



**Council Rock School District
Newtown, Pennsylvania
Bucks County**

Financial Statements
Year Ended June 30, 2021



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COUNCIL ROCK SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

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, Newtown, Pennsylvania as of and for the year ended June 30, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Change in Accounting Principle

As described in Note 14 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 84, "*Fiduciary Activities*". Our opinions are not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Council Rock School District's 2020 financial statements, and our report dated December 18, 2020, expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 OPEB liability - PSERS and OPEB plan contributions-PSERS on pages 3 through 16 and 52 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Council Rock School District's 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 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 schedule of expenditures of federal awards and certain state grants is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021, 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
December 21, 2021**

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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, 2021. 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 10,800 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 1,360 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 2020-2021 fiscal year of \$232,064,005. During the 2020-2021 fiscal year, the District had an increase in total net position of \$25,728,999. The net position of governmental activities increased by \$25,129,403 and net position of the business-type activities increased by \$599,596.
- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result, the District experienced disruptions and operated under virtual, hybrid and in-person learning models during 2020-2021 as conditions permitted.
- The General Fund reported an increase in fund balance of \$9,942,846, bringing the cumulative balance to \$32,910,361 at the conclusion of the 2020-2021 fiscal year. At June 30, 2021, the General Fund fund balance includes \$20,252,820 committed or assigned by the School Board and management for the following purposes:
 - ◆ \$4,000,000 committed to future education initiatives
 - ◆ \$14,719,236 committed to fund COVID-19 contingency
 - ◆ \$1,364,350 committed to balance the 2021-2022 budget
 - ◆ \$62,090 assigned to facility use fees allocation
 - ◆ \$107,144 assigned to artificial turf
- At June 30, 2021, the General Fund fund balance includes unassigned amounts of \$12,507,685 or 5.00% of the \$250,153,680 2021-2022 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.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

- 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 2020-2021, the Capital Projects Fund reported an increase in fund balance of \$10,258,687 due to proceeds received from general obligation debt and transfers from the General Fund in excess of capital expenditures. The remaining fund balance of \$36,604,640 as of June 30, 2021 is restricted for future capital expenditures.

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 17 and 18 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.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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.

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 19 through 22 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 23 through 25 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 26 and 27 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 28 through 51 of this report.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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.

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 2020-2021 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$232,064,005. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2021 and 2020.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets	\$ 122,785,887	\$ 96,577,776	\$1,313,600	\$535,625	\$ 124,099,487	\$ 97,113,401
Noncurrent assets	<u>295,877,795</u>	<u>281,133,452</u>	<u>149,333</u>	<u>172,467</u>	<u>296,027,128</u>	<u>281,305,919</u>
Total assets	<u>418,663,682</u>	<u>377,711,228</u>	<u>1,462,933</u>	<u>708,092</u>	<u>420,126,615</u>	<u>378,419,320</u>
DEFERRED OUTFLOWS						
Deferred charges – pension	56,733,922	44,247,310	-	-	56,733,922	44,247,310
Deferred charges – OPEB	3,823,542	2,377,166	-	-	3,823,542	2,377,166
Deferred amounts on debt refunding	<u>224,726</u>	<u>255,568</u>	<u>-</u>	<u>-</u>	<u>224,726</u>	<u>255,568</u>
Total deferred outflows	<u>60,782,190</u>	<u>46,880,044</u>	<u>-</u>	<u>-</u>	<u>60,782,190</u>	<u>46,880,044</u>
LIABILITIES						
Current liabilities	25,914,680	26,142,481	214,973	59,728	26,129,653	26,202,209
Noncurrent liabilities	<u>672,407,701</u>	<u>636,022,250</u>	<u>-</u>	<u>-</u>	<u>672,407,701</u>	<u>636,022,250</u>
Total liabilities	<u>698,322,381</u>	<u>662,164,731</u>	<u>214,973</u>	<u>59,728</u>	<u>698,537,354</u>	<u>662,224,459</u>
DEFERRED INFLOWS						
Deferred credits – OPEB	2,161,536	2,477,564	-	-	2,161,536	2,477,564
Deferred credits – pension	<u>12,273,920</u>	<u>18,390,345</u>	<u>-</u>	<u>-</u>	<u>12,273,920</u>	<u>18,390,345</u>
Total deferred inflows	<u>14,435,456</u>	<u>20,867,909</u>	<u>-</u>	<u>-</u>	<u>14,435,456</u>	<u>20,867,909</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	87,675,801	77,876,623	149,333	172,467	87,825,134	78,049,090
Restricted	9,399,756	4,436,576	-	-	9,399,756	4,436,576
Unrestricted (deficit)	<u>(330,387,522)</u>	<u>(340,754,567)</u>	<u>1,098,627</u>	<u>475,897</u>	<u>(329,288,895)</u>	<u>(340,278,670)</u>
Total net position (deficit)	<u>\$(233,311,965)</u>	<u>\$(258,441,368)</u>	<u>\$1,247,960</u>	<u>\$648,364</u>	<u>\$(232,064,005)</u>	<u>\$(257,793,004)</u>

The District's total assets as of June 30, 2021 were \$420,126,615 of which \$108,668,524 or 25.87% consisted of cash and investments and \$296,027,128 or 70.46% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2021 were \$698,537,354 of which \$238,303,987 or 34.11% consisted of general obligation debt used to acquire and construct capital assets and \$399,082,225 or 57.13% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$329,288,895. The District's unrestricted net position increased by \$10,989,775 during 2020-2021 primarily due to the current year results of operations.

A portion of the District's net position reflects its restricted net position which totaled \$9,399,756 as of June 30, 2021. The District's restricted net position related to amounts restricted through Board resolution for future capital expenditures, debt service or student activities.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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, 2021, the District's net investment in capital assets increased by \$9,776,044 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 2021 and 2020:

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	\$ 481,260	\$ 779,547	\$ 96,586	\$2,107,384	\$ 577,846	\$ 2,886,931
Operating grants and contributions	39,144,935	37,882,870	3,390,845	420,000	42,535,780	38,302,870
Capital grants and contributions	1,073,697	969,525	-	-	1,073,697	969,525
General revenues						
Property taxes levied for general purposes	161,807,805	157,376,281	-	-	161,807,805	157,376,281
Earned income taxes levied for general purposes	21,426,859	16,618,725	-	-	21,426,859	16,618,725
Other taxes levied for general purposes	9,572,466	8,142,760	-	-	9,572,466	8,142,760
Grants and entitlements not restricted to specific programs	20,404,755	20,392,962	-	-	20,404,755	20,392,962
Investment earnings	295,283	2,474,717	123	6,055	295,406	2,480,772
Miscellaneous income	1,355	-	-	-	1,355	-
Total revenues	<u>254,208,415</u>	<u>244,637,387</u>	<u>3,487,554</u>	<u>2,533,439</u>	<u>257,695,969</u>	<u>247,170,826</u>
EXPENSES						
Instruction	158,424,075	157,813,866	-	-	158,424,075	157,813,866
Instructional student support services	18,281,952	18,090,441	-	-	18,281,952	18,090,441
Administrative and financial support services	18,870,507	17,629,098	-	-	18,870,507	17,629,098
Operation and maintenance of plant services	14,105,794	12,941,979	-	-	14,105,794	12,941,979
Pupil transportation	9,893,878	9,930,064	-	-	9,893,878	9,930,064
Student activities	3,227,285	3,137,472	-	-	3,227,285	3,137,472
Community services	86,833	151,482	-	-	86,833	151,482
Interest and amortization expense related to noncurrent liabilities	6,180,722	6,540,500	-	-	6,180,722	6,540,500
Food service	-	-	2,895,924	2,649,268	2,895,924	2,649,268
Total expenses	<u>229,071,046</u>	<u>226,234,902</u>	<u>2,895,924</u>	<u>2,649,268</u>	<u>231,966,970</u>	<u>228,884,170</u>
Change in net position before transfers	25,137,369	18,402,485	591,630	(115,829)	25,728,999	18,286,656
TRANSFERS	(7,966)	(98,116)	7,966	98,116	-	-
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 25,129,403</u>	<u>\$ 18,304,369</u>	<u>\$ 599,596</u>	<u>\$ (17,713)</u>	<u>\$ 25,728,999</u>	<u>\$ 18,286,656</u>

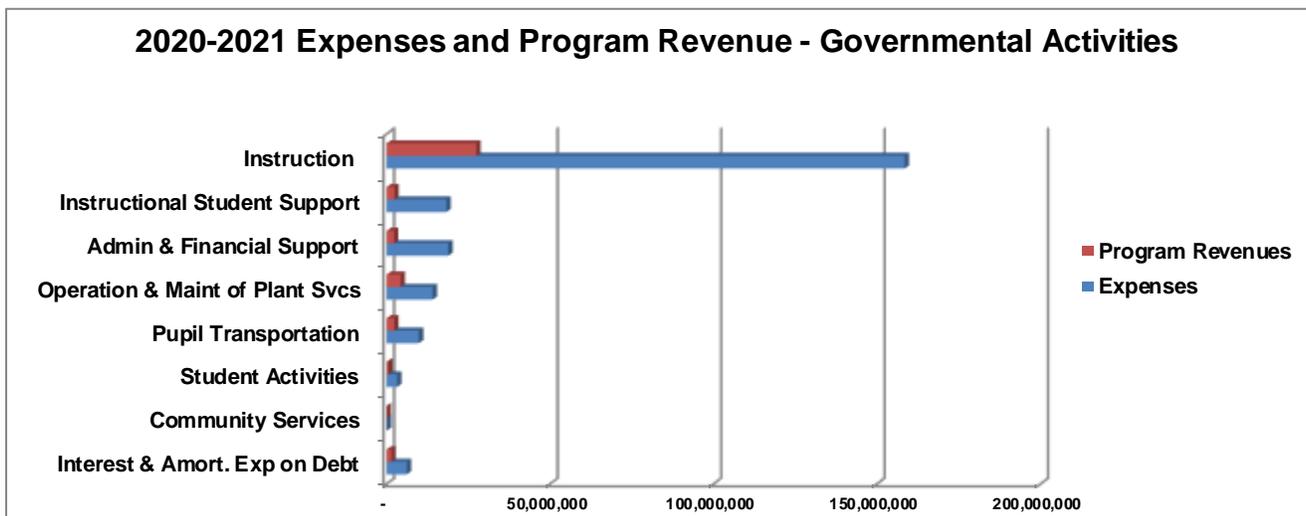
COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

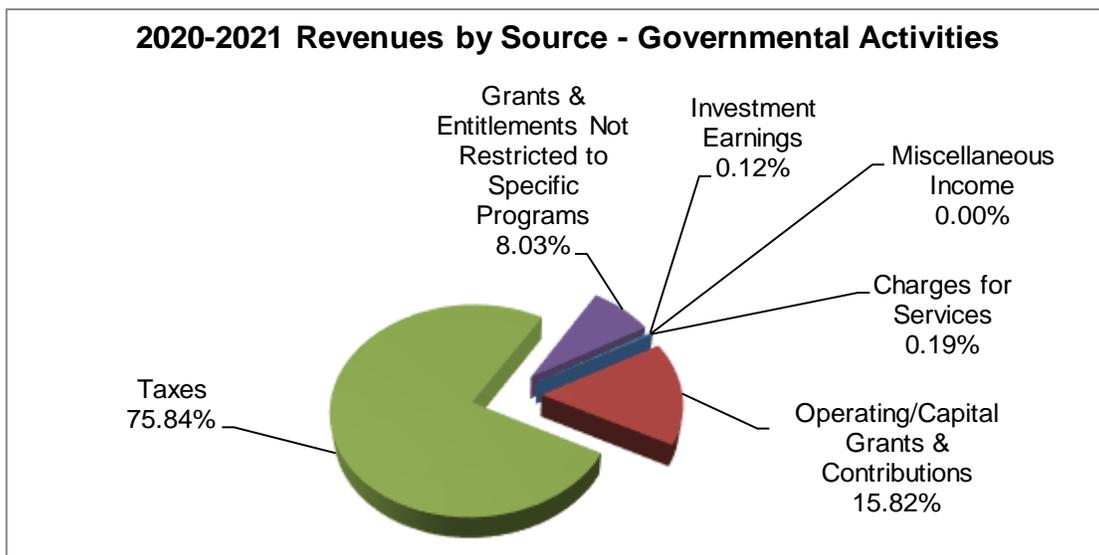
June 30, 2021

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, 2021

GOVERNMENTAL FUNDS

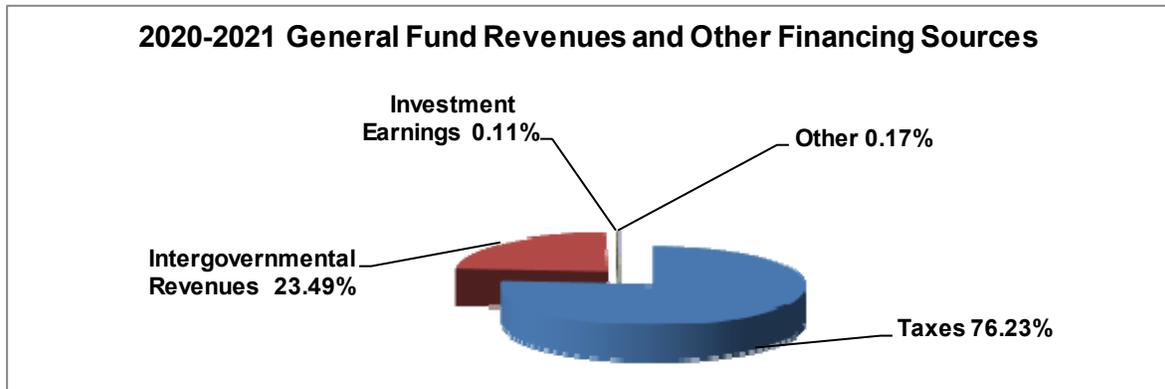
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2021, the District's governmental funds reported a combined fund balance of \$72,178,010 which is an increase of \$22,536,422 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2021 and 2020 and the total 2021 change in governmental fund balances.

	<u>2021</u>	<u>2020</u>	<u>Change</u>
General Fund	\$32,910,361	\$22,967,515	\$ 9,942,846
Capital Projects	36,604,640	26,345,953	10,258,687
Debt Service Fund	2,370,931	-	2,370,931
Student Sponsored Activity Fund	<u>292,078</u>	<u>328,120</u>	<u>(36,042)</u>
	<u>\$72,178,010</u>	<u>\$49,641,588</u>	<u>\$22,536,422</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2020-2021 fiscal year, the General Fund fund balance was \$32,910,361 representing an increase of \$9,942,846 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020-2021 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 76.23% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$192,950,900	\$181,232,288	\$11,718,612	6.47
Intergovernmental revenues	59,445,130	58,184,499	1,260,631	2.17
Investment earnings	279,173	1,888,854	(1,609,681)	(85.22)
Other	<u>427,160</u>	<u>752,348</u>	<u>(325,188)</u>	<u>(43.22)</u>
	<u>\$253,102,363</u>	<u>\$242,057,989</u>	<u>\$11,045,088</u>	<u>4.56</u>

Tax revenues increased by \$11,718,612 or 6.47% in 2020-2021 when compared to 2019-2020. The reason for this increase is primarily due to \$5,268,101 in additional real estate tax revenue. This increase is the result of a 0.03% increase in assessed values and a 3.00% increase in the millage rate. The other major change in tax revenues related to the collection of earned income taxes, which increased by \$4,808,134 or 28.93%. This increase is due to the income tax filing deadline extension granted to taxpayers in response to the COVID-19; certain funds that were normally collected in the 4th quarter of the fiscal year were collected in the 2020-2021 fiscal year. There were also small increases in real estate transfer, interim and delinquent real estate tax collections.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

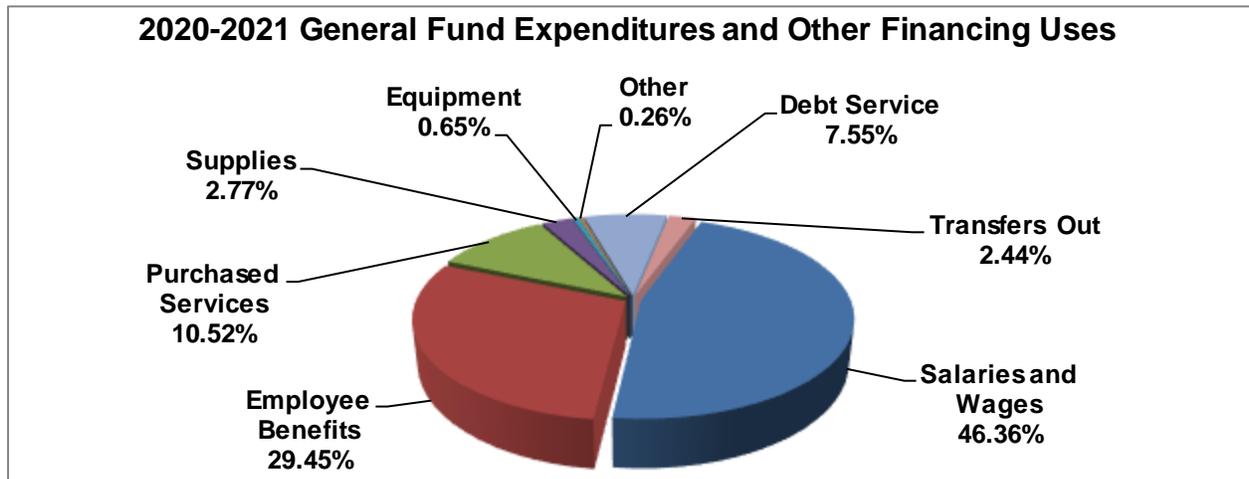
June 30, 2021

Intergovernmental revenues increased by \$1,260,631 or 2.17% in 2020-2021 when compared to 2019-2020, due to additional funding received related to the State's contribution to the Pennsylvania School Employee Retirement System ("**PSERS**"). The amount of reimbursement commensurate with the increase in the mandated employer annual contribution percentage. Revenue from the State retirement subsidy increased from \$19,248,122 in 2019-2020 to \$19,634,396 in 2020-2021. A commensurate increase in revenue for the State social security subsidy increased from \$3,830,474 in 2019-2020 to \$4,435,462 in 2020-2021. The District also recognized an increase in grant funding related to COVID-19 that totaled \$1,019,152.

Investment earnings decreased by \$1,609,681 or 85.22% in 2020-2021 due to a sharp decline in the interest rate market due to the COVID-19.

Other revenues decreased by \$325,188 or 43.22% in 2020-2021 when compared to 2019-2020.; primarily attributed to a decrease in rental revenues due to the District's 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>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$112,739,617	\$113,747,759	\$(1,008,142)	(0.89)
Employee benefits	71,606,528	72,379,103	(772,575)	(1.07)
Purchased services	25,583,394	24,774,593	808,801	3.26
Supplies	6,736,311	6,103,637	632,674	10.37
Equipment	1,583,953	2,034,523	(450,570)	(22.15)
Other	606,721	703,022	(96,301)	(13.70)
Debt service	18,365,253	18,570,508	(205,255)	(1.11)
Transfers out	<u>5,937,740</u>	<u>3,042,474</u>	<u>2,895,266</u>	<u>95.16</u>
	<u>\$243,159,517</u>	<u>\$241,355,619</u>	<u>\$ 1,803,898</u>	<u>0.75</u>

Salaries and wages decreased by \$1,008,142 or 0.89% in 2020-2021 when compared to 2019-2020. This decrease is due to the temporary salary decreases within the District's collective bargaining agreements negotiated with the various employee groups, yielding smaller increases within previously negotiated agreements. Additional salary reductions created by attrition (retirements/voluntary separations) of higher paid staff. Continued volatility and uncertainty related to available substitutes for staff has impacted the costs in these areas. COVID-19 continues to impact the personnel cost areas, and we expect to experience continued volatility in this area.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Employee benefits decreased by \$772,575 or 1.07% in 2020-2021 when compared to 2019-2020. This is primarily due to the decrease in contributions to the District's self-insured medical and an increase workers' compensation programs due to favorable claims experience (\$666,118 and \$380,229, respectively).

Purchased services increased by \$808,801 or 3.26% in 2020-2021 when compared to 2019-2020. The major area of increase was in charter school tuition, totaling \$1,538,280, which has been on the rise since the onset of the COVID-19. The increase in charter school tuition was offset by a decrease in other tuition costs in 2020-2021. Tuition for both out of district special education and the Middle Bucks Institute of Technology decreased by \$948,940. The increase in charter school tuition (particularly cyber charter) is becoming a trend and requires further monitoring.

Expenditures for supplies increased \$632,674 or 10.37% in 2020-2021 due to the need for additional personal protective equipment (PPE) and other miscellaneous supplies, in accordance with the District's Health and Safety Plan, and as an ongoing effort to mitigate the impact of COVID-19 in the school buildings.

The District purchases equipment annually based on specific needs. The decrease in equipment expenditures of \$450,570 or 22.15% in 2020-2021 when compared to 2019-2020 can be attributed to the cautious approach in real time to managing discretionary spending in an attempt to balance the unforeseen expenses related to COVID-19.

During 2020-2021 the District made operating transfers totaling \$7,966 to the Food Service Fund to properly account for a donation that was received by the District, which could be applied to student lunch debt. Also, the District transferred \$3,558,843 to the Capital Reserve Fund for summer maintenance projects, GESA Project reimbursements, and future transportation equipment upgrades. The District also made a transfer of \$2,370,931 to the Debt Service Fund to establish the fund for future debt service maturities.

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 2020-2021, the Capital Projects Fund reported an increase in fund balance of \$10,258,687 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 \$36,604,640 as of June 30, 2021 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 \$9,994,404 and actual expenditures and other financing uses were less than budget by \$2,951,118 resulting in a net positive variance of \$12,945,522. Major budgetary highlights for 2020-2021 were as follows:

- Actual local source revenues were \$8,457,303 more than budgeted amounts which can be primarily attributed to the following variances:

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Current real estate taxes	\$158,440,111	\$160,225,131	\$1,785,020
Earned income taxes	16,020,000	21,426,859	5,406,859
Delinquent taxes	2,283,053	1,881,787	(401,266)
Transfer taxes	1,950,000	4,241,507	2,291,507
Interim real estate taxes	720,000	569,956	(150,044)
Occupation taxes	4,158,000	4,298,413	140,413
Other local sources	<u>1,628,266</u>	<u>1,013,080</u>	<u>(615,186)</u>
	<u>\$185,199,430</u>	<u>\$193,656,733</u>	<u>\$8,457,303</u>

- ◆ Current real estate taxes exceeded budgeted expectations by \$1,785,020 or 1.13% due to a slightly more positive collection rate in 2020-2021 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 \$5,406,859 or 33.75%, due to the impact of the EIT filing deadline extension for COVID-19. The District did not record a receivable for the revenue in the previous year, due to potential volatility in the earned income of the constituency.
- ◆ Delinquent tax receipts did not meet budgeted expectations by \$401,266 or 17.58%. This was caused by a lower collection rate than the District anticipated.
- ◆ Interim real estate taxes continued to trend downward, and were less than the budget by \$150,044 or 20.84%.
- ◆ Real estate transfer taxes exceeded budget expectations by \$2,291,507 or 117.51%
- ◆ Revenue from investments did not meet the budgeted amount by \$70,828 or 20.24% due to unfavorable interest rates.
- Revenues from state sources were more than budget in the amount of \$1,653,997 due to the following factors:
 - ◆ The District received \$222,370 more in school construction (PlanCon) reimbursement from previously delayed payments from the Commonwealth. The District also received more subsidy than budgeted for basic \$531,704 and special education \$482,782.
 - ◆ In addition, the District received more than budgeted reimbursements for social security and retirement adding \$930,095 to the above increases.
- The District made an operating transfer totaling \$7,966 to the Food Service Fund, \$2,370,931 to the Debt Service Fund and \$3,558,843 to the Capital Reserve Fund all of which were 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.
- Actual expenditures were \$7,414,385 less than budgeted primarily due to the impact of COVID-19 on the results of operations. The District experienced disruptions and operated under virtual, hybrid and in-person learning models during 2020-2021 as conditions permitted and resulted in less than anticipated expenditures particularly as they pertain to the operation and maintenance of plant services and student transportation services.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2020-2021, the net position of the business-type activities and Food Service Fund increased by \$599,596. As of June 30, 2021, the business-type activities and Food Service Fund had net position of \$1,247,960.

CAPITAL ASSETS

The District's investment in capital asset for its governmental and business-type activities as of June 30, 2021 amounted to \$296,027,128 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements and furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$14,721,209 or 5.23%. 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 \$20,492,123 and depreciation expense was \$5,770,914.

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

- | | |
|---|-------------|
| • Rolling Hills Elementary School renovations | \$4,214,649 |
| • ACHIEVE building renovations | \$9,836,187 |
| • Hillcrest Elementary School renovations | \$1,269,037 |

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$238,303,987 consisting of \$229,690,000 in bonds payable and net deferred credits of \$8,613,987. 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 \$12,882,214 or 5.71% during the fiscal year.

During 2020-2021, the District issued general obligation bond, Series of 2021, in the amount of \$25,250,000, the proceeds from are being used to fund capital additions and to pay the costs of issuing the bonds.

During 2020-2021, the District issued general obligation bond, Series of 2021A, in the amount of \$5,395,000, the proceeds from which were used to currently refund all of the District's outstanding general obligation bond, Series of 2015B and to pay the costs of issuing the bonds. The District currently refunded general obligation bonds, Series of 2015B to reduce future debt service payments by approximately \$254,311.

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. The District will continue to seek opportunities by taking advantage of favorable interest rates in the Bond Market to manage current bond issues with future borrowing needs.

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 \$238,303,987 is within the current debt limitation of the District which was \$549,135,897 as of June 30, 2021.

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 \$399,082,225 as of June 30, 2021. The District's net pension liability increased by \$19,768,839 or 5.21% during the fiscal year.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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 \$29,836,150 as of June 30, 2021. The District's OPEB liability increased by \$2,275,685 or 8.26% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for compensated absences, which totaled \$5,185,339 as of June 30, 2021 and increased by \$1,458,713 or 39.14% 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.

- COVID-19 may strain the District's resources in 2021-2022 and future fiscal years. The extent of that strain will be determined by the length and severity of the volatility in economic conditions. There may be several impacts to the District's revenue and expenditures, including:
 - ♦ Recurring and nonrecurring costs for personal protective equipment for students and staff to be able to attend in-person instruction, and additional recurring and non-recurring investments in educational technology for virtual instruction.
 - ♦ Additional staff costs (wages and benefits) to hire additional instructional and support staff to appropriately staff schools.
 - ♦ Continued depressed interest rates, which would result in less interest earnings.
 - ♦ Increases to the contributions to the mandated contributions to the PSERS retirement system if PSERS fails to meet investment targets.
- The District's current student enrollment for 2021-2022 is 10,487 and is projected to stay relatively stable in the 2022-2023 year. The District experienced a decline in enrollment in 2020-2021 which did not rebound in 2021-2022. This was due to parents opting to enroll their students in other educational alternatives (e.g., homeschooling, private, parochial and charter schools). This was likely in response to the need to offer hybrid and virtual instruction to comply with the District's health and safety plan for the ongoing COVID-19 pandemic. Although there is a minor financial impact for lost enrollment to private and parochial students in some of the District's state and federal funding, the more significant expense is for students that attend charter schools. In response to this trend, the District has partnered with the Bucks County Intermediate Unit #22, to provide virtual instruction alternatives (i.e., Bridges Virtual Academy) that could mitigate the resulting increases in tuition to other school entities. As of December 2021, the District's charter school enrollment was anticipated to increase expenditures by \$452,750 in 2021-2022 (\$573,496 over the budgeted amount). If these students do not re-enroll in the District, these additional costs will have to be accounted for in the operating budget.
- 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), and CR High School South Athletic Turf Field projects 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. Interest rates remain at historically low levels, which will help mitigate the interest costs associated with the plan.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

- 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 are currently 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. The Administration is actively developing a plan to complete the work in a cost effective manner, which may include borrowing additional funds to complete the backlog and incorporating an annual transfer into the budget.
- Additional tax and enrollment information is available on the District's website: <http://www.crsd.org>.
- The District adopted its 2021-2022 General Fund expenditure budget totaling \$250,153,680 that includes the use of \$1,364,350 of fund balance and a real estate tax millage rate increase of 3.00%. If the economic environment resulting from 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.
 - ◆ Certain exceptions are provided under Act 1 that, if approved by the Pennsylvania Department of Education, may permit increases above the Act 1 index without the need for a back-end referendum. These exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions and special education expenditures) over which the school district has no control. The District utilized the special education Act 1 exception in 2021-2022 to help balance the budget. However, the District is not eligible for this same exception in the 2022-2023 budget cycle.
 - ◆ 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. The District's distribution for 2020-2021 was \$5,650,059.
- 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 2022-2023 has been certified at 35.26%. Currently, the employer contribution rate for 2021-2022 is 34.94%, which is an increase of 1.25% from the 2020-2021 employer contribution rate of 34.51%. The increase in the employer contribution rate in 2021-2022 is estimated to increase the District's retirement contribution by approximately \$563,485 (irrespective of contractual salary increases), of which the District's local share is \$281,743.

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.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Increase Over Previous Budget</u>	<u>Total Contributions</u>	<u>Additional State Support</u>	<u>Additional Local Support</u>	<u>Mill Equivalent</u>	<u>% Mill Increase</u>
2022-2023	35.26%	0.92%	40,740,854	184,871	184,871	0.14	0.11%
2023-2024	35.69%	1.22%	41,237,694	248,420	248,420	0.19	0.14%
2024-2025	36.02%	0.92%	41,618,989	190,648	190,648	0.14	0.11%
2025-2026	36.48%	1.28%	42,150,492	265,752	265,752	0.20	0.15%

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, 2021 with summarized comparative totals for 2020

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 96,367,582	\$ 960,643	\$ 97,328,225	\$ 71,558,099
Investments	11,340,299	-	11,340,299	11,327,465
Taxes receivable	3,583,372	-	3,583,372	3,710,310
Due from other governments	9,489,223	256,585	9,745,808	9,068,040
Other receivables	907,235	-	907,235	658,569
Deposit	412,000	-	412,000	687,000
Prepaid expenditures	545,694	-	545,694	-
Inventories	140,482	96,372	236,854	103,918
Total current assets	<u>122,785,887</u>	<u>1,313,600</u>	<u>124,099,487</u>	<u>97,113,401</u>
NONCURRENT ASSETS				
Capital assets, net	295,877,795	149,333	296,027,128	281,305,919
Total assets	<u>418,663,682</u>	<u>1,462,933</u>	<u>420,126,615</u>	<u>378,419,320</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	224,726	-	224,726	255,568
Deferred charges - OPEB	3,823,542	-	3,823,542	2,377,166
Deferred charges - pension	56,733,922	-	56,733,922	44,247,310
Total deferred outflows of resources	<u>60,782,190</u>	<u>-</u>	<u>60,782,190</u>	<u>46,880,044</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	2,448,532	180,067	2,628,599	2,664,103
Accrued salaries, payroll withholdings and benefits	16,412,966	-	16,412,966	16,577,920
Insurance claims payable	2,020,525	-	2,020,525	1,913,727
Accrued interest payable	1,254,789	-	1,254,789	1,173,555
Unearned revenue	3,777,868	34,906	3,812,774	3,872,904
Total current liabilities	<u>25,914,680</u>	<u>214,973</u>	<u>26,129,653</u>	<u>26,202,209</u>
NONCURRENT LIABILITIES				
Due within one year	13,025,352	-	13,025,352	12,299,923
Due in more than one year	659,382,349	-	659,382,349	623,722,327
Total noncurrent liabilities	<u>672,407,701</u>	<u>-</u>	<u>672,407,701</u>	<u>636,022,250</u>
Total liabilities	<u>698,322,381</u>	<u>214,973</u>	<u>698,537,354</u>	<u>662,224,459</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - OPEB	2,161,536	-	2,161,536	2,477,564
Deferred credits - pension	12,273,920	-	12,273,920	18,390,345
Total deferred outflows of resources	<u>14,435,456</u>	<u>-</u>	<u>14,435,456</u>	<u>20,867,909</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	87,675,801	149,333	87,825,134	78,049,090
Restricted	9,399,756	-	9,399,756	4,436,576
Unrestricted (deficit)	(330,387,522)	1,098,627	(329,288,895)	(340,278,670)
Total net position (deficit)	<u>\$ (233,311,965)</u>	<u>\$ 1,247,960</u>	<u>\$ (232,064,005)</u>	<u>\$ (257,793,004)</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with summarized comparative totals for 2020

	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					
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 158,424,075	\$ 103,617	\$ 27,330,016	\$ -	\$ (130,990,442)	\$ -	\$ (130,990,442)	\$ (132,214,765)
Instructional student support	18,281,952	-	2,375,834	-	(15,906,118)	-	(15,906,118)	(16,346,549)
Administrative and financial support services	18,870,507	-	2,268,200	-	(16,602,307)	-	(16,602,307)	(15,643,699)
Operation and maintenance of plant services	14,105,794	176,098	3,024,574	1,073,697	(9,831,425)	-	(9,831,425)	(7,782,209)
Pupil transportation	9,893,878	-	2,319,617	-	(7,574,261)	-	(7,574,261)	(6,965,533)
Student activities	3,227,285	166,655	304,324	-	(2,756,306)	-	(2,756,306)	(2,732,108)
Community services	86,833	34,890	-	-	(51,943)	-	(51,943)	(66,144)
Interest and amortization expense related to noncurrent liabilities	6,180,722	-	1,522,370	-	(4,658,352)	-	(4,658,352)	(4,851,953)
Total governmental activities	<u>229,071,046</u>	<u>481,260</u>	<u>39,144,935</u>	<u>1,073,697</u>	<u>(188,371,154)</u>	<u>-</u>	<u>(188,371,154)</u>	<u>(186,602,960)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	2,895,924	96,586	3,390,845	-	-	591,507	591,507	(121,884)
Total primary government	<u>\$ 231,966,970</u>	<u>\$ 577,846</u>	<u>\$ 42,535,780</u>	<u>\$ 1,073,697</u>	<u>(188,371,154)</u>	<u>591,507</u>	<u>(187,779,647)</u>	<u>(186,724,844)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					161,807,805	-	161,807,805	157,376,281
Earned income taxes levied for general purposes					21,426,859	-	21,426,859	16,618,725
Other taxes levied for general purposes					9,572,466	-	9,572,466	8,142,760
Grants and entitlements not restricted to specific programs					20,404,755	-	20,404,755	20,392,962
Investment earnings					295,283	123	295,406	2,480,772
Miscellaneous income					1,355	-	1,355	-
TRANSFERS					(7,966)	7,966	-	-
Total general revenues and transfers					<u>213,500,557</u>	<u>8,089</u>	<u>213,508,646</u>	<u>205,011,500</u>
CHANGE IN NET POSITION (DEFICIT)					25,129,403	599,596	25,728,999	18,286,656
NET POSITION (DEFICIT)								
Beginning of year					(258,441,368)	648,364	(257,793,004)	(276,079,660)
End of year					<u>\$ (233,311,965)</u>	<u>\$ 1,247,960</u>	<u>\$ (232,064,005)</u>	<u>\$ (257,793,004)</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021 with summarized comparative totals for 2020

	Major Funds			Totals	
	General	Capital	Nonmajor	2021	2020
	Fund	Projects	Governmental		
ASSETS					
Cash	\$ 31,898,854	\$ 34,340,439	\$ 2,663,009	\$ 68,902,302	\$ 47,375,416
Investments	11,340,299	-	-	11,340,299	11,327,465
Taxes receivable	3,583,372	-	-	3,583,372	3,710,310
Due from other funds	-	3,500,000	-	3,500,000	2,576,142
Due from other governments	9,489,223	-	-	9,489,223	9,056,971
Other receivables	269,809	527	-	270,336	243,482
Inventories	140,482	-	-	140,482	30,119
Total assets	\$ 56,722,039	\$ 37,840,966	\$ 2,663,009	\$ 97,226,014	\$ 74,319,905
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,212,206	\$ 1,236,326	\$ -	\$ 2,448,532	\$ 2,631,937
Due to other funds	3,500,000	-	-	3,500,000	2,674,258
Accrued salaries, payroll withholdings and benefits	16,412,966	-	-	16,412,966	16,577,920
Unearned revenue	54,119	-	-	54,119	18,045
Total liabilities	21,179,291	1,236,326	-	22,415,617	21,902,160
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property, occupational assessment and per capita taxes	2,632,387	-	-	2,632,387	2,776,157
FUND BALANCES					
Nonspendable					
Inventories	140,482	-	-	140,482	30,119
Restricted for					
Transportation equipment upgrades	-	-	-	-	444,358
Summer maintenance projects	-	6,727,373	-	6,727,373	3,992,218
Capital projects	-	29,877,267	-	29,877,267	21,909,377
Unspent CREF grants	8,974	-	-	8,974	11,711
Unspent Regeneron science award	-	-	-	-	1,100
CSO program award	400	-	-	400	-
Debt Service	-	-	2,370,931	2,370,931	-
Student activities	-	-	292,078	292,078	328,120
Committed to					
COVID-19 contingency	14,719,236	-	-	14,719,236	5,993,181
Future education initiatives	4,000,000	-	-	4,000,000	1,500,000
Balance 2020-2021 budget	-	-	-	-	3,036,135
Balance 2021-2022 budget	1,364,350	-	-	1,364,350	-
Assigned					
Facility use fees allocation	62,090	-	-	62,090	62,090
Artificial turf	107,144	-	-	107,144	25,300
Unassigned	12,507,685	-	-	12,507,685	12,307,879
Total fund balances	32,910,361	36,604,640	2,663,009	72,178,010	49,641,588
Total liabilities and fund balances	\$ 56,722,039	\$ 37,840,966	\$ 2,663,009	\$ 97,226,014	\$ 74,319,905

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, 2021

TOTAL GOVERNMENTAL FUND BALANCES	\$ 72,178,010
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	295,877,795
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).	224,726
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.	46,122,008
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.	2,632,387
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).	23,315,599
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(672,407,701)
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>(1,254,789)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (233,311,965)</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

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

Year ended June 30, 2021 with summarized comparative totals for 2020

	Major Funds			Totals	
	General	Capital	Nonmajor	2021	2020
	Fund	Projects	Governmental		
		Fund	Funds		
REVENUES					
Local sources	\$ 193,656,733	\$ 16,751	\$ 161,992	\$ 193,835,476	\$ 184,993,323
State sources	54,945,343	1,073,697	-	56,019,040	55,085,923
Federal sources	4,499,787	-	-	4,499,787	4,028,069
Total revenues	<u>253,101,863</u>	<u>1,090,448</u>	<u>161,992</u>	<u>254,354,303</u>	<u>244,107,315</u>
EXPENDITURES					
Current					
Instruction	154,888,946	-	-	154,888,946	156,720,447
Support services	60,890,837	551,862	-	61,442,699	60,249,346
Operation of noninstructional services	3,055,118	-	198,034	3,253,152	3,265,850
Facilities acquisition, construction and improvement services	-	19,017,562	-	19,017,562	26,765,145
Debt service	18,365,253	-	-	18,365,253	18,570,508
Total expenditures	<u>237,200,154</u>	<u>19,569,424</u>	<u>198,034</u>	<u>256,967,612</u>	<u>265,571,296</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>15,901,709</u>	<u>(18,478,976)</u>	<u>(36,042)</u>	<u>(2,613,309)</u>	<u>(21,463,981)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	25,250,000	-	25,250,000	-
Issuance of debt - refunding	-	5,395,000	-	5,395,000	23,930,000
Payment of debt - refunding	-	(6,210,213)	-	(6,210,213)	(26,226,489)
Bond premiums	-	924,367	-	924,367	2,672,258
Bond discounts	-	(180,334)	-	(180,334)	-
Refund of prior year receipts	(21,623)	-	-	(21,623)	(8,320)
Transfers in	-	3,558,843	2,370,931	5,929,774	2,944,358
Transfers out	(5,937,740)	-	-	(5,937,740)	(3,042,474)
Sale of/compensation for capital assets	500	-	-	500	-
Total other financing sources (uses)	<u>(5,958,863)</u>	<u>28,737,663</u>	<u>2,370,931</u>	<u>25,149,731</u>	<u>269,333</u>
NET CHANGE IN FUND BALANCES	9,942,846	10,258,687	2,334,889	22,536,422	(21,194,648)
FUND BALANCES					
Beginning of year	<u>22,967,515</u>	<u>26,345,953</u>	<u>328,120</u>	<u>49,641,588</u>	<u>70,836,236</u>
End of year	<u>\$ 32,910,361</u>	<u>\$ 36,604,640</u>	<u>\$ 2,663,009</u>	<u>\$ 72,178,010</u>	<u>\$ 49,641,588</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, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 22,536,422

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	\$ 20,492,123	
Depreciation expense	<u>(5,747,780)</u>	14,744,343

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, 2020	(2,776,157)	
Deferred inflows of resources June 30, 2021	<u>2,632,387</u>	(143,770)

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.

4,124,494

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	(30,645,000)	
Proceeds from bond premiums	(924,367)	
Issuance of bond discounts	180,334	
Repayment of bonds and notes payable	17,130,000	
Amortization of discounts, premiums and deferred amounts on debt refunding	<u>1,345,977</u>	(12,913,056)

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	(81,234)	
Change in net pension liability and related deferred inflows and outflows	(1,165,802)	
Current year change in compensated absences	(1,458,713)	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>(513,281)</u>	<u>(3,219,030)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 25,129,403

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Fund</u>		
ASSETS				
CURRENT ASSETS				
Cash	\$ 960,643	\$ 27,465,280	\$ 28,425,923	\$ 24,182,683
Due from other governments	256,585	-	256,585	11,069
Due from other funds	-	-	-	98,116
Other receivables	-	636,899	636,899	415,087
Deposit	-	412,000	412,000	687,000
Prepaid expense	-	545,694	545,694	-
Inventories	96,372	-	96,372	73,799
Total current assets	<u>1,313,600</u>	<u>29,059,873</u>	<u>30,373,473</u>	<u>25,467,754</u>
NONCURRENT ASSETS				
Capital assets, net	149,333	-	149,333	172,467
Total assets	<u>1,462,933</u>	<u>29,059,873</u>	<u>30,522,806</u>	<u>25,640,221</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	180,067	-	180,067	32,166
Insurance claims payable	-	2,020,525	2,020,525	1,913,727
Unearned revenue	34,906	3,723,749	3,758,655	3,854,859
Total liabilities	<u>214,973</u>	<u>5,744,274</u>	<u>5,959,247</u>	<u>5,800,752</u>
NET POSITION				
Net investment in capital assets	149,333	-	149,333	172,467
Restricted	-	-	-	2,207,000
Unrestricted	1,098,627	23,315,599	24,414,226	17,460,002
Total net position	<u>\$ 1,247,960</u>	<u>\$ 23,315,599</u>	<u>\$ 24,563,559</u>	<u>\$ 19,839,469</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

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

June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Fund</u>		
OPERATING REVENUES				
Charges for services	\$ 96,586	\$ 27,184,148	\$ 27,280,734	\$ 28,856,410
Other operating revenues	-	25,644	25,644	21,218
Total operating revenues	<u>96,586</u>	<u>27,209,792</u>	<u>27,306,378</u>	<u>28,877,628</u>
OPERATING EXPENSES				
Employee benefits	-	23,446,497	23,446,497	22,333,623
Purchased professional and technical services	-	87,996	87,996	89,953
Other purchased services	2,663,938	-	2,663,938	2,492,240
Supplies	208,852	-	208,852	132,228
Depreciation	23,134	-	23,134	24,800
Total operating expenses	<u>2,895,924</u>	<u>23,534,493</u>	<u>26,430,417</u>	<u>25,072,844</u>
Operating income (loss)	<u>(2,799,338)</u>	<u>3,675,299</u>	<u>875,961</u>	<u>3,804,784</u>
NONOPERATING REVENUES				
Earnings on investments	123	-	123	6,055
State sources	26,343	-	26,343	23,486
Federal sources	3,364,502	-	3,364,502	396,514
Insurance recoveries	-	449,195	449,195	573,056
Total nonoperating revenues	<u>3,390,968</u>	<u>449,195</u>	<u>3,840,163</u>	<u>999,111</u>
Change in net position before transfers	591,630	4,124,494	4,716,124	4,803,895
TRANSFERS				
Transfers in	7,966	-	7,966	98,116
CHANGE IN NET POSITION	599,596	4,124,494	4,724,090	4,902,011
NET POSITION				
Beginning of year	<u>648,364</u>	<u>19,191,105</u>	<u>19,839,469</u>	<u>14,937,458</u>
End of year	<u>\$ 1,247,960</u>	<u>\$ 23,315,599</u>	<u>\$ 24,563,559</u>	<u>\$ 19,839,469</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Fund</u>		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 96,586	\$ -	\$ 96,586	\$ 2,107,384
Cash received from assessments made to other fund	-	27,159,432	27,159,432	27,514,729
Cash payments to supplies for goods and services	(2,534,329)	-	(2,534,329)	(2,709,465)
Cash payments for insurance claims	-	(23,885,393)	(23,885,393)	(21,695,253)
Cash payments for other operating expenses	-	(87,996)	(87,996)	(89,953)
Net cash provided by (used for) operating activities	<u>(2,437,743)</u>	<u>3,186,043</u>	<u>748,300</u>	<u>5,127,442</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	26,783	-	26,783	25,633
Federal sources	2,912,757	-	2,912,757	276,843
Insurance recoveries	-	449,195	449,195	573,056
Transfers in	106,082	-	106,082	140,519
Net cash provided by noncapital financing activities	<u>3,045,622</u>	<u>449,195</u>	<u>3,494,817</u>	<u>1,016,051</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	123	-	123	6,055
Net increase in cash	608,002	3,635,238	4,243,240	6,149,548
CASH				
Beginning of year	352,641	23,830,042	24,182,683	18,033,135
End of year	<u>\$ 960,643</u>	<u>\$ 27,465,280</u>	<u>\$ 28,425,923</u>	<u>\$ 24,182,683</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (2,799,338)	\$ 3,675,299	\$ 875,961	\$ 3,804,784
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	23,134	-	23,134	24,800
Donated commodities used	205,789	-	205,789	132,228
(Increase) decrease in				
Accounts receivable	-	(221,812)	(221,812)	79,103
Deposit	-	275,000	275,000	-
Prepaid expenses	-	(545,694)	(545,694)	-
Inventories	(22,573)	-	(22,573)	(25,864)
Increase (decrease) in				
Accounts payable	147,901	-	147,901	(194,353)
Insurance claims payable	-	106,798	106,798	638,370
Unearned revenue	7,344	(103,548)	(96,204)	668,374
Net cash provided by (used for) operating activities	<u>\$ (2,437,743)</u>	<u>\$ 3,186,043</u>	<u>\$ 748,300</u>	<u>\$ 5,127,442</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 205,789	\$ -	\$ 132,228	\$ 132,228

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	Private- Purpose Trust	Custodial Funds	Totals	
			2021	2020
ASSETS				
Cash	\$ 25,347	\$ 874,947	\$ 900,294	\$ 969,905
Accounts receivable	-	5,445	5,445	66
Total assets	<u>25,347</u>	<u>880,392</u>	<u>905,739</u>	<u>969,971</u>
LIABILITIES				
Other current liabilities	-	175,000	175,000	175,000
NET POSITION				
Net position held in trust for scholarships	25,347	-	25,347	26,342
Restricted for flexible spending	-	191,227	191,227	230,491
Restricted for student activities	-	514,165	514,165	538,138
Total net position	<u>25,347</u>	<u>705,392</u>	<u>730,739</u>	<u>794,971</u>
Total liabilities and net position	<u>\$ 25,347</u>	<u>\$ 880,392</u>	<u>\$ 905,739</u>	<u>\$ 969,971</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2021 with summarized comparative totals for 2020

	Private- Purpose Trust Fund	Custodial Funds	Totals	
			2021	2020
ADDITIONS				
Local contributions	\$ 5	\$ -	\$ 5	\$ 372
Receipts for flexible spending	-	506,548	506,548	972,710
Receipts from student groups	-	1,209,463	1,209,463	2,645,999
Total additions	<u>5</u>	<u>1,716,011</u>	<u>1,716,016</u>	<u>3,619,081</u>
DEDUCTIONS				
Scholarships awarded and fees paid	1,000	-	1,000	500
Flexible spending payments	-	545,812	545,812	567,219
Student activity disbursements	-	1,233,436	1,233,436	2,720,188
Total deductions	<u>1,000</u>	<u>1,779,248</u>	<u>1,780,248</u>	<u>3,287,907</u>
CHANGE IN NET POSITION	(995)	(63,237)	(64,232)	331,174
NET POSITION				
Beginning of year	<u>26,342</u>	<u>768,629</u>	<u>794,971</u>	<u>463,797</u>
End of year	<u>\$ 25,347</u>	<u>\$ 705,392</u>	<u>\$ 730,739</u>	<u>\$ 794,971</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(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.

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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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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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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 2020-2021 was 130.216 mills (\$130.216 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.

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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, 2021.

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:

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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, 2020, from which the summarized information was derived.

COUNCIL ROCK SCHOOL DISTRICT

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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, 2020, the District adopted the provisions of GASB Statement No. 84 "*Fiduciary Activities*"; GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*"; GASB Statement No. 93 "*Replacement of Interbank Offered Rates*"; GASB Statement No. 95, "*Postponements of Effective Dates of Certain Authoritative Guidance*" and GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*".

GASB Statement No. 84 improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. As a result of the implementation Statement No. 84 the District reported restricted net position and changes in fiduciary net position for its Student Activities Fund and Flexible Spending Fund for the year ended June 30, 2021. In addition, student activities that did meet the criteria to be reported as a Fiduciary Fund were reclassified as a Special Revenue Fund.

GASB Statement No. 90 improved the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defined a majority equity interest and specified that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 had no impact on the financial statements of the District for the year ended June 30, 2021.

GASB Statement No. 93 addresses those and other accounting and financial implications that result from the replacement from IBOR by (1) providing exceptions for certain hedging derivatives to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) clarifying that the uncertainty related to the continued availability of IBOR's does not, by itself affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) identifying a secured overnight financing rate and the effective federal funds rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and; (6) clarifying the definition of a reference rate, as it is used in GASB Statement 53 "*Accounting and Financial Reporting for Derivative Instruments*". The implementation of GASB Statement No. 93 had no impact on the District's financial statements for the year ended June 30, 2021.

GASB Statement No. 95 provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements that first became effective or are scheduled to be effective for periods beginning after June 15, 2018, and later. See references to GASB Statement No. 95 within the various pronouncements above to determine the impact on each individual statement. The implementation of GASB Statement No. 95 by the District postponed the implementation of GASB Statement No. 84 until year ended June 30, 2021 as described above and the implementation of GASB Statement No 87 until year ended June 30, 2022 as described below.

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The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 had no impact on the financial statements of the District for the year ended June 30, 2021.

New Accounting Pronouncements

GASB Statement No. 87, "*Leases*" will be effective for the District for the year ended June 30, 2022. 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.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", will be effective for the District 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 includes 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.

GASB Statement No. 91, "*Conduit Debt Obligations*" will be effective for 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.

GASB Statement No. 92, "*Omnibus 2020*" will be effective for the District 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.

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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.

(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.

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NOTES TO FINANCIAL STATEMENTS

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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, 2021, the carrying amount of the District's deposits was \$98,228,519 and the bank balance was \$103,574,067. 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, \$10,504,734 was covered by federal depository insurance and \$37,683,645 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, 2021, 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, 2021, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>	
		<u>Less than 1</u>	<u>1 – 5</u>
U.S. Treasury money market	\$ 28,782	\$28,782	\$ -
U.S. Treasury bonds	1,018,799	-	1,018,799
U.S. Government Agency bonds	<u>10,292,718</u>	<u>-</u>	<u>10,292,718</u>
	<u>\$11,340,299</u>	<u>\$28,782</u>	<u>\$11,311,517</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, 2021.

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.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land and improvements	\$ 23,024,123	\$ -	\$ -	\$ 23,024,123
Construction in progress	<u>142,483,977</u>	<u>18,614,652</u>	<u>140,096,737</u>	<u>21,001,892</u>
Total capital assets not being depreciated	<u>165,508,100</u>	<u>18,614,652</u>	<u>140,096,737</u>	<u>44,026,015</u>
Capital assets being depreciated				
Land improvements	9,185,412	-	-	9,185,412
Buildings and improvements	197,030,002	139,975,316	-	337,005,318
Furniture and equipment	<u>6,144,813</u>	<u>1,998,892</u>	<u>-</u>	<u>8,143,705</u>
Total capital assets being depreciated	<u>212,360,227</u>	<u>141,974,208</u>	<u>-</u>	<u>354,334,435</u>
Less accumulated depreciation for				
Land improvements	(6,879,300)	(215,249)	-	(7,094,549)
Buildings and improvements	(87,317,978)	(4,300,425)	-	(91,618,403)
Furniture and equipment	<u>(2,537,597)</u>	<u>(1,232,106)</u>	<u>-</u>	<u>(3,769,703)</u>
Total accumulated depreciation	<u>(96,734,875)</u>	<u>(5,747,780)</u>	<u>-</u>	<u>(102,482,655)</u>
Total capital assets being depreciated, net	<u>115,625,352</u>	<u>136,226,428</u>	<u>-</u>	<u>251,851,780</u>
Governmental activities, net	<u>\$281,133,452</u>	<u>\$154,841,080</u>	<u>\$140,096,737</u>	<u>\$ 295,877,795</u>
Business-type activities				
Machinery and equipment	\$ 425,501	\$ -	\$ -	\$ 425,501
Less accumulated depreciation	<u>(253,034)</u>	<u>(23,134)</u>	<u>-</u>	<u>(276,168)</u>
Business-type activities, net	<u>\$ 172,467</u>	<u>\$ (23,134)</u>	<u>\$ -</u>	<u>\$ 149,333</u>

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

Governmental activities	
Instruction	\$3,961,152
Instructional student support	457,060
Administrative and financial support services	510,594
Operation and maintenance of plant services	743,072
Student activities	<u>75,902</u>
Total depreciation expense – governmental activities	<u>\$5,747,780</u>
Business-type activities	
Food service	<u>\$ 23,134</u>

As of June 30, 2021, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2021 are as follows:

<u>Description</u>	<u>Project Amount</u>	<u>Completed Through June 30, 2021</u>	<u>Remaining Commitments</u>
Sol Feinstone Elementary School – renovations	\$31,588,777	\$ 3,319,477	\$28,269,300
Council Rock High School South renovations	4,102,684	4,102,684	-
Richboro Elementary School – renovations	1,513,640	901,650	611,990
Hillcrest Elementary School – renovations	20,100,879	1,673,387	18,427,492
ACHIEVE project	12,771,506	10,802,834	1,968,672
Council Rock South turf field	<u>3,192,890</u>	<u>-</u>	<u>3,192,890</u>
	<u>\$73,270,376</u>	<u>\$20,800,032</u>	<u>\$52,470,344</u>

As of June 30, 2021, there was an additional \$201,860 of construction in progress capitalized that was not under any formal contractual commitment related to the projects listed above.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Capital Projects Fund	<u>\$3,500,000</u>	General Fund	<u>\$3,500,000</u>

A summary of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$3,558,843	General Fund	\$3,558,843
Debt Service Fund	2,370,931	General Fund	2,370,931
Food Service Fund	<u>7,966</u>	General Fund	<u>7,966</u>
	<u>\$5,937,740</u>		<u>\$5,937,740</u>

Transfers from the General Fund to the Food Service Fund represent transfers to subsidize costs associated with food service operations.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$216,175,000	\$30,645,000	\$17,130,000	\$229,690,000	\$11,130,000
Bond premiums	9,306,293	924,367	1,389,055	8,841,605	1,389,055
Bond discounts	<u>(59,520)</u>	<u>(180,335)</u>	<u>(12,237)</u>	<u>(227,618)</u>	<u>(12,237)</u>
Total general obligation debt	<u>225,421,773</u>	<u>31,389,032</u>	<u>18,506,818</u>	<u>238,303,987</u>	<u>12,506,818</u>
Other noncurrent liabilities					
Compensated absences	3,726,626	1,458,713	-	5,185,339	518,534
OPEB liability	10,316,030	2,341,704	308,105	12,349,629	-
Net OPEB liability – PSERS	17,244,435	242,086	-	17,486,521	-
Net pension liability	<u>379,313,386</u>	<u>19,768,839</u>	<u>-</u>	<u>399,082,225</u>	<u>-</u>
Total other noncurrent liabilities	<u>410,600,477</u>	<u>23,811,342</u>	<u>308,105</u>	<u>434,103,714</u>	<u>518,534</u>
Total noncurrent liabilities	<u>\$636,022,250</u>	<u>\$55,200,374</u>	<u>\$18,814,923</u>	<u>\$672,407,701</u>	<u>\$13,025,352</u>

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.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

General obligation debt outstanding as of June 30, 2021 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>
General obligation bonds				
Series of 2016	2.00% - 5.00%	\$16,615,000	11/15/2023	9,830,000
Series of 2016A	2.00% - 3.25%	\$60,000,000	11/15/2035	59,980,000
Series of 2017	2.15% - 3.05%	\$9,300,000	11/15/2035	9,285,000
Series of 2017A	5.00%	\$21,455,000	08/15/2023	15,055,000
Series of 2018	3.00% - 5.00%	\$43,000,000	11/15/2039	42,990,000
Series of 2018A	5.00%	\$4,830,000	08/01/2023	2,980,000
Series of 2019	2.00% - 3.70%	\$18,750,000	11/15/2044	18,745,000
Series of 2019A	2.00% - 4.00%	\$17,300,000	11/15/2029	17,290,000
Series of 2019B	4.00% - 5.00%	\$14,605,000	08/15/2028	13,570,000
Series of 2020	2.00% - 5.00%	\$9,325,000	11/15/2035	9,320,000
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	<u>5,395,000</u>
Total general obligation bonds				<u>\$229,690,000</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>
2022	\$ 11,130,000	\$ 7,344,731	\$ 18,474,731
2023	11,275,000	7,047,130	18,322,130
2024	12,090,000	6,507,207	18,597,207
2025	9,455,000	6,030,423	15,485,423
2026	9,855,000	5,640,720	15,495,720
2027-2031	48,125,000	22,572,092	70,697,092
2032-2036	51,165,000	15,072,796	66,237,796
2037-2041	49,890,000	6,818,153	56,708,153
2042-2046	<u>26,705,000</u>	<u>1,648,534</u>	<u>28,353,534</u>
	<u>\$229,690,000</u>	<u>\$78,681,786</u>	<u>\$308,371,786</u>

Series of 2021 General Obligation Bonds

On May 20, 2021, the District issued \$25,250,000 of general obligation bonds, Series of 2021, 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 costs of issuing the 2021 Bonds.

Series of 2021A General Obligation Bonds

On May 20, 2021, the District issued \$5,395,000 of general obligation bonds, Series of 2021A, the proceeds from which were used to currently refund all of the District's outstanding general obligation bonds, Series of 2015B and to pay the cost of issuing the bonds. The District currently refunded the general obligation bonds, to reduce future debt service payments by \$254,311.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(8) 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.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2019:

Active participants	1,321
Vested former participants	6
Retired participants	<u>61</u>
Total	<u>1,388</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, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, and by rolling forward the liabilities from the July 1, 2019 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 \$12,349,629, all of which is unfunded. As of June 30, 2021, the OPEB liability of \$12,349,629 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, 2021 was as follows:

Balance as of July 1, 2020	<u>\$10,316,030</u>
Changes for the year	
Service cost	621,188
Interest on total OPEB liability	361,883
Differences between expected and actual experience	-
Changes in assumptions	1,358,633
Benefit payments	<u>(308,105)</u>
Net changes	<u>(2,033,599)</u>
Balance as of June 30, 2021	<u>\$12,349,629</u>

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$988,593. At June 30, 2021, 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	\$ 105,102	\$1,279,513
Changes in assumptions	1,461,407	254,743
Contributions subsequent to the measurement date	<u>387,600</u>	<u>-</u>
	<u>\$1,954,109</u>	<u>\$1,534,256</u>

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

\$387,600 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, 2021. 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,

2022	\$ 5,522
2023	5,522
2024	5,522
2025	5,522
2026	5,522
Thereafter	<u>4,640</u>
	<u>\$32,250</u>

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

The following presents the OPEB liability for June 30, 2021, 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:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$10,772,418</u>	<u>\$12,349,629</u>	<u>\$14,234,855</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 1.86%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (0.86%) or 1 percentage point higher (2.86%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>0.86%</u>	<u>1.86%</u>	<u>2.86%</u>
OPEB Liability	<u>\$13,264,473</u>	<u>\$12,349,629</u>	<u>\$11,473,075</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2021, was determined by rolling forward the OPEB Liability as of July 1, 2019 to June 30, 2021 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 3.36 to 1.86%.
- 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 5.4% in 2024 to 4.0% 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, 2021

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, 2020, 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, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$917,210 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$17,486,521 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.8093 percent, which was a decrease of 0.0015 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the OPEB liability of \$17,486,521 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, 2021, the District recognized OPEB expense of \$839,000. At June 30, 2021, 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, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual experience	\$ 160,897	\$ -
Changes in assumptions	712,584	383,657
Net difference between projected and actual investment earnings	30,171	-
Changes in proportions	48,571	243,623
Contributions subsequent to the measurement date	<u>917,210</u>	<u>-</u>
	<u>\$1,869,433</u>	<u>\$627,280</u>

\$917,210 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, 2021. 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,

2021	\$ 7,883
2022	3,537
2023	(316)
2024	170,310
2025	93,453
Thereafter	<u>50,076</u>
	<u>\$324,943</u>

Actuarial Assumptions

The OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 2.66% – Standard & Poor's 20-year municipal bond rate
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost method – amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females and disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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	50.30%	(1.00%)
US Core Fixed Income	46.50%	(0.10%)
Non-US Developed Fixed	<u>3.20%</u>	(0.10%)
	<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, 2020.

Discount Rate

The discount rate used to measure the OPEB liability was 2.66%. 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 2.66% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2020, 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, 2020, 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, 2020, 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, 2021

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$17,484,279</u>	<u>\$17,486,521</u>	<u>\$17,488,309</u>

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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.66%</u>	<u>2.66%</u>	<u>3.66%</u>
District's proportionate share of the net OPEB liability	<u>\$19,937,332</u>	<u>\$17,486,521</u>	<u>\$15,457,039</u>

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.

(9) 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.

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

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June 30, 2021

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%.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% 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 \$37,683,920 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$399,082,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.8105 percent, which was a decrease of 0.0003 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the net pension liability of \$399,082,225 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, 2021, the District recognized pension expense of \$39,154,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 1,044,013	\$ 9,564,970
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	17,539,139	-
Changes in proportions	466,850	2,708,950
Contributions subsequent to the measurement date	<u>37,683,920</u>	<u>-</u>
	<u>\$56,733,922</u>	<u>\$12,273,920</u>

\$37,683,920 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, 2021. 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,

2021	\$(3,626,318)
2022	36,811
2023	5,155,092
2024	<u>5,210,497</u>
	<u>\$ 6,776,082</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward PSERS' total pension liability at June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2015.

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.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.00 %	5.20%
Private equity	15.00 %	7.20%
Fixed income	36.00 %	1.10%
Commodities	8.00 %	1.80%
Absolute return	10.00 %	2.50%
Infrastructure/MLPs	6.00 %	5.70%
Real estate	10.00 %	5.50%
Risk parity	8.00 %	3.30%
Cash	6.00 %	(1.00%)
Financing (LIBOR)	<u>(14.0)%</u>	<u>(0.70%)</u>
	<u>100.0 %</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, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
District's proportionate share of the net pension liability	<u>\$493,749,038</u>	<u>\$399,082,225</u>	<u>\$318,886,208</u>

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.

(10) 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 2020-2021 was \$1,292,376.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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 2020-2021 was \$472,485.

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

Year ending June 30,

2022	\$ 441,135
2023	438,313
2024	437,297
2025	437,818
2026	438,635
2027-2029	<u>1,316,483</u>
	<u>\$3,509,681</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.

(11) OPERATING LEASES

The District leases office equipment, office space and two transportation depots under non-cancelable operating leases expiring at various dates through August 2027. Rent expense for the office equipment, office space and two transportation depots, including additional operating costs, was \$661,700 for 2020-2021.

Future minimum lease payments under these leases are as follows:

Year ending June 30,

2022	\$ 346,729
2023	347,083
2024	227,725
2025	200,620
2026	197,860
Thereafter	<u>214,348</u>
	<u>\$1,534,365</u>

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(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 2020-2021 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, 2021 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Insurance claims liability – beginning of year	\$ 1,913,727	\$ 1,275,357
Current year insurance claims and changes in estimates	23,446,497	22,333,623
Insurance claims paid	<u>(23,339,699)</u>	<u>(21,695,253)</u>
Insurance claims liability – end of year	<u>\$ 2,020,525</u>	<u>\$ 1,913,727</u>

(14) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 84 “*Fiduciary Activities*”, the District made a prior period adjustment to record net position for its custodial funds within its fiduciary activities. This prior period adjustment and its effect on net position at July 1, 2019 was an increase in Custodial Fund net position of \$612,327, and an increase in the Special Revenue Fund net position of \$381,708. Prior to the implementation of GASB 84, custodial fund assets equal liabilities and did not involve measurement of results of operations.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2021, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

COUNCIL ROCK SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 185,199,430	\$ 185,199,430	\$ 193,656,733	\$ 8,457,303
State sources	53,291,346	53,291,346	54,945,343	1,653,997
Federal sources	4,617,183	4,617,183	4,499,787	(117,396)
Total revenues	<u>243,107,959</u>	<u>243,107,959</u>	<u>253,101,863</u>	<u>9,993,904</u>
EXPENDITURES				
Instruction				
Regular programs	102,617,670	102,641,702	101,277,079	1,364,623
Special programs	50,489,965	50,488,255	50,543,254	(54,999)
Vocational programs	2,002,272	2,002,272	1,764,861	237,411
Other instructional programs	1,681,666	1,681,666	1,261,552	420,114
Nonpublic school programs	21,396	21,396	42,200	(20,804)
Total instruction	<u>156,812,969</u>	<u>156,835,291</u>	<u>154,888,946</u>	<u>1,946,345</u>
Support services				
Pupil support services	8,728,837	8,727,744	8,540,507	187,237
Instructional staff services	6,861,314	6,842,336	6,516,253	326,083
Administrative services	10,669,999	10,667,037	10,905,490	(238,453)
Pupil health	3,034,775	3,034,363	2,719,766	314,597
Business services	1,578,254	1,578,254	1,824,022	(245,768)
Operation and maintenance of plant services	15,115,541	15,115,542	13,607,839	1,507,703
Student transportation services	12,913,848	12,913,848	9,993,018	2,920,830
Support services - central	6,319,943	6,319,943	6,686,326	(366,383)
Other support services	94,970	94,970	97,616	(2,646)
Total support services	<u>65,317,481</u>	<u>65,294,037</u>	<u>60,890,837</u>	<u>4,403,200</u>
Operation of non-instructional services				
Student activities	3,444,498	3,662,810	2,968,285	694,525
Community services	273,190	56,000	86,833	(30,833)
Total operation of non-instructional services	<u>3,717,688</u>	<u>3,718,810</u>	<u>3,055,118</u>	<u>663,692</u>
Debt service				
	<u>18,766,401</u>	<u>18,766,401</u>	<u>18,365,253</u>	<u>401,148</u>
Total expenditures	<u>244,614,539</u>	<u>244,614,539</u>	<u>237,200,154</u>	<u>7,414,385</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>(1,506,580)</u>	<u>(1,506,580)</u>	<u>15,901,709</u>	<u>17,408,289</u>
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	-	-	500	500
Refund of prior period receipts	-	-	(21,623)	(21,623)
Transfers out	(150,000)	(150,000)	(5,937,740)	(5,787,740)
Budgetary reserve	(1,346,096)	(1,346,096)	-	1,346,096
Total other financing sources (uses)	<u>(1,496,096)</u>	<u>(1,496,096)</u>	<u>(5,958,863)</u>	<u>(4,462,767)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,002,676)</u>	<u>\$ (3,002,676)</u>	<u>9,942,846</u>	<u>\$ 12,945,522</u>
FUND BALANCE				
Beginning of year			<u>22,967,515</u>	
End of year			<u>\$ 32,910,361</u>	

COUNCIL ROCK SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date						
	<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	0.8105%	0.8108%	0.8162%	0.8122%	0.8268%	0.8287%	0.8376%
District's proportionate share of the net pension liability	\$ 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	\$ 113,590,163	\$ 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	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	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

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 37,865,942	\$ 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>37,865,942</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	\$ 113,590,163	\$ 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	33.34%	32.47%	31.51%	28.73%	24.56%	20.07%	15.61%

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 621,188	\$ 738,131	\$ 683,981	\$ 686,836
Interest on total OPEB liability	361,883	358,255	356,821	260,577
Differences between expected and actual experience	-	(1,535,415)	-	165,158
Changes of assumptions	1,358,633	(305,691)	10,926	326,930
Benefit payments	<u>(308,105)</u>	<u>(486,762)</u>	<u>(480,628)</u>	<u>(526,270)</u>
Net change in total OPEB liability	2,033,599	(1,231,482)	571,100	913,231
Total OPEB liability, beginning	<u>10,316,030</u>	<u>11,547,512</u>	<u>10,976,412</u>	<u>10,063,181</u>
Total OPEB liability, ending	<u>\$ 12,349,629</u>	<u>\$ 10,316,030</u>	<u>\$ 11,547,512</u>	<u>\$ 10,976,412</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 107,707,118	\$ 107,707,118	\$ 102,018,141	\$ 102,018,141
Net OPEB liability as a % of covered payroll	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.8093%	0.8108%	0.8162%	0.8122%
District's proportionate share of the net OPEB liability	\$ 17,486,521	\$ 17,244,435	\$ 17,017,354	\$ 16,548,000
District's covered-employee payroll	\$ 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	15.39%	15.42%	15.00%	15.00%
Plan fiduciary net position as a percentage of the total OPEB liability	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 952,732	\$ 928,942	\$ 911,891	\$ 898,000
Contributions in relation to the contractually required contribution	<u>\$ 952,732</u>	<u>\$ 928,942</u>	<u>\$ 911,891</u>	<u>\$ 898,000</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 113,590,163	\$ 111,823,276	\$ 109,915,506	\$ 108,138,648
Contributions as a percentage of covered-employee payroll	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, 2021 with summarized comparative totals for 2020

	<u>Debt Service Fund</u>	<u>School Sponsored Activity Fund</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
ASSETS				
Cash	\$ 2,370,931	\$ 292,078	\$ 2,663,009	\$ 328,120
FUND BALANCES				
Restricted for debt service	2,370,931	-	2,370,931	-
Restricted for student activities	-	292,078	292,078	328,120
Total fund balances	<u>2,370,931</u>	<u>292,078</u>	<u>2,663,009</u>	<u>328,120</u>
Total liabilities and fund balances	<u>\$ 2,370,931</u>	<u>\$ 292,078</u>	<u>\$ 2,663,009</u>	<u>\$ 328,120</u>

COUNCIL ROCK SCHOOL DISTRICT

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

Year ended June 30, 2021 with summarized comparative totals for 2020

	<u>Debt Service Fund</u>	<u>School Sponsored Activity Fund</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
REVENUES				
Local sources	\$ -	\$ 161,992	\$ 161,992	\$ 407,224
EXPENDITURES				
Operation of noninstructional services	-	198,034	198,034	460,812
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(36,042)	(36,042)	(53,588)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,370,931	-	2,370,931	-
NET CHANGE IN FUND BALANCES	2,370,931	(36,042)	2,334,889	(53,588)
FUND BALANCES				
Beginning of year	-	328,120	328,120	381,708
End of year	<u>\$ 2,370,931</u>	<u>\$ 292,078</u>	<u>\$ 2,663,009</u>	<u>\$ 328,120</u>

See accompanying notes

SINGLE AUDIT

COUNCIL ROCK SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2021	Passed Through to Subrecipients
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-200105	07/01/19 - 09/30/20	\$ 314,659	\$ 104,001	\$ 15,162	\$ 88,839	\$ 88,839	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-210105	07/01/20 - 09/30/21	298,243	178,970	-	218,378	218,378	39,408	-
Total CFDA #84.010						282,971	15,162	307,217	307,217	39,408	-
Title II - Improving Teacher Quality	I	84.367	013-200105	07/01/19 - 09/30/20	162,587	43,161	25,034	18,127	18,127	-	-
Title II - Improving Teacher Quality	I	84.367	013-210105	07/01/20 - 09/30/21	155,621	124,542	-	138,252	138,252	13,710	-
Total CFDA #84.267						167,703	25,034	156,379	156,379	13,710	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-200105	07/01/19 - 09/30/20	43,841	14,614	3,322	11,292	11,292	-	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-210105	07/01/20 - 09/30/21	48,489	32,326	-	36,460	36,460	4,134	-
Total CFDA #84.365						46,940	3,322	47,752	47,752	4,134	-
Title IV - Student Support and Academic Achievement	I	84.424	144-200105	07/01/19 - 09/30/20	24,230	7,455	832	6,623	6,623	-	-
Title IV - Student Support and Academic Achievement	I	84.424	144-210105	07/01/20 - 09/30/21	23,731	23,731	-	23,731	23,731	-	-
Total CFDA #84.424						31,186	832	30,354	30,354	-	-
COVID-19 SECIM	I	84.425	252-200105	03/13/20 - 09/30/21	123,707	123,707	-	123,707	123,707	-	-
CARES Act - Esser Fund Local	I	84.425	200-200105	03/13/20 - 09/30/21	257,009	175,848	-	141,414	141,414	(34,434)	-
Total CFDA #84.425						299,555	-	265,121	265,121	(34,434)	-
Passed Through the Bucks County I.U.											
I.D.E.A. - Part B, Section 619	I	84.173	062-200022	07/01/20 - 06/30/21	5,202	5,202	-	5,202	5,202	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-200022	07/01/20 - 09/30/21	1,777,382	1,777,382	-	1,777,382	1,777,382	-	-
Total U.S. Department of Education						2,610,939	44,350	2,589,407	2,589,407	22,818	-
U.S. Department of the Treasury											
Passed Through the Bucks County I.U.											
County Cares Act	I	21.019	N/A	10/26/20 - 12/30/20	217,630	217,630	-	217,630	217,630	-	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA 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, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
Passed Through the Pennsylvania Commission on Crime and Delinquency											
COVID Relief Fund School Safety and Security	I	21.019	2020-CS-01 33531	03/01/20 - 10/30/20	536,401	536,401	-	536,401	536,401	-	-
Total CFDA #21.019						754,031	-	754,031	754,031	-	-
Total U.S. Department of Treasury						754,031	-	754,031	754,031	-	-
U.S. Department of Health and Social Services											
Drug Free Communities Support Program	D	93.276	5H79SP015667-03	09/30/20 - 09/29/21	125,000	-	(11,161)	-	-	(11,161)	-
Passed Through the Bucks County I.U.											
Medical Assistance Program	I	93.778	N/A	07/01/19 - 06/30/20	N/A	19,277	19,277	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/20 - 06/30/21	N/A	17,868	-	45,801	45,801	27,933	-
Total CFDA #93.778						37,145	19,277	45,801	45,801	27,933	-
Total U.S. Department of Health and Human Services						37,145	8,116	45,801	45,801	16,772	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
School Breakfast Program	S	N/A	N/A	07/01/19 - 06/30/20	N/A	200	200	-	-	-	-
School Breakfast Program	S	N/A	N/A	07/01/20 - 06/30/21	N/A	602	-	602	602	-	-
Total School Breakfast Program						802	200	602	602	-	-
School Lunch Program	S	N/A	N/A	07/01/19 - 06/30/20	N/A	240	240	-	-	-	-
School Lunch Program	S	N/A	N/A	07/01/20 - 06/30/21	N/A	25,741	-	25,741	25,741	-	-
Total School Lunch Program						25,981	240	25,741	25,741	-	-
School Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	3,676	3,676	-	-	-	-
School Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	11,376	-	11,376	11,376	-	-
Total CFDA #10.553						15,052	3,676	11,376	11,376	-	-
Summer Food Program	I	10.559	N/A	07/01/20 - 06/30/21	N/A	1,975,578	-	2,232,163	2,232,163	256,585	-
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	6,953	6,953	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	915,173	-	915,173	915,173	-	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	213,133	a) (27,562)	b) 205,789	c) 205,789	(34,906)	d) -
Total CFDA #10.555						1,135,259	(20,609)	1,120,962	1,120,962	(34,906)	-
Total U.S. Department of Agriculture						3,152,672	(16,493)	3,390,844	3,390,844	221,679	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA 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, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued Revenue June 30, 2021</u>	<u>Through to Subrecipients</u>
Total Federal Awards and Certain State Grants						<u>\$ 6,554,787</u>	<u>\$ 35,973</u>	<u>\$ 6,780,083</u>	<u>\$ 6,780,083</u>	<u>\$ 261,269</u>	<u>\$ -</u>
Total Federal Awards						\$ 6,528,004	\$ 35,533	\$ 6,753,740	\$ 6,753,740	\$ 261,269	\$ -
Total State Awards						<u>26,783</u>	<u>440</u>	<u>26,343</u>	<u>26,343</u>	<u>-</u>	<u>-</u>
Total Federal Awards and Certain State Grants						<u>\$ 6,554,787</u>	<u>\$ 35,973</u>	<u>\$ 6,780,083</u>	<u>\$ 6,780,083</u>	<u>\$ 261,269</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						<u>\$ 1,782,584</u>	<u>\$ -</u>	<u>\$ 1,782,584</u>	<u>\$ 1,782,584</u>	<u>\$ -</u>	<u>\$ -</u>
Child Nutrition Cluster (CFDA's #10.553, #10.555 and #10.559)						<u>\$ 3,125,889</u>	<u>\$ (16,933)</u>	<u>\$ 3,364,501</u>	<u>\$ 3,364,501</u>	<u>\$ 221,679</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, 2021

(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 2020-2021 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, 2021 was \$1,051,704.

(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, 2021.

COUNCIL ROCK SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2021

There were no audit findings for the year ended June 30, 2020.



**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, 2021, 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 December 21, 2021.

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
December 21, 2021**



**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

We have audited Council Rock School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Council Rock School District's major federal programs for the year ended June 30, 2021. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Council Rock School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("**Uniform Guidance**"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Council Rock School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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, 2021.

Report on Internal Control over Compliance

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

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

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

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

BBD, LLP

**Philadelphia, Pennsylvania
December 21, 2021**

COUNCIL ROCK SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

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:
 - School Breakfast Program – CFDA Number 10.553
 - National School Lunch Program – CFDA Number 10.555
 - Summer Food Program – CFDA Number 10.559

 - Coronavirus Relief Fund – CFDA Number 21.019
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