<u>-</u>	<u>(12,237)</u>	<u>(215,381)</u>	<u>(12,237)</u>
<b>Total general obligation debt</b>	<u>238,303,987</u>	<u>29,390,198</u>	<u>21,853,236</u>	<u>245,840,949</u>	<u>12,723,236</u>
<b>Other noncurrent liabilities</b>					
Compensated absences	5,185,339	-	294,943	4,890,396	489,040
Right-to-use leases payable	1,950,261	-	441,091	1,509,170	444,023
OPEB liability	12,349,629	-	2,859,074	9,490,555	-
Net OPEB liability – PSERS	17,486,521	1,414,891	-	18,901,412	-
Net pension liability	<u>399,082,225</u>	<u>-</u>	<u>71,736,917</u>	<u>327,345,308</u>	<u>-</u>
<b>Total other noncurrent liabilities</b>	<u>436,053,975</u>	<u>1,414,891</u>	<u>75,332,025</u>	<u>362,136,841</u>	<u>933,063</u>
<b>Total noncurrent liabilities</b>	<u>\$674,357,962</u>	<u>\$30,805,089</u>	<u>\$97,185,261</u>	<u>\$607,977,790</u>	<u>\$13,656,299</u>

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Noncurrent liabilities are generally liquidated by the General Fund.

### (7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2022 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
Series of 2016	2.00% - 5.00%	\$16,615,000	11/15/2023	\$ 6,195,000
Series of 2016A	2.00% - 3.25%	\$60,000,000	11/15/2035	59,975,000
Series of 2017A	5.00%	\$21,455,000	08/15/2023	10,300,000
Series of 2018	3.00% - 5.00%	\$43,000,000	11/15/2039	42,985,000
Series of 2018A	5.00%	\$ 4,830,000	08/01/2023	2,060,000
Series of 2019	2.00% - 3.70%	\$18,750,000	11/15/2044	18,740,000
Series of 2019A	2.00% - 4.00%	\$17,300,000	11/15/2029	16,185,000
Series of 2019B	4.00% - 5.00%	\$14,605,000	08/15/2028	13,280,000
Series of 2020	2.00% - 5.00%	\$ 9,325,000	11/15/2035	9,315,000
Series of 2021	0.25% - 2.20%	\$25,250,000	08/15/2045	25,250,000
Series of 2021A	5.00%	\$ 5,395,000	08/15/2027	4,995,000
Series of 2022	2.00% - 5.00%	\$ 9,130,000	11/15/2035	9,130,000
Series of 2022A	2.00% - 4.00%	\$18,990,000	11/15/2045	18,990,000
<b>Total general obligation bonds</b>				<u>\$237,400,000</u>

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2023	\$ 11,280,000	\$ 7,694,184	\$ 18,974,184
2024	12,095,000	7,039,343	19,134,343
2025	9,395,000	6,560,130	15,955,130
2026	9,805,000	6,163,895	15,968,895
2027	10,205,000	5,748,525	15,953,525
2028-2032	48,220,000	23,446,709	71,666,709
2033-2037	53,600,000	16,114,385	69,714,385
2038-2042	51,085,000	7,514,584	58,599,584
2043-2046	<u>31,715,000</u>	<u>1,671,546</u>	<u>33,386,546</u>
	<u>\$237,400,000</u>	<u>\$81,953,301</u>	<u>\$319,353,301</u>

#### Series of 2022 General Obligation Bonds

On February 15, 2022, the District issued \$9,130,000 of general obligation bonds, Series of 2022, the proceeds from which were used to currently refund all of the District's outstanding general obligation bonds, Series of 2017 and to pay the cost of issuing the bonds. The District currently refunded the general obligation bonds, to reduce future debt service payments by \$818,227.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### Series of 2022A General Obligation Bonds

On March 3, 2022, the District issued \$18,990,000 of general obligation bonds, Series of 2022A, for the costs of acquiring, designing, constructing, furnishing, and equipping alterations, additions, and renovations and other improvements to the School District's existing school buildings and to pay for the cost of issuing the bonds.

### **(8) RIGHT-TO USE LEASES PAYABLE**

The District entered into a long-term lease agreement as lessee for the use of a bus depot in Newtown Township. An initial lease liability was recorded in the amount of \$1,360,258. As of June 30, 2022, the carrying amount of the lease liability is \$999,159. The lease has a discount rate of 0.81%. The term of the lease was 7 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2022 is \$992,188, net of accumulated amortization of \$368,070, and is included with noncurrent assets on the statement of net position (deficit).

The District entered into a long-term lease agreement as lessee for the use of a bus depot in Wrightstown Township. An initial lease liability was recorded in the amount of \$435,124. As of June 30, 2022, the carrying amount of the lease liability is \$176,870. The lease has a discount rate of 0.32%. The term of the lease was 3 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2022 is \$176,402, net of accumulated amortization of \$258,722, and is included with noncurrent assets on the statement of net position (deficit).

The District entered into a long-term lease agreement as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$539,500. As of June 30, 2022, the carrying amount of the lease liability is \$325,460. The lease has a discount rate of 0.60%. The copiers estimated useful life was 5 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2022 is \$323,700, net of accumulated amortization of \$215,800, and is included with noncurrent assets on the statement of net position (deficit).

The District entered into a long-term lease agreement as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$14,242. As of June 30, 2022, the carrying amount of the lease liability is \$7,681. The lease has a discount rate of 0.28%. The postage machines estimated useful life was 3 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2022 is \$7,304, net of accumulated amortization of \$6,938, and is included with noncurrent assets on the statement of net position (deficit).

#### Year ending June 30,

2023	\$ 453,856
2024	345,934
2025	307,393
2026	197,860
2027	197,860
2028	32,976
Less: amount representing interest	<u>(26,709)</u>
Present value of minimum lease payments	<u>\$1,509,170</u>

### **(9) OTHER POST-EMPLOYMENT BENEFITS**

#### Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits include a single-employer defined benefit plan that provides medical insurance to all retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

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# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2021:

Active participants	1,335
Vested former participants	0
Retired participants	<u>36</u>
Total	<u>1,371</u>

### Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

### OPEB Liability

The District's OPEB liability has been measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, and by rolling forward the liabilities from the July 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$9,490,555, all of which is unfunded. As of June 30, 2022, the OPEB liability of \$9,490,555 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2022 was as follows:

<b>Balance as of July 1, 2021</b>	<u>\$12,349,629</u>
<b>Changes for the year</b>	
Service cost	866,324
Interest on total OPEB liability	241,911
Differences between expected and actual experience	(3,271,727)
Changes in assumptions	(307,982)
Benefit payments	<u>(387,600)</u>
<b>Net changes</b>	<u>(2,859,074)</u>
<b>Balance as of June 30, 2022</b>	<u>\$ 9,490,555</u>

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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For the year ended June 30, 2022, the District recognized OPEB expense of \$838,395. At June 30, 2022, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 90,088	\$4,171,618
Changes in assumptions	1,317,474	513,560
Contributions subsequent to the measurement date	<u>176,387</u>	<u>-</u>
	<u>\$1,583,949</u>	<u>\$4,685,178</u>

\$176,387 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**COUNCIL ROCK SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

**Year ended June 30,**

2023	\$ (269,840)
2024	(269,840)
2025	(269,840)
2026	(269,840)
2027	(269,840)
Thereafter	<u>(1,928,416)</u>
	<b><u>\$ (3,277,616)</u></b>

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

The following presents the OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<b><u>1% Decrease</u></b>	<b><u>Trend Rate</u></b>	<b><u>1% Increase</u></b>
OPEB liability	<u>\$8,320,178</u>	<u>\$9,490,555</u>	<u>\$10,879,110</u>

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

The following presents the net OPEB liability of the District calculated using the discount rate of 2.28%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (1.28%) or 1 percentage point higher (3.28%) than the current rate:

	<b><u>1% Decrease</u></b>	<b><u>Current Discount Rate</u></b>	<b><u>1% Increase</u></b>
	<u>1.28%</u>	<u>2.28%</u>	<u>3.28%</u>
OPEB Liability	<u>\$10,232,467</u>	<u>\$9,490,555</u>	<u>\$8,781,054</u>

**Actuarial Methods and Significant Assumptions**

The OPEB Liability as of June 30, 2022, was determined by rolling forward the OPEB Liability as of July 1, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 1.86% – Standard and Poor’s 20-year municipal bond rate. The discount rate changed from 1.86 to 2.28%.
- Salary growth – effective average of 6.25%, comprised of inflation of 2.50%, 1.00% for real wage growth and 0.00 to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 5.50% in 2020 through 2023. Rates gradually decrease from 5.40% in 2024 to 4.00% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality rates were based on the Buck Modified 2016 projection scale to reflect mortality improvement.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### **Cost Sharing Multiple-Employer Defined Benefit OPEB Plan**

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

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

### **Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$897,144 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$18,901,412 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.7975 percent, which was a decrease of 0.0118 percent from its proportion measured as of June 30, 2021. As of June 30, 2022, the OPEB liability of \$18,901,412 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2022, the District recognized OPEB expense of \$1,048,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**COUNCIL ROCK SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 177,070	\$ -
Changes in assumptions	2,013,053	252,050
Net difference between projected and actual investment earnings	37,283	-
Changes in proportions	36,428	389,559
Contributions subsequent to the measurement date	<u>897,144</u>	<u>-</u>
	<u>\$3,160,978</u>	<u>\$641,609</u>

\$897,144 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30,**

2023	\$ 223,102
2024	219,306
2025	388,098
2026	312,188
2027	264,532
Thereafter	<u>214,999</u>
	<u>\$1,622,225</u>

**Actuarial Assumptions**

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.18% - Standard & Poor's 20-year municipal bond rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality Improvement scale.

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

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

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.80%	0.10%
US Core Fixed Income	17.50%	0.70%
Non-US Developed Fixed	<u>2.70%</u>	(0.30%)
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

### Discount Rate

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

### Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2021, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

**COUNCIL ROCK SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

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	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$18,899,267	\$18,901,412	\$18,903,103

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

The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

	<u>1% Decrease</u> <u>1.18%</u>	<u>Current Discount Rate</u> <u>2.18%</u>	<u>1% Increase</u> <u>3.18%</u>
District's proportionate share of the net OPEB liability	\$21,691,729	\$18,901,412	\$16,603,168

**OPEB Plan Fiduciary Net Position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on PSERS's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**(10) PENSION PLAN**

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

**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 employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year 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 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 2.00% or 2.50%, 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.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

### **Contributions**

#### **Member Contributions**

Active members who joined the system prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (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 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (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 Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employees who become an active member of PSERS on or after July 1, 2019, are enrolled in a hybrid plan that has a defined benefit and defined contribution component. Members who joined PSERS after June 30, 2019, automatically contribute at the Membership Class T-G rate of 8.25% (base rate), including a 2.75% defined contribution component of the member's qualifying compensation. All new hires after June 30, 2019, who elect T-H membership, contribute at 7.50% (base rate), including a 3.00% defined contribution component of the member's qualifying compensation. Membership Class T-G and T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-G contribution rate to fluctuate between 5.50% and 8.50% and Membership Class T-H contribution rate to fluctuate between 4.50% and 7.50%. All new members can also elect a DC membership and contribute at 7.50% (base rate) to a defined contribution plan that has no defined benefit component.

#### **Employer Contributions**

The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$38,285,601 for the year ended June 30, 2022.

**COUNCIL ROCK SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

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

At June 30, 2022, the District reported a liability of \$327,345,308 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.7973 percent, which was a decrease of 0.0132 percent from its proportion measured as of June 30, 2021. As of June 30, 2022, the net pension liability of \$327,345,308 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2022, the District recognized pension expense of \$18,746,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 241,111	\$ 4,334,294
Changes in assumptions	15,877,312	-
Net difference between projected and actual investment earnings	-	51,766,820
Changes in proportions	-	5,474,000
Contributions subsequent to the measurement date	<u>38,285,601</u>	<u>-</u>
	<u>\$54,404,024</u>	<u>\$61,575,114</u>

\$38,285,601 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30,**

2023	\$ (12,928,274)
2024	(7,882,970)
2025	(7,811,051)
2026	<u>(16,834,396)</u>
	<u>\$ (45,456,691)</u>

**Actuarial Assumptions**

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

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

- The discount rate used to measure the total pension liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

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

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	27.00%	5.20%
Private equity	12.00%	7.30%
Fixed income	35.00%	1.80%
Commodities	10.00%	2.00%
Absolute return	8.00%	3.10%
Infrastructure/MLPs	8.00%	5.10%
Real estate	10.00%	4.70%
Cash	3.00%	0.10%
Leverage	<u>(13.00)%</u>	0.10%
	<u>100.00 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

### Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following represents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$429,652,668</u>	<u>\$327,345,308</u>	<u>\$241,043,994</u>

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### Pension Plan Fiduciary Net Position

Detailed information about the 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).

## (11) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

### Middle Bucks Institute of Technology

The District and three other Bucks County school districts participate in the Middle Bucks Institute of Technology (the "**MBIT**"). The MBIT provides vocational-technical training and education to students of the participating school districts. The MBIT is controlled by a joint board comprised of representative school board members of participating school districts. District oversight of the MBIT operations is the responsibility of the joint board. The District's share of operating costs for the MBIT fluctuates based on the District's percentage of enrollment. The District share of operating costs for 2021-2022 was \$1,655,703.

### Middle Bucks Area Vocational – Technical School Authority

The District and three other Bucks County school districts also participate in a joint venture for the operation of the Middle Bucks Area Vocational Technical Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the MBIT school buildings and facilities. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the MBIT. The participating school districts have entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The agreement expires February 15, 2029 unless the related debt is retired earlier. The District's share of rent expense for 2021-2022 was \$471,362.

The District's annual lease rental payments are as follows:

#### Year ending June 30,

2023	\$ 466,004
2024	465,862
2025	467,576
2026	466,502
2027	467,496
2028-2029	<u>934,030</u>
	<u>\$3,267,470</u>

Both the MBIT and the Authority prepare financial statements that are available to the public from their administrative office located at 2740 Old York Road, Jamison, Pennsylvania 18929.

### Bucks County Intermediate Unit

The District and the other Bucks County school districts are participating members of the Bucks County Intermediate Unit (the "**BCIU**"). The BCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual program budget for the BCIU but the participating districts have no ongoing fiduciary interest or responsibility to the BCIU. The BCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and federal liaison services.

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### (12) CONTINGENCIES AND COMMITMENTS

#### Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

#### Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

### (13) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2021-2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District administers a self-insurance program to provide health insurance and related expenses for eligible employees, spouses and their dependents. Accordingly, benefit payments plus an administrative charge are made to a third party administrator, who approves and processes all claims. The District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2022 which has historically been satisfied within 60 days after June 30.

The following table presents the components of the self-insurance claims liability and the related changes in the claims liability for the year ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Insurance claims liability – beginning of year	\$ 2,020,525	\$ 1,913,727
Current year insurance claims and changes in estimates	24,518,783	23,446,497
Insurance claims paid	<u>(24,061,324)</u>	<u>(23,339,699)</u>
Insurance claims liability – end of year	<u>\$ 2,477,984</u>	<u>\$ 2,020,525</u>

### (14) PRIOR PERIOD RESTATEMENTS

As a result of the implementation of GASB Statement No. 87 "Leases", the District made a prior period adjustment to record net position for its right-to-use lease assets and associated lease liabilities in the government-wide financial statements. In addition, the District made a prior period adjustment in its financial statements to correct an error for expenses/expenditures not properly recorded.

**COUNCIL ROCK SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
Net position (deficit) at June 30, 2021, as previously stated	\$(233,311,965)	\$1,247,960	\$(232,064,005)
Prior period adjustment to			
To record right-to-use leased assets	1,945,033	-	1,945,033
To record right-to-use leased liabilities	(1,950,261)	-	(1,950,261)
To record expenses in proper period	<u>(1,045,615)</u>	<u>-</u>	<u>(1,045,615)</u>
Net position (deficit) at June 30, 2021, as restated	<u>\$(234,362,808)</u>	<u>\$1,247,960</u>	<u>\$(233,114,848)</u>
	<u>General Fund</u>		
Fund balance at June 30, 2021, as previously stated	\$ 32,910,364		
Prior period adjustment to			
To record expenditures in proper period	<u>(1,045,615)</u>		
Fund balance at June 30, 2021, as restated	<u>\$ 31,864,749</u>		

**(15) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 30, 2023, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.

In March 2023, the School Board authorized the sale of general obligation bonds, Series of 2023, in order to finance capital projects in the District. The authorization's maximum parameter for the value of the bonds to be sold is \$27,500,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

# COUNCIL ROCK SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	\$ 190,535,660	\$ 190,535,660	\$ 198,576,554	\$ 8,040,894
State sources	53,685,717	53,685,717	55,167,271	1,481,554
Federal sources	4,567,953	4,567,953	5,437,448	869,495
<b>Total revenues</b>	<u>248,789,330</u>	<u>248,789,330</u>	<u>259,181,273</u>	<u>10,391,943</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	102,448,093	102,544,777	102,741,084	(196,307)
Special programs	51,354,055	51,350,586	51,868,304	(517,718)
Vocational programs	1,730,802	1,730,802	2,127,065	(396,263)
Other instructional programs	1,910,410	1,912,410	1,421,544	490,866
Nonpublic school programs	-	-	31,044	(31,044)
<b>Total instruction</b>	<u>157,443,360</u>	<u>157,538,575</u>	<u>158,189,041</u>	<u>(650,466)</u>
<b>Support services</b>				
Pupil support services	8,991,449	8,991,703	8,759,344	232,359
Instructional staff services	6,698,743	6,686,551	6,482,852	203,699
Administrative services	10,962,154	10,952,343	11,207,499	(255,156)
Pupil health	2,906,149	2,904,876	2,720,995	183,881
Business services	1,580,547	1,578,547	1,584,745	(6,198)
Operation and maintenance of plant services	15,003,328	15,027,327	14,196,637	830,690
Student transportation services	13,006,850	13,031,029	14,212,572	(1,181,543)
Support services - central	7,261,486	8,085,595	8,127,143	(41,548)
Other support services	88,866	88,866	97,308	(8,442)
<b>Total support services</b>	<u>66,499,572</u>	<u>67,346,837</u>	<u>67,389,095</u>	<u>(42,258)</u>
<b>Operation of non-instructional services</b>				
Student activities	3,474,640	3,513,819	3,245,241	268,578
Community services	219,707	219,707	157,830	61,877
<b>Total operation of non-instructional services</b>	<u>3,694,347</u>	<u>3,733,526</u>	<u>3,403,071</u>	<u>330,455</u>
<b>Debt service</b>				
	<u>18,766,401</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>246,403,680</u>	<u>228,618,938</u>	<u>228,981,207</u>	<u>(362,269)</u>
<b>Excess (deficiencies) of revenues over (under) expenditures</b>	<u>2,385,650</u>	<u>20,170,392</u>	<u>30,200,066</u>	<u>10,029,674</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of/compensation for capital assets	-	-	-	-
Refund of prior period receipts	-	-	(28,668)	(28,668)
Transfers out	(2,500,000)	(20,916,401)	(42,335,325)	(21,418,924)
Budgetary reserve	(1,250,000)	(618,341)	-	618,341
<b>Total other financing sources (uses)</b>	<u>(3,750,000)</u>	<u>(21,534,742)</u>	<u>(42,363,993)</u>	<u>(20,829,251)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,364,350)</u>	<u>\$ (1,364,350)</u>	<u>(12,163,927)</u>	<u>\$ (10,799,577)</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>31,864,749</u>	
<b>End of year</b>			<u>\$ 19,700,822</u>	

**COUNCIL ROCK SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS**

**Year ended June 30**

	<b>Measurement Date</b>							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.7973%	0.8105%	0.8108%	0.8162%	0.8122%	0.8268%	0.8287%	0.8376%
District's proportionate share of the net pension liability	\$ 327,345,308	\$ 399,082,225	\$ 379,313,386	\$ 391,816,524	\$ 401,133,000	\$ 409,736,000	\$ 358,954,000	\$ 331,529,000
District's covered-employee payroll	\$ 113,059,670	\$ 113,590,163	\$ 111,823,276	\$ 109,915,506	\$ 108,138,648	\$ 107,083,635	\$ 106,627,027	\$ 106,878,148
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	289.53%	351.34%	339.21%	356.47%	370.94%	382.63%	336.64%	310.19%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**COUNCIL ROCK SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS**

**Year ended June 30**

	<b>Measurement Date</b>							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 37,892,066	\$ 37,865,942	\$ 36,309,537	\$ 34,634,000	\$ 31,066,000	\$ 26,304,000	\$ 21,398,000	\$ 16,686,000
Contributions in relation to the contractually required contribution	<u>37,892,066</u>	<u>37,865,942</u>	<u>36,309,537</u>	<u>34,634,000</u>	<u>31,066,000</u>	<u>26,304,000</u>	<u>21,398,000</u>	<u>16,686,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 113,059,670	\$ 113,590,163	\$ 111,823,276	\$ 109,915,506	\$ 108,138,648	\$ 107,083,635	\$ 106,627,027	\$ 106,878,148
Contributions as a percentage of covered-employee payroll	33.52%	33.34%	32.47%	31.51%	28.73%	24.56%	20.07%	15.61%

45- In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

# COUNCIL ROCK SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>					
Service cost	\$ 866,324	\$ 621,188	\$ 738,131	\$ 683,981	\$ 686,836
Interest on total OPEB liability	241,911	361,883	358,255	356,821	260,577
Differences between expected and actual experience	(3,271,727)	-	(1,535,415)	-	165,158
Changes of assumptions	(307,982)	1,358,633	(305,691)	10,926	326,930
Benefit payments	<u>(387,600)</u>	<u>(308,105)</u>	<u>(486,762)</u>	<u>(480,628)</u>	<u>(526,270)</u>
<b>Net change in total OPEB liability</b>	(2,859,074)	2,033,599	(1,231,482)	571,100	913,231
<b>Total OPEB liability, beginning</b>	<u>12,349,629</u>	<u>10,316,030</u>	<u>11,547,512</u>	<u>10,976,412</u>	<u>10,063,181</u>
<b>Total OPEB liability, ending</b>	<u>\$ 9,490,555</u>	<u>\$ 12,349,629</u>	<u>\$ 10,316,030</u>	<u>\$ 11,547,512</u>	<u>\$ 10,976,412</u>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 105,890,458	\$ 107,707,118	\$ 107,707,118	\$ 102,018,141	\$ 102,018,141
<b>Net OPEB liability as a % of covered payroll</b>	8.96%	11.47%	9.58%	11.32%	10.76%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

# COUNCIL ROCK SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.7975%	0.8093%	0.8108%	0.8162%	0.8122%
District's proportionate share of the net OPEB liability	\$ 18,901,412	\$ 17,486,521	\$ 17,244,435	\$ 17,017,354	\$ 16,548,000
District's covered-employee payroll	\$ 113,059,670	\$ 113,590,163	\$ 111,823,276	\$ 109,915,506	\$ 108,138,648
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.72%	15.39%	15.42%	15.00%	15.00%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	6.00%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

# COUNCIL ROCK SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 928,011	\$ 952,732	\$ 928,942	\$ 911,891	\$ 898,000
Contributions in relation to the contractually required contribution	<u>\$ 928,011</u>	<u>\$ 952,732</u>	<u>\$ 928,942</u>	<u>\$ 911,891</u>	<u>\$ 898,000</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 113,059,670	\$ 113,590,163	\$ 111,823,276	\$ 109,915,506	\$ 108,138,648
Contributions as a percentage of covered-employee payroll	0.82%	0.84%	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

**COUNCIL ROCK SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2022 with summarized comparative totals for 2021**

	<u>Debt Service Fund</u>	<u>School Sponsored Activity Fund</u>	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
<b>ASSETS</b>				
Cash	<u>\$ 2,758,894</u>	<u>\$ 352,548</u>	<u>\$ 3,111,442</u>	<u>\$ 2,663,009</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ 39</u>	<u>\$ -</u>
<b>FUND BALANCES</b>				
Restricted for debt service	<u>2,758,894</u>		<u>2,758,894</u>	<u>2,370,931</u>
Restricted for student activities	<u>-</u>	<u>352,509</u>	<u>352,509</u>	<u>292,078</u>
<b>Total fund balances</b>	<u>2,758,894</u>	<u>352,509</u>	<u>3,111,403</u>	<u>2,663,009</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,758,894</u>	<u>\$ 352,548</u>	<u>\$ 3,111,442</u>	<u>\$ 2,663,009</u>

*See accompanying notes*

# COUNCIL ROCK SCHOOL DISTRICT

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	Debt Service Fund	School Sponsored Activity Fund	Totals	
			2022	2021
<b>REVENUES</b>				
Local sources	\$ 9,445	\$ 470,216	\$ 479,661	\$ 161,992
<b>EXPENDITURES</b>				
Support services	75,380	-	75,380	-
Operation of noninstructional services	-	409,785	409,785	198,034
Debt service	18,392,860	-	18,392,860	-
<b>Total expenditures</b>	<b>18,468,240</b>	<b>409,785</b>	<b>18,878,025</b>	<b>198,034</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(18,458,795)	60,431	(18,398,364)	(36,042)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt - refunding	9,038,700	-	9,038,700	-
Payment of debt - refunding	(9,411,700)	-	(9,411,700)	-
Bond premiums	453,357	-	453,357	-
Transfers in	18,766,401	-	18,766,401	2,370,931
<b>Total other financing sources (uses)</b>	<b>18,846,758</b>	<b>-</b>	<b>18,846,758</b>	<b>2,370,931</b>
<b>NET CHANGE IN FUND BALANCES</b>				
	387,963	60,431	448,394	2,334,889
<b>FUND BALANCES</b>				
Beginning of year	2,370,931	292,078	2,663,009	328,120
<b>End of year</b>	<b>\$ 2,758,894</b>	<b>\$ 352,509</b>	<b>\$ 3,111,403</b>	<b>\$ 2,663,009</b>

See accompanying notes

**SINGLE AUDIT**

# COUNCIL ROCK SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2022

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Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2022	Passed Through to Subrecipients
<b>U.S. Department of Education</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
Title I - Improving Basic Programs	I	84.010	013-210105	07/01/20 - 09/30/21	\$ 298,243	\$ 119,273	\$ 39,408	\$ 79,865	\$ 79,865	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-220105	07/01/21 - 09/30/22	333,358	248,103	-	274,159	274,159	26,056	-
Total ALN #84.010						367,376	39,408	354,024	354,024	26,056	-
Title II - Improving Teacher Quality	I	84.367	013-210105	07/01/20 - 09/30/21	155,621	31,079	13,710	17,369	17,369	-	-
Title II - Improving Teacher Quality	I	84.367	013-220105	07/01/21 - 09/30/22	165,854	121,623	-	152,360	152,360	30,737	-
Total ALN #84.267						152,702	13,710	169,729	169,729	30,737	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-210105	07/01/20 - 09/30/21	48,489	16,163	4,134	12,029	12,029	-	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-220105	07/01/21 - 09/30/22	40,082	29,194	-	40,082	40,082	10,888	-
Total ALN #84.365						45,357	4,134	52,111	52,111	10,888	-
Title IV - Student Support and Academic Achievement	I	84.424	144-210105	07/01/21 - 09/30/22	22,297	14,860	-	15,108	15,108	248	-
COVID-19 Education Stabilization Fund-ESSER I	I	84.425D	200-200105	03/13/20 - 09/30/22	257,009	81,161	(34,434)	115,595	115,595	-	-
COVID-19 Education Stabilization Fund-ESSER II	I	84.425D	200-210105	03/13/20 - 09/30/23	1,094,866	611,088	-	967,753	967,753	356,665	-
COVID-19 ARP ESSER III	I	84.425U	223-210105	03/13/20 - 09/30/24	2,214,598	322,123	-	126,520	126,520	(195,603)	-
COVID-19 ARP 7%	I	84.425U	225-210105	03/13/20 - 09/30/24	172,125	15,647	-	37,325	37,325	21,678	-
<b>Passed Through the Pennsylvania Commission on Crime and Delinquency</b>											
COVID-19 Continuity of Education and Mental Health	I	84.425D	2020-ES-0135422	07/01/20-09/30/22	310,338	310,338	-	310,338	310,338	-	-
Total ALN #84.425						1,340,357	(34,434)	1,557,531	1,557,531	182,740	-
<b>Passed Through the Bucks County I.U.</b>											
I.D.E.A. - Part B, Section 619	I	84.173	131-210022	07/01/21 - 06/30/22	5,202	5,202	-	5,202	5,202	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-220022	07/01/21 - 06/30/22	1,733,246	1,733,246	-	1,733,246	1,733,246	-	-
COVID-19 I.D.E.A. - Part B, Section 611 ARP	I	84.027	062-220022	07/01/21 - 06/30/22	374,657	8,182	-	374,657	374,657	366,475	-
Total ALN #84.027						1,741,428	-	2,107,903	2,107,903	366,475	-
<b>Total U.S. Department of Education</b>						<b>3,667,282</b>	<b>22,818</b>	<b>4,261,608</b>	<b>4,261,608</b>	<b>617,144</b>	<b>-</b>

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Health and Social Services</b>											
Drug Free Communities Support Program	D	93.276	5H79SP015667-03	09/30/20 - 09/29/21	125,000	-	(11,161)	-	-	(11,161)	-
<b>Passed Through the Bucks County I.U.</b>											
Medical Assistance Program	I	93.778	N/A	07/01/20 - 06/30/21	N/A	27,933	27,933	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/21 - 06/30/22	N/A	26,614	-	61,733	61,733	35,119	-
Total ALN #93.778						54,547	27,933	61,733	61,733	35,119	-
<b>Total U.S. Department of Health and Human Services</b>						54,547	27,933	61,733	61,733	23,958	-
<b>Federal Emergency Mangement Agency</b>											
<b>Passed Through the Pennsylvania Emergency Management Agency</b>											
COVID-19 Disaster Grant	I	97.036	017-UQ9BG-00	03/13/20 - 12/31/20	N/A	39,728	-	39,728	39,728	-	-
<b>U.S. Department of Agriculture</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
School Lunch Program	S	N/A	N/A	07/01/21 - 06/30/22	N/A	63,147	-	66,482	66,482	3,335	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/21 - 06/30/22	N/A	3,063	-	3,063	3,063	-	-
Summer Food Program	I	10.559	N/A	07/01/20 - 06/30/21	N/A	256,585	256,585	-	-	-	-
Summer Food Program	I	10.559	N/A	07/01/21 - 06/30/22	N/A	223,677	-	223,677	223,677	-	-
Total ALN #10.559						480,262	256,585	223,677	223,677	-	-
SNP Emergency Operating Costs	I	10.555	N/A	07/01/21 - 06/30/22	N/A	32,388	-	32,388	32,388	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	2,817,882	-	2,969,991	2,969,991	152,109	-
Total ALN #10.555						2,850,270	-	3,002,379	3,002,379	152,109	-
<b>Passed-Through the Pennsylvania Department of Agriculture</b>											
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	152,689 a)	(34,906) b)	152,689 c)	152,689	(34,906) d)	-
Total ALN #10.555						3,002,959	(34,906)	3,155,068	3,155,068	117,203	-
<b>Total U.S. Department of Agriculture</b>						3,549,431	221,679	3,448,290	3,448,290	120,538	-
<b>Total Federal Awards and Certain State Grants</b>						\$ 7,310,988	\$ 261,269	\$ 7,811,359	\$ 7,811,359	\$ 750,479	\$ -

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued Revenue July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued Revenue June 30, 2022</u>	<u>Through to Subrecipients</u>
Total Federal Awards						\$ 7,247,841	\$ 261,269	\$ 7,744,877	\$ 7,744,877	\$ 747,144	\$ -
Total State Awards						63,147	-	66,482	66,482	3,335	-
Total Federal Awards and Certain State Grants						<u>\$ 7,310,988</u>	<u>\$ 261,269</u>	<u>\$ 7,811,359</u>	<u>\$ 7,811,359</u>	<u>\$ 750,479</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						<u>\$ 1,746,630</u>	<u>\$ -</u>	<u>\$ 2,113,105</u>	<u>\$ 2,113,105</u>	<u>\$ 366,475</u>	<u>\$ -</u>
Child Nutrition Cluster (ALN's #10.555 and #10.559)						<u>\$ 3,483,221</u>	<u>\$ 221,679</u>	<u>\$ 3,378,745</u>	<u>\$ 3,378,745</u>	<u>\$ 117,203</u>	<u>\$ -</u>

**Source Codes**

- D - Direct Funding
- I - Indirect Funding
- S - State Share

**Footnotes**

- a) Total amount of commodities received from U.S. Department of Agriculture
- b) Beginning inventory at July 1
- c) Total amount of commodities used
- d) Ending inventory at June 30

# COUNCIL ROCK SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2022

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### (1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

### (2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

### (3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2021-2022 fiscal year.

### (4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2022 was \$944,045.

### (5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2022.

**COUNCIL ROCK SCHOOL DISTRICT**

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

**Year ended June 30, 2022**

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There were no audit findings for the year ended June 30, 2021.



**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  
Council Rock School District  
Newtown, 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 Council Rock School District, Newtown, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Council Rock School District's basic financial statements, and have issued our report thereon dated March 30, 2023.

***Internal Control Over Financial Reporting***

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

**BBD, LLP**

**Philadelphia, Pennsylvania  
March 30, 2023**



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

**Board of School Directors  
Council Rock School District  
Newtown, Pennsylvania**

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

***Opinion on Each Major Federal Program***

We have audited Council Rock School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Council Rock School District's major federal programs for the year ended June 30, 2022. Council Rock School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Council Rock 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, 2022.

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

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

**BBD, LLP**

**Philadelphia, Pennsylvania**  
**March 30, 2023**

# COUNCIL ROCK SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

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### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Council Rock School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Council Rock School District are reported in the 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.
3. No instances of noncompliance material to the financial statements of Council Rock School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Council Rock School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
  - Child Nutrition Cluster:
    - National School Lunch Program – Assistance Listing #10.555
    - Summer Food Program – Assistance Listing #10.559
  - Education Stabilization Fund – Assistance Listing #84.425
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Council Rock School District did qualify as a low-risk auditee.

### FINDINGS—FINANCIAL STATEMENT AUDIT

None

### FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None