



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

Financial Statements
Year Ended June 30, 2023



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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**

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Council Rock School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Council Rock School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Council Rock School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions - PSERS on pages 4 through 15 and 51 through 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited Council Rock School District's 2022 financial statements, and our report dated March 30, 2023 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

The combining and individual fund financial statements and the schedule of expenditures of federal awards and certain state grants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards and certain state grants are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of Council Rock School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Council Rock School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
March 25, 2024**

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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, 2023. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of 15 schools – 10 elementary schools, three middle schools (although one is no longer used as a middle school) and two senior high schools consisting of approximately 10,500 students. The District encompasses the municipal subdivisions of the Borough of Newtown and Townships of Newtown, Northampton, Upper Makefield and Wrightstown in Bucks County, Pennsylvania and covers approximately 71 square miles. Geographically, the area is located in south central Bucks County and lies 20 miles north of Philadelphia, 10 miles west of Trenton and Princeton, New Jersey; and 65 miles southwest of New York, New York. Many well-known unincorporated communities are located within the District which include Richboro, Holland and Churchville in Northampton Township and Washington Crossing in Upper Makefield Township. There are approximately 1,773 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 2022-2023 fiscal year of \$164,221,992. During the 2022-2023 fiscal year, the District had an increase in total net position of \$34,149,783. The net position of governmental activities increased by \$33,808,831 and net position of the business-type activities increased by \$340,952.
 - The General Fund reported an increase in fund balance of \$7,645,551 bringing the cumulative balance to \$27,346,373 at the conclusion of the 2022-2023 fiscal year. At June 30, 2023, the General Fund fund balance includes \$10,838,572 considered nonspendable, restricted, committed or assigned by the School Board and management for the following purposes:
 - ◆ \$149,334 nonspendable prepaid items and inventories
 - ◆ \$18,173 restricted for unspent grants and contributions
 - ◆ \$8,000,000 committed to future education initiatives
 - ◆ \$2,432,838 committed to balance the 2023-2024 budget
 - ◆ \$38,410 assigned to facility use fees allocation
 - ◆ \$199,817 assigned to artificial turf
 - At June 30, 2023, the General Fund fund balance includes unassigned amounts of \$16,507,801 or 6.16% of the \$267,977,153 2023-2024 General Fund expenditure budget. This is in compliance with School Board policy and guidelines prescribed by the Pennsylvania Department of Education which allows a district to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditure budget.
 - The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2022-2023, the Capital Projects Fund reported an increase in fund balance of \$4,947,868 due to proceeds received from general obligation debt in excess of capital expenditures. The remaining fund balance of \$49,406,703 as of June 30, 2023 is restricted for future capital expenditures.
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COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

Governmental Activities

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

Business-Type Activities

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

The notes to the financial statements can be found on Pages 27 through 50 of this report.

Other Information

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

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

The required supplementary information and additional analysis can be found on Pages 51 through 58 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 2022-2023 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$164,221,992. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current assets	\$ 134,185,750	\$ 136,099,484	\$2,449,174	\$2,298,104	\$ 136,634,924	\$ 138,397,588
Noncurrent assets	329,191,797	321,292,527	295,906	213,350	329,487,703	321,505,877
Total assets	<u>463,377,547</u>	<u>457,392,011</u>	<u>2,745,080</u>	<u>2,511,454</u>	<u>466,122,627</u>	<u>459,903,465</u>
DEFERRED OUTFLOWS						
Deferred charges – pension	50,451,200	54,404,024	-	-	50,451,200	54,404,024
Deferred charges – OPEB	4,077,570	4,744,927	-	-	4,077,570	4,744,927
Deferred amounts on debt refunding	163,042	193,884	-	-	163,042	193,884
Total deferred outflows	<u>54,691,812</u>	<u>59,342,835</u>	<u>-</u>	<u>-</u>	<u>54,691,812</u>	<u>59,342,835</u>
LIABILITIES						
Current liabilities	25,912,224	42,474,133	156,925	264,251	26,069,149	42,738,384
Noncurrent liabilities	628,192,700	607,977,790	-	-	628,192,700	607,977,790
Total liabilities	<u>654,104,924</u>	<u>650,451,923</u>	<u>156,925</u>	<u>264,251</u>	<u>654,261,849</u>	<u>650,716,174</u>
DEFERRED INFLOWS						
Deferred credits – OPEB	9,653,743	5,326,787	-	-	9,653,743	5,326,787
Deferred credits – pension	21,120,839	61,575,114	-	-	21,120,839	61,575,114
Total deferred inflows	<u>30,774,582</u>	<u>66,901,901</u>	<u>-</u>	<u>-</u>	<u>30,774,582</u>	<u>66,901,901</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	98,915,461	92,814,571	295,906	213,350	99,211,367	93,027,921
Restricted	28,642,037	32,748,971	-	-	28,642,037	32,748,971
Unrestricted (deficit)	<u>(294,367,645)</u>	<u>(326,182,520)</u>	<u>2,292,249</u>	<u>2,033,853</u>	<u>(292,075,396)</u>	<u>(324,148,667)</u>
Total net position (deficit)	<u>\$(166,810,147)</u>	<u>\$(200,618,978)</u>	<u>\$2,588,155</u>	<u>\$2,247,203</u>	<u>\$(164,221,992)</u>	<u>\$(198,371,775)</u>

The District's total assets as of June 30, 2023 were \$466,122,627 of which \$122,012,800 or 26.18% consisted of cash and investments and \$329,487,703 or 70.69% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2023 were \$654,261,849 of which \$256,441,358 or 39.20% consisted of general obligation debt used to acquire and construct capital assets and \$342,732,288 or 52.38% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$292,075,396. The District's unrestricted net position increased by \$32,073,271 during 2022-2023 primarily due to the current year results of operations and change in the net pension liability and related deferred outflows and inflows of resources.

A portion of the District's net position reflects its restricted net position which totaled \$28,642,037 as of June 30, 2023. The District's restricted net position related to amounts restricted for future capital expenditures, debt service, student activities, self insurance healthcare claims.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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, 2023, the District's net investment in capital assets increased by \$6,183,446 because the debt used to acquire the capital assets was being repaid and amortized 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 2023 and 2022:

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues						
Charges for services	\$ 1,576,315	\$ 1,243,364	\$3,269,597	\$1,879,893	\$ 4,845,912	\$ 3,123,257
Operating grants and contributions	41,017,053	39,871,336	1,461,029	3,448,291	42,478,082	43,319,627
Capital grants and contributions	-	820,958	-	-	-	820,958
General revenues						
Property taxes levied for general purposes	166,642,548	165,352,141	-	-	166,642,548	165,352,141
Earned income taxes levied for general purposes	22,315,839	22,461,944	-	-	22,315,839	22,461,944
Other taxes levied for general purposes	9,016,409	9,852,794	-	-	9,016,409	9,852,794
Grants and entitlements not restricted to specific programs	22,773,803	20,791,624	-	-	22,773,803	20,791,624
Investment earnings (loss)	4,410,810	(143,476)	67,287	2,800	4,478,097	(140,676)
Miscellaneous income	47,600	-	-	-	47,600	-
Total revenues	<u>267,800,377</u>	<u>260,250,685</u>	<u>4,797,913</u>	<u>5,330,984</u>	<u>272,598,290</u>	<u>265,581,669</u>
EXPENSES						
Instruction	154,497,800	150,827,814	-	-	154,497,800	150,827,814
Instructional student support services	17,965,651	17,142,175	-	-	17,965,651	17,142,175
Administrative and financial support services	17,373,014	20,882,156	-	-	17,373,014	20,882,156
Operation and maintenance of plant services	16,611,451	14,332,806	-	-	16,611,451	14,332,806
Pupil transportation	17,052,356	13,464,269	-	-	17,052,356	13,464,269
Student activities	3,736,263	3,499,834	-	-	3,736,263	3,499,834
Community services	187,820	157,830	-	-	187,820	157,830
Interest and amortization expense related to noncurrent liabilities	6,331,450	6,199,971	-	-	6,331,450	6,199,971
Food service	-	-	4,692,702	4,331,741	4,692,702	4,331,741
Total expenses	<u>233,755,805</u>	<u>226,506,855</u>	<u>4,692,702</u>	<u>4,331,741</u>	<u>238,448,507</u>	<u>230,838,596</u>
Change in net position before transfers	34,044,572	33,743,830	105,211	999,243	34,363,798	34,743,073
TRANSFERS	(235,741)	-	235,741	-	-	-
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 34,808,831</u>	<u>\$ 33,743,830</u>	<u>\$ 340,952</u>	<u>\$ 999,243</u>	<u>\$ 34,149,783</u>	<u>\$ 34,743,073</u>

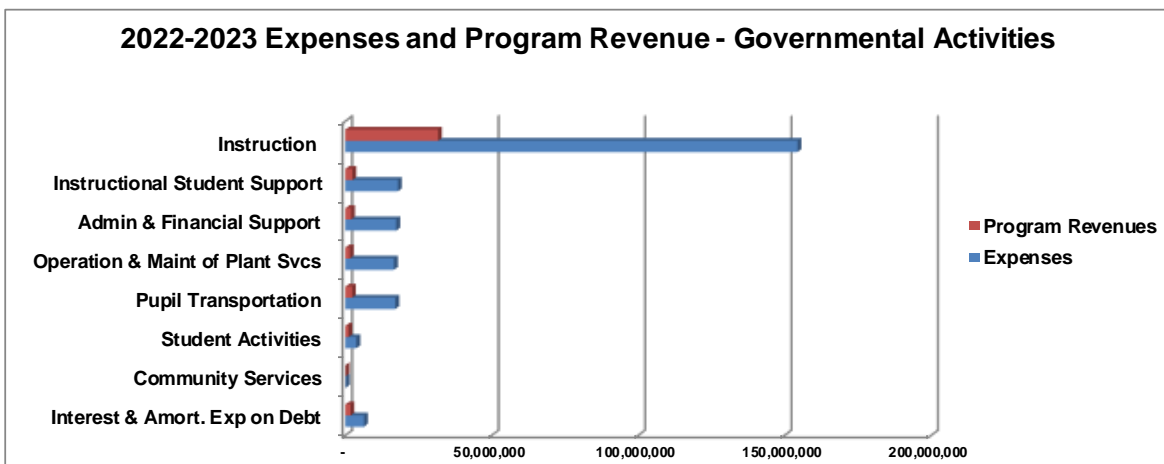
COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

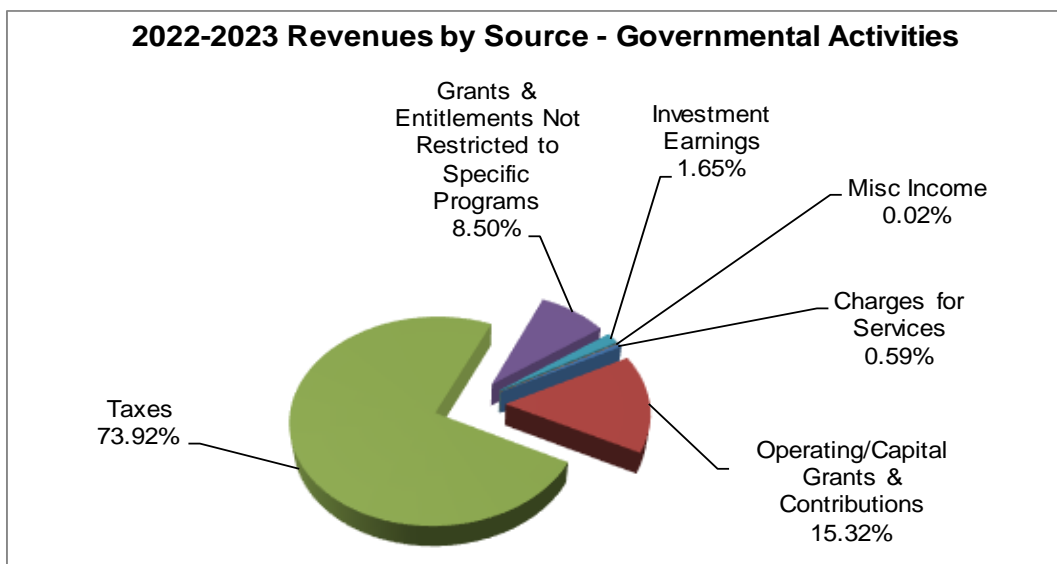
June 30, 2023

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, 2023

GOVERNMENTAL FUNDS

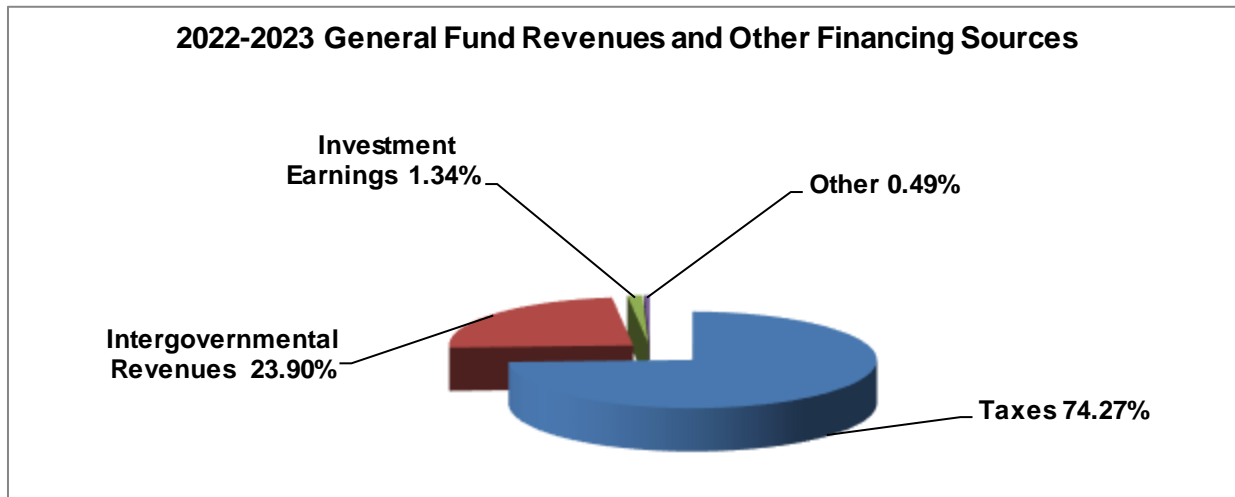
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2023, the District's governmental funds reported a combined fund balance of \$79,655,217 which is an increase of \$12,384,157 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the total 2023 change in governmental fund balances.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
General Fund	\$27,346,373	\$19,700,822	\$ 7,645,551
Capital Projects	49,406,703	44,458,835	4,947,868
Debt Service Fund	2,551,138	2,758,894	(207,756)
Student Sponsored Activity Fund	<u>351,003</u>	<u>352,509</u>	<u>(1,506)</u>
	<u>\$79,655,217</u>	<u>\$67,271,060</u>	<u>\$12,384,157</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was \$27,346,373 representing an increase of \$7,645,551 in relation to the prior year. The increase in the District's General Fund fund balance is due to a change in policy to allow a maximum unassigned fund balance of 8% of next years' budgeted expenditures. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022-2023 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 74.27% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$197,888,895	\$197,908,057	\$ (19,162)	(0.01)
Intergovernmental revenues	63,659,765	60,604,719	3,055,046	5.04
Investment earnings	3,579,452	(194,289)	3,773,741	(1,942.33)
Other	<u>1,315,733</u>	<u>862,786</u>	<u>452,947</u>	<u>52.50</u>
	<u>\$266,443,845</u>	<u>\$259,181,273</u>	<u>\$7,262,572</u>	<u>2.80</u>

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

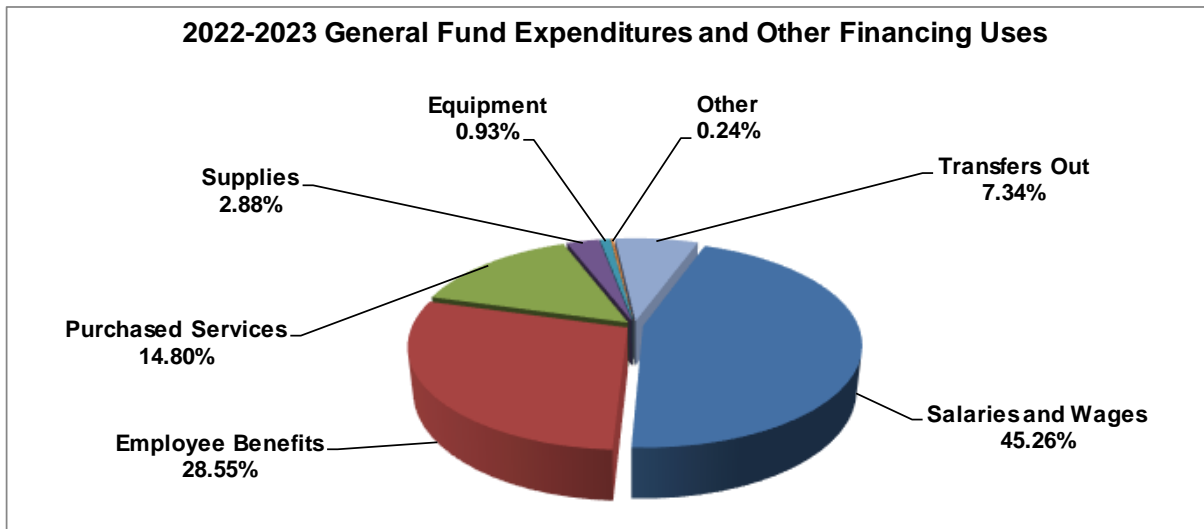
Tax revenues decreased by \$19,162 or 0.01% in 2022-2023 when compared to 2021-2022. This decrease is primarily due to a combined decrease of \$1,166,487 in delinquent tax collection and transfer taxes paid due to a reduction in property transfers and increased collection efforts in the prior year. This decrease is offset by a \$960,914 increase in real estate taxes collected due to the increase in assessed value and the approved milage increase.

Intergovernmental revenues increased by \$3,055,046 or 5.04% in 2022-2023 when compared to 2021-2022 due to increased funding in state appropriations for basic education, property tax reduction and retirement subsidies.

Investment earnings increased by \$3,773,741 or 1,942.33% in 2022-2023 due to an incline in interest rates and market gains on U.S. Treasury securities.

Other revenues increased by \$452,946 or 52.50% in 2022-2023 when compared to 2021-2022, primarily attributed to an increase in rental revenues due to the District's prior year response to COVID-19 with the limitation of indoor facility rentals.

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



General Fund Expenditures and Other Financing Uses

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$117,127,309	\$113,456,692	\$ 3,670,617	3.24
Employee benefits	73,894,284	72,138,294	1,755,990	2.43
Purchased services	38,292,970	31,849,106	6,443,864	20.23
Supplies	7,460,647	7,034,394	426,253	6.06
Equipment	2,395,952	3,932,963	(1,537,011)	(39.08)
Other	624,990	598,426	26,564	4.44
Transfers out	<u>19,002,142</u>	<u>42,335,325</u>	<u>(23,333,183)</u>	<u>(55.12)</u>
	<u>\$258,798,294</u>	<u>\$271,345,200</u>	<u>\$(12,546,906)</u>	<u>(4.62)</u>

Salaries and wages increased by \$3,670,617 or 3.24% in 2022-2023 when compared to 2021-2022 and can be primarily attributed to negotiated increases in the collective bargaining agreements.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

Employee benefits increased by \$1,755,990 or 2.43% in 2022-2023 when compared to 2021-2022 primarily due to the increase in employer retirement contributions to match the salary increases noted above and increase in the employer contribution rate.

Purchased services increased by \$6,443,864 or 20.23% in 2022-2023 when compared to 2021-2022. One major area of increase was in transportation, totaling \$3,224,353 or 27.95% because the change in transportation providers and staffing issues which necessitated the use of other third-party vendors at a higher cost. Another major area of increase was in professional substitute services which increased by \$1,315,079, or 70.14% caused by the need to increase rates to attract talented substitutes for increased teacher absences. Custodial costs increased by \$1,228,397, or 43.85%. The increase is attributable to a new contracted vendor and return to full after school and weekend activity.

The District purchases equipment annually based on specific needs. The decrease in equipment expenditures of \$1,537,011 or 39.08% in 2022-2023 when compared to 2021-2022 can be attributed in part due to the one-to-one initiative for student Chromebooks, which was in part funded by one-time appropriations through the Elementary and Secondary School Emergency Relief Fund ("**ESSER**").

During 2022-2023 and 2021-2022, the District made transfers, totaling \$18,766,401 to the Debt Service Fund to fund the payment of debt service maturities. During 2021-2022, the District made a one-time transfer from the General Fund to the Capital Reserve Fund in the amount of \$23,568,924.

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 2022-2023, the Capital Projects Fund reported an increase in fund balance of \$4,947,868 due to proceeds received from general obligation debt in excess of capital expenditures as part of its capital projects improvement plan. The remaining fund balance of \$49,406,703 as of June 30, 2023 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 \$8,741,311 and actual expenditures and other financing uses were more than budget by \$2,332,933 resulting in a net positive variance of \$6,408,378. Major budgetary highlights for 2022-2023 were as follows:

- Actual local source revenues were \$6,145,970 more than budgeted amounts which can be primarily attributed to the following variances:

	Original and Final Budget	Actual	Variance With Final Budget Positive (Negative)
Current real estate taxes	\$164,484,209	\$164,383,348	\$ (100,861)
Earned income taxes	20,000,000	22,315,839	2,315,839
Delinquent taxes	1,750,000	1,961,546	211,546
Realty transfer taxes	3,200,000	3,699,492	499,492
Interim real estate taxes	720,000	843,604	123,604
Occupation taxes	4,158,000	4,346,831	188,831
Earnings on investments	1,000,000	3,579,452	2,579,452
Other local sources	<u>1,278,300</u>	<u>1,606,367</u>	<u>328,067</u>
	<u>\$196,590,509</u>	<u>\$202,736,479</u>	<u>\$6,145,970</u>

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

- ◆ Current real estate taxes were close to budgeted expectations, with a variance of only \$100,861 or 0.61%.
- ◆ Earned income tax ("**EIT**") revenues exceeded budgeted expectations by \$2,315,839 or 11.58%. This increase is due to a more favorable work-from-home environment, leading to more local earned income tax remaining in the District.
- ◆ Delinquent tax receipts exceeded budgeted expectations by \$211,546 or 12.09%. This was caused by a greater collection rate than the District anticipated.
- ◆ Interim real estate taxes exceeded the budgeted expectations by \$123,604 or 17.17% due to increased development in the District.
- ◆ Real estate transfer taxes exceeded budget expectations by \$499,492 or 15.61% due to more than anticipated home sales within the District.
- ◆ Revenue from investments exceeded the budgeted amount by \$2,579,452 or 257.95% due to increasing market rate of return and investment planning.
- Revenues from state sources were more than budget in the amount of \$1,719,781 due to the following factors:
 - ◆ The District received more subsidy than budgeted for basic education \$860,790 and special education \$352,968 due to changes in the District's allocation percentages.
 - ◆ In addition, the District exceeded budgeted revenue for transportation reimbursement by \$477,007 or 33.47%.
- Salaries and benefits were largely in line with budget as salaries were less than budget by \$895,474 or 0.76% and benefits were less than budget by \$531,283 or 0.71%.
- Purchased professional and technical services exceeded budget by \$2,479,307 or 44.09%, largely due to expenditures for substitute teachers exceeding budgeted expectations.
- Purchased property services were less than budget by \$503,063 or 6.79% due to contracted services for operation and maintenance of plant services being less than expected.
- Other purchased services exceeded budget by \$4,741,212 or 25.65% was primarily due to an increase in costs for transportation.
- Supplies expenses were less than budgeted by \$634,518 or 7.84% due to utilities costs being lower than expected.
- Equipment expenses were less than budgeted by \$121,447 or 4.82% due to delaying purchases of vehicles in maintenance and transportation because of supply-chain issues.
- The District made an operating transfers out totaling \$18,766,401 to the Debt Service Fund, which was budgeted, and \$235,741 to the Food Service Fund most of which was substantially not budgeted. Transfers out were less than budgeted by \$1,248,695 or 6.17% due to changes to fund balance policy to allow an unassigned fund balance of 8.00% of next year's budgeted expenditures.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2022-2023, the net position of the business-type activities and Food Service Fund increased by \$340,952. As of June 30, 2023, the business-type activities and Food Service Fund had net position of \$2,588,155.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

CAPITAL ASSETS

The District's investment in capital asset for its governmental and business-type activities as of June 30, 2023 amounted to \$329,487,703 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture and equipment and right-to-use leased assets. The total increase in the District's investment in capital assets for the current fiscal year was \$7,981,826 or 2.48%. The increase was the result of current year capital additions due to capital expenditures in excess of current year depreciation expense.

Current year capital additions were \$19,905,247 and depreciation expense was \$11,923,421.

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

- Sol Feinstone Elementary School renovations – construction in progress \$8,546,709
- Council Rock High School - North renovations – construction in progress \$1,880,036
- Richboro Elementary School renovations – construction in progress \$1,369,023
- Hillcrest Elementary School renovations \$3,727,087

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$256,441,358 consisting of \$249,530,000 in bonds payable and net deferred credits of \$6,911,358. 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 \$10,600,409 or 4.31% during the fiscal year.

During 2022-2023, the District issued \$23,410,000 of general obligation bonds, Series of 2023, for the costs of acquiring, designing, constructing, furnishing and equipping alterations, additions and renovations and other improvements to the District's existing school buildings and to pay for the cost of issuing the bonds.

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

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$256,441,358 is within the current debt limitation of the District which was \$582,095,600 as of June 30, 2023.

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 \$342,732,288 as of June 30, 2023. The District's net pension liability increased by \$15,386,980 or 4.70% during the fiscal year.

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

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$23,058,387 as of June 30, 2023. The District's OPEB liability decreased by \$5,333,580 or 18.79% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for compensated absences and right-to-use leases payable which totaled \$5,960,667 as of June 30, 2023 and decreased by \$438,899 or 6.86% 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.

COUNCIL ROCK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

- The District's current student enrollment for 2023-2024 is 10,504 and is projected to stay relatively stable in the 2024-2025 year.
- The District has been involved in an aggressive facility improvement plan that most recently included the renovation of Rolling Hills Elementary School and the construction of the STAR Center, a building that will house certain District programs that previously occupied rented space. The renovation projects at Hillcrest has been completed and the renovation projects at Sol Feinstone and Richboro Elementary Schools are continuing. The District intends to evaluate additional facility improvements in 2023-2024.
- The District has a backlog of deferred maintenance projects, and must continue to complete this work in order to avoid the additional costs associated with continued deferral. The projects have been funded by General Fund transfers upon conclusion of the audit, and the amount of funding is determined by any operating surplus from the prior fiscal year.
- Additional tax and enrollment information is available on the District's website: <http://www.crsd.org>.
- The District adopted its 2023-2024 General Fund expenditure budget totaling \$267,977,153 that includes the use of \$2,432,838 of fund balance and a real estate tax millage rate increase of 2.00%. If the economic environment resulting from the end of the pandemic does not allow for growth in local revenue, the District will struggle to continue to rely on favorable budget variances to recoup the budgeted deficits. It is important to proactively address budget deficits to avoid having to make reductions to educational programs.
- Act 1 of 2006 provides taxpayer relief through gambling revenues generated by the Commonwealth. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education by property owners. This legislation also put a ceiling on the percentage increase of local real estate taxes that can be levied in order to balance the school district budget (the Act 1 Index). This law ostensibly requires the District to raise taxes every year because it cannot increase the levy beyond the Act 1 index and may not carryover unused tax increases from one year to the next. This legislation also introduced new requirements on school districts including:
 - ◆ That in the event a school district wishes to increase the property tax millage rate by more than the Act 1 Index (4.10% for Council Rock School District for 2023-2024), the District must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
 - ◆ Gaming revenues distributed under the provision of Act 1 (Act 1 permitted gambling in Pennsylvania) are to be used for reducing property taxes for homesteads and farmsteads.
- In November 2010, and again in 2017, legislation was adopted to implement a series of actuarial and funding changes to the Public School Employees' Retirement System ("**PSERS**"). The 2017 legislation changed the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2024-2025 has been certified at 33.90%. Currently, the employer contribution rate for 2023-2023 is 34.00%, which is a decrease of 1.26% from the 2022-2023 employer contribution rate of 35.26%. The employer contribution rate for 2023-2024 has been certified at 34.00%

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, 2023 with summarized comparative totals for 2022

	Governmental Activities	Business-type Activities	Totals	
			2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 98,364,393	\$ 2,213,433	\$ 100,577,826	\$ 112,664,786
Investments	21,434,974	-	21,434,974	10,974,730
Taxes receivable	3,255,514	-	3,255,514	3,398,858
Due from other governments	9,427,606	-	9,427,606	9,354,284
Internal balances	(235,741)	235,741	-	-
Other receivables	1,274,670	-	1,274,670	736,584
Deposit	515,000	-	515,000	412,000
Prepaid expenses	1,013	-	1,013	558,024
Inventories	148,321	-	148,321	298,322
Total current assets	134,185,750	2,449,174	136,634,924	138,397,588
NONCURRENT ASSETS				
Capital assets, net	329,191,797	295,906	329,487,703	321,505,877
Total assets	463,377,547	2,745,080	466,122,627	459,903,465
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	163,042	-	163,042	193,884
Deferred charges - OPEB	4,077,570	-	4,077,570	4,744,927
Deferred charges - pension	50,451,200	-	50,451,200	54,404,024
Total deferred outflows of resources	54,691,812	-	54,691,812	59,342,835
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	3,044,740	156,925	3,201,665	8,007,992
Accrued salaries, payroll withholdings and benefits	15,594,105	-	15,594,105	26,818,080
Insurance claims payable	2,100,086	-	2,100,086	2,477,984
Accrued interest payable	1,334,835	-	1,334,835	1,311,837
Unearned revenue	3,838,458	-	3,838,458	4,122,491
Total current liabilities	25,912,224	156,925	26,069,149	42,738,384
NONCURRENT LIABILITIES				
Due within one year	14,340,964	-	14,340,964	13,656,299
Due in more than one year	613,851,736	-	613,851,736	594,321,491
Total noncurrent liabilities	628,192,700	-	628,192,700	607,977,790
Total liabilities	654,104,924	156,925	654,261,849	650,716,174
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - OPEB	9,653,743	-	9,653,743	5,326,787
Deferred credits - pension	21,120,839	-	21,120,839	61,575,114
Total deferred outflows of resources	30,774,582	-	30,774,582	66,901,901
NET POSITION (DEFICIT)				
Net investment in capital assets	98,915,461	295,906	99,211,367	93,027,921
Restricted	28,642,037	-	28,642,037	32,748,971
Unrestricted (deficit)	(294,367,645)	2,292,249	(292,075,396)	(324,148,667)
Total net position (deficit)	\$ (166,810,147)	\$ 2,588,155	\$ (164,221,992)	\$ (198,371,775)

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with summarized comparative totals for 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for	Operating	Capital	Governmental	Business-type	Totals	
		Services	Grants and Contributions	Grants and Contributions			Activities	Activities
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 154,497,800	\$ 180,076	\$ 31,423,104	\$ -	\$ (122,894,620)	\$ -	\$ (122,894,620)	\$ (119,569,199)
Instructional student support	17,965,651	-	2,359,343	-	(15,606,308)	-	(15,606,308)	(14,899,224)
Administrative and financial support services	17,373,014	-	1,962,179	-	(15,410,835)	-	(15,410,835)	(18,893,281)
Operation and maintenance of plant services	16,611,451	612,024	915,630	-	(15,083,797)	-	(15,083,797)	(12,272,718)
Pupil transportation	17,052,356	-	2,234,074	-	(14,818,282)	-	(14,818,282)	(11,484,428)
Student activities	3,736,263	651,676	398,436	-	(2,686,151)	-	(2,686,151)	(2,564,904)
Community services	187,820	132,539	-	-	(55,281)	-	(55,281)	(51,731)
Interest and amortization expense related to noncurrent liabilities	6,331,450	-	1,724,287	-	(4,607,163)	-	(4,607,163)	(4,835,712)
Total governmental activities	<u>233,755,805</u>	<u>1,576,315</u>	<u>41,017,053</u>	<u>-</u>	<u>(191,162,437)</u>	<u>-</u>	<u>(191,162,437)</u>	<u>(184,571,197)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	4,692,702	3,269,597	1,461,029	-	-	37,924	37,924	996,443
Total primary government	<u>\$ 238,448,507</u>	<u>\$ 4,845,912</u>	<u>\$ 42,478,082</u>	<u>\$ -</u>	<u>(191,162,437)</u>	<u>37,924</u>	<u>(191,124,513)</u>	<u>(183,574,754)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					166,642,548	-	166,642,548	165,352,141
Earned income taxes levied for general purposes					22,315,839	-	22,315,839	22,461,944
Other taxes levied for general purposes					9,016,409	-	9,016,409	9,852,794
Grants and entitlements not restricted to specific programs					22,773,803	-	22,773,803	20,791,624
Investment earnings (loss)					4,410,810	67,287	4,478,097	(140,676)
Miscellaneous income					47,600	-	47,600	-
TRANSFERS					(235,741)	235,741	-	-
Total general revenues and transfers					<u>224,971,268</u>	<u>303,028</u>	<u>225,274,296</u>	<u>218,317,827</u>
CHANGE IN NET POSITION (DEFICIT)					33,808,831	340,952	34,149,783	34,743,073
NET POSITION (DEFICIT)								
Beginning of year					(200,618,978)	2,247,203	(198,371,775)	(233,114,848)
End of year					<u>\$ (166,810,147)</u>	<u>\$ 2,588,155</u>	<u>\$ (164,221,992)</u>	<u>\$ (198,371,775)</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Major Funds			Totals	
	General	Capital	Nonmajor	2023	2022
	Fund	Projects	Governmental		
		Fund	Funds		
ASSETS					
Cash	\$ 22,966,724	\$ 50,668,267	\$ 2,902,141	\$ 76,537,132	\$ 80,276,778
Investments	11,252,596	-	-	11,252,596	10,974,730
Taxes receivable	3,255,514	-	-	3,255,514	3,398,858
Due from other funds	-	-	-	-	22,500,000
Due from other governments	9,427,606	-	-	9,427,606	9,198,841
Other receivables	422,756	68,462	-	491,218	282,247
Prepaid items	1,013	-	-	1,013	-
Inventories	148,321	-	-	148,321	183,462
Total assets	\$ 47,474,530	\$ 50,736,729	\$ 2,902,141	\$ 101,113,400	\$ 126,814,916
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,714,714	\$ 1,330,026	\$ -	\$ 3,044,740	\$ 7,784,418
Due to other funds	235,741	-	-	235,741	22,507,779
Accrued salaries, payroll withholdings and benefits	15,594,105	-	-	15,594,105	26,818,080
Unearned revenue	106,487	-	-	106,487	42,370
Total liabilities	17,651,047	1,330,026	-	18,981,073	57,152,647
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property, occupational assessment and per capita taxes	2,477,110	-	-	2,477,110	2,391,209
FUND BALANCES					
Nonspendable					
Prepaid items	1,013	-	-	1,013	-
Inventories	148,321	-	-	148,321	183,462
Encumbrances	-	-	-	-	99,800
Restricted for					
Summer maintenance projects	-	-	-	-	-
Capital projects	-	49,406,703	-	49,406,703	44,458,835
Unspent CREF grants	4,536	-	-	4,536	3,501
Other unspent District grants	13,637	-	-	13,637	191
Debt service	-	-	2,551,138	2,551,138	2,758,894
Student activities	-	-	351,003	351,003	352,509
Committed to					
Future education initiatives	8,000,000	-	-	8,000,000	8,000,000
Balance 2022-2023 budget	-	-	-	-	590,124
Balance 2023-2024 budget	2,432,838	-	-	2,432,838	-
Assigned					
Facility use fees allocation	38,410	-	-	38,410	36,414
Artificial turf	199,817	-	-	199,817	117,235
Unassigned	16,507,801	-	-	16,507,801	10,670,095
Total fund balances	27,346,373	49,406,703	2,902,141	79,655,217	67,271,060
Total liabilities and fund balances	\$ 47,474,530	\$ 50,736,729	\$ 2,902,141	\$ 101,113,400	\$ 126,814,916

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, 2023

TOTAL GOVERNMENTAL FUND BALANCES	\$ 79,655,217
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	329,191,797
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).	163,042
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.	23,754,188
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.	2,477,110
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).	27,476,034
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(628,192,700)
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>(1,334,835)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (166,810,147)</u>

COUNCIL ROCK SCHOOL DISTRICT

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

Year ended June 30, 2023 with summarized comparative totals for 2022

	Major Funds			Totals	
	General	Capital	Nonmajor	2023	2022
	Fund	Projects	Governmental		
		Fund	Funds		
REVENUES					
Local sources	\$ 202,736,479	\$ 831,333	\$ 527,897	\$ 204,095,709	\$ 199,097,582
State sources	58,547,806	-	-	58,547,806	55,988,229
Federal sources	5,111,960	-	-	5,111,960	5,437,448
Total revenues	<u>266,396,245</u>	<u>831,333</u>	<u>527,897</u>	<u>267,755,475</u>	<u>260,523,259</u>
EXPENDITURES					
Current					
Instruction	164,122,987	-	-	164,122,987	158,189,041
Support services	72,028,214	663,067	-	72,691,281	68,467,734
Operation of noninstructional services	3,596,411	-	529,378	4,125,789	3,812,856
Facilities acquisition, construction and improvement services	-	18,517,380	-	18,517,380	35,386,558
Debt service	-	-	18,974,182	18,974,182	18,392,860
Total expenditures	<u>239,747,612</u>	<u>19,180,447</u>	<u>19,503,560</u>	<u>278,431,619</u>	<u>284,249,049</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>26,648,633</u>	<u>(18,349,114)</u>	<u>(18,975,663)</u>	<u>(10,676,144)</u>	<u>(23,725,790)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	23,410,000	-	23,410,000	18,995,922
Issuance of debt - refunding	-	-	-	-	9,038,700
Payment of debt - refunding	-	-	-	-	(9,411,700)
Bond premiums	-	-	-	-	1,270,198
Bond discounts	-	(113,018)	-	(113,018)	-
Refund of prior year expenditures	47,600	-	-	47,600	-
Refund of prior year receipts	(48,540)	-	-	(48,540)	(28,668)
Transfers in	-	-	18,766,401	18,766,401	42,335,325
Transfers out	(19,002,142)	-	-	(19,002,142)	(42,335,325)
Total other financing sources (uses)	<u>(19,003,082)</u>	<u>23,296,982</u>	<u>18,766,401</u>	<u>23,060,301</u>	<u>19,864,452</u>
NET CHANGE IN FUND BALANCES	7,645,551	4,947,868	(209,262)	12,384,157	(3,861,338)
FUND BALANCES					
Beginning of year	<u>19,700,822</u>	<u>44,458,835</u>	<u>3,111,403</u>	<u>67,271,060</u>	<u>71,132,398</u>
End of year	<u>\$ 27,346,373</u>	<u>\$ 49,406,703</u>	<u>\$ 2,902,141</u>	<u>\$ 79,655,217</u>	<u>\$ 67,271,060</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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 12,384,157

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	\$ 19,780,631	
Depreciation expense	<u>(11,881,361)</u>	7,899,270

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 increased by this amount in the current period.

Deferred inflows of resources June 30, 2022	(2,391,209)	
Deferred inflows of resources June 30, 2023	<u>2,477,110</u>	85,901

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.

2,201,115

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	(23,410,000)	
Payment of bond discounts	113,018	
Repayment of bonds payable	11,280,000	
Repayment of right-to-use leases payable	444,023	
Amortization of discounts, premiums and deferred amounts on debt refunding	<u>1,385,731</u>	(10,187,228)

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	(22,998)	
Change in net pension liability and related deferred inflows and outflows	21,047,923	
Current year change in compensated absences	(5,124)	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>405,815</u>	<u>21,425,616</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 33,808,831

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
ASSETS				
CURRENT ASSETS				
Cash	\$ 2,213,433	\$ 21,827,261	\$ 24,040,694	\$ 32,388,008
Investments	-	10,182,378	10,182,378	-
Due from other governments	-	-	-	155,443
Due from other funds	235,741	-	235,741	7,779
Other receivables	-	783,452	783,452	454,337
Deposit	-	515,000	515,000	412,000
Prepaid expense	-	-	-	558,024
Inventories	-	-	-	114,860
Total current assets	<u>2,449,174</u>	<u>33,308,091</u>	<u>35,757,265</u>	<u>34,090,451</u>
NONCURRENT ASSETS				
Capital assets, net	295,906	-	295,906	213,350
Total assets	<u>2,745,080</u>	<u>33,308,091</u>	<u>36,053,171</u>	<u>34,303,801</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	156,925	-	156,925	223,574
Insurance claims payable	-	2,100,086	2,100,086	2,477,984
Unearned revenue	-	3,731,971	3,731,971	4,080,121
Total liabilities	<u>156,925</u>	<u>5,832,057</u>	<u>5,988,982</u>	<u>6,781,679</u>
NET POSITION				
Net investment in capital assets	295,906	-	295,906	213,350
Restricted	-	2,317,000	2,317,000	2,317,000
Unrestricted	<u>2,292,249</u>	<u>25,159,034</u>	<u>27,451,283</u>	<u>24,991,772</u>
Total net position	<u>\$ 2,588,155</u>	<u>\$ 27,476,034</u>	<u>\$ 30,064,189</u>	<u>\$ 27,522,122</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

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

June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service Fund</u>	<u>Service Fund</u>	<u>2023</u>	<u>2022</u>
OPERATING REVENUES				
Charges for services	\$ 3,269,597	\$ 26,900,987	\$ 30,170,584	\$ 28,298,221
Other operating revenues	-	17,417	17,417	18,731
Total operating revenues	<u>3,269,597</u>	<u>26,918,404</u>	<u>30,188,001</u>	<u>28,316,952</u>
OPERATING EXPENSES				
Employee benefits	-	24,837,600	24,837,600	24,518,783
Purchased professional and technical services	-	-	-	93,541
Other purchased services	4,456,865	88,098	4,544,963	4,151,727
Supplies	193,777	-	193,777	153,480
Depreciation	42,060	-	42,060	26,534
Total operating expenses	<u>4,692,702</u>	<u>24,925,698</u>	<u>29,618,400</u>	<u>28,944,065</u>
Operating income (loss)	<u>(1,423,105)</u>	<u>1,992,706</u>	<u>569,601</u>	<u>(627,113)</u>
NONOPERATING REVENUES				
Earnings on investments	67,287	187,474	254,761	16,371
State sources	300,204	-	300,204	66,482
Federal sources	1,160,825	-	1,160,825	3,381,809
Insurance recoveries	-	20,935	20,935	121,014
Total nonoperating revenues	<u>1,528,316</u>	<u>208,409</u>	<u>1,736,725</u>	<u>3,585,676</u>
Change in net position before transfers	105,211	2,201,115	2,306,326	2,958,563
TRANSFERS				
Transfers in	235,741	-	235,741	-
CHANGE IN NET POSITION	340,952	2,201,115	2,542,067	2,958,563
NET POSITION				
Beginning of year	<u>2,247,203</u>	<u>25,274,919</u>	<u>27,522,122</u>	<u>24,563,559</u>
End of year	<u>\$ 2,588,155</u>	<u>\$ 27,476,034</u>	<u>\$ 30,064,189</u>	<u>\$ 27,522,122</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 3,269,597	\$ -	\$ 3,269,597	\$ 1,879,893
Cash received from assessments made to other fund	-	26,178,816	26,178,816	26,935,316
Cash payments to supplies for goods and services	(4,449,683)	-	(4,449,683)	(4,121,728)
Cash payments for insurance claims	-	(24,657,474)	(24,657,474)	(24,073,654)
Cash payments for other operating expenses	-	(88,098)	(88,098)	(93,541)
Net cash provided by (used for) operating activities	<u>(1,180,086)</u>	<u>1,433,244</u>	<u>253,158</u>	<u>526,286</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital asset acquisitions	(124,616)	-	(124,616)	(90,551)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	303,538	-	303,538	63,148
Federal sources	1,119,509	-	1,119,509	3,333,596
Insurance recoveries	-	20,935	20,935	121,014
Transfers in	7,779	-	7,779	(7,779)
Net cash provided by noncapital financing activities	<u>1,430,826</u>	<u>20,935</u>	<u>1,451,761</u>	<u>3,509,979</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchase of investments	-	(10,182,378)	(10,182,378)	-
Earnings on investments	67,287	187,474	254,761	16,371
Net cash provided by (used for) financing activities	<u>67,287</u>	<u>(9,994,904)</u>	<u>(9,927,617)</u>	<u>16,371</u>
				(84,949)
Net increase (decrease) in cash	193,411	(8,540,725)	(8,347,314)	3,962,085
CASH				
Beginning of year	2,020,022	30,367,986	32,388,008	28,425,923
End of year	<u>\$ 2,213,433</u>	<u>\$ 21,827,261</u>	<u>\$ 24,040,694</u>	<u>\$ 32,388,008</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,423,105)	\$ 1,992,706	\$ 569,601	\$ (627,113)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	42,060	-	42,060	26,534
Donated commodities used	193,425	-	193,425	152,689
(Increase) decrease in				
Accounts receivable	-	(329,115)	(329,115)	182,562
Deposit	-	(103,000)	(103,000)	-
Prepaid expenses	-	558,024	558,024	(12,330)
Inventories	114,860	-	114,860	(18,488)
Increase (decrease) in				
Accounts payable	(66,649)	-	(66,649)	43,507
Insurance claims payable	-	(377,898)	(377,898)	457,459
Unearned revenue	(40,677)	(307,473)	(348,150)	321,466
Net cash provided by (used for) operating activities	<u>\$ (1,180,086)</u>	<u>\$ 1,433,244</u>	<u>\$ 253,158</u>	<u>\$ 526,286</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 193,425	\$ -	\$ 193,425	\$ 152,689

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	Private- Purpose Trust	Custodial Funds	Totals	
			2023	2022
ASSETS				
Cash	\$ 25,282	\$ 1,049,082	\$ 1,074,364	\$ 974,311
Accounts receivable	-	1,167	1,167	-
Total assets	<u>25,282</u>	<u>1,050,249</u>	<u>1,075,531</u>	<u>974,311</u>
LIABILITIES				
Other current liabilities	-	175,000	175,000	175,000
NET POSITION				
Net position held in trust for scholarships	25,282	-	25,282	24,880
Restricted for flexible spending	-	252,208	252,208	210,067
Restricted for student activities	-	623,041	623,041	564,364
Total net position	<u>25,282</u>	<u>875,249</u>	<u>900,531</u>	<u>799,311</u>
Total liabilities and net position	<u>\$ 25,282</u>	<u>\$ 1,050,249</u>	<u>\$ 1,075,531</u>	<u>\$ 974,311</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	Private- Purpose Trust Fund	Custodial Funds	Totals	
			2023	2022
ADDITIONS				
Local contributions	\$ 902	\$ -	\$ 902	\$ 33
Receipts for flexible spending	-	623,607	623,607	635,769
Receipts from student groups	-	2,151,591	2,151,591	2,086,378
Total additions	<u>902</u>	<u>2,775,198</u>	<u>2,776,100</u>	<u>2,722,180</u>
DEDUCTIONS				
Scholarships awarded and fees paid	500	-	500	500
Flexible spending payments	-	581,466	581,466	619,929
Student activity disbursements	-	2,092,914	2,092,914	2,036,179
Total deductions	<u>500</u>	<u>2,674,380</u>	<u>2,674,880</u>	<u>2,656,608</u>
CHANGE IN NET POSITION	402	100,818	101,220	65,572
NET POSITION				
Beginning of year	<u>24,880</u>	<u>774,431</u>	<u>799,311</u>	<u>733,739</u>
End of year	<u>\$ 25,282</u>	<u>\$ 875,249</u>	<u>\$ 900,531</u>	<u>\$ 799,311</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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:

COUNCIL ROCK SCHOOL DISTRICT

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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 2022-2023 was 134.4673 mills (\$134.4673 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

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

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

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

Prepaid Items and Inventories

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

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

Unearned Revenues

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

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023.

Compensated Absences

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

Long-Term Obligations

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

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

Fund Equity

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

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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 5% of the following year's expenditure budget. In accordance with Board policy, unassigned fund balance in excess of 8% of the following year's expenditure budget will be assigned, committed or appropriated to another fund based on the recommendation of the Superintendent and/Director of Business Administration.

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, 2022, from which the summarized information was derived.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2022, the District adopted the provisions of GASB Statement No. 94 "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" and GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*".

The objective of GASB Statement No. 94 is to improve 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. The implementation of GASB Statement No. 94 had no impact on the financial statements of the District for the year ended June 30, 2023.

The objective of GASB Statement No. 96 is to provide 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. The implementation of GASB Statement No. 96 had no impact on the financial statements of the District for the year ended June 30, 2023.

New Accounting Pronouncements

GASB Statement No. 100, "*Accounting Changes and Error Corrections*" will be effective for the District for the year ended June 30, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, "*Compensated Absences*" will be effective for the District for the year ended June 30, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

(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.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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.

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, 2023, the carrying amount of the District's deposits was \$101,652,190 and the bank balance was \$103,788,379. 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, \$500,000 was covered by federal depository insurance and \$61,785,817 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, 2023, 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, 2023, the District had the following investments:

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

<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	\$12,719,721	\$12,719,721	\$ -
U.S. Treasury bonds	997,568	997,568	-
U.S. Government agency bonds	<u>7,717,685</u>	<u>5,757,850</u>	<u>1,959,835</u>
	<u>\$21,434,974</u>	<u>\$19,475,139</u>	<u>\$1,959,835</u>

U.S. Treasury bonds and U.S. Government agency bonds 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, 2023.

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, 2023 was as follows:

	<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>35,048,503</u>	<u>17,649,023</u>	<u>22,285,254</u>	<u>30,412,272</u>
Total capital assets not being depreciated	<u>58,072,626</u>	<u>17,649,023</u>	<u>22,285,254</u>	<u>53,436,395</u>
Capital assets being depreciated				
Land improvements	9,185,412	-	-	9,185,412
Buildings and improvements	358,017,159	22,285,254	-	380,302,413
Right-to-use lease assets	2,349,124	-	-	2,349,124
Furniture and equipment	<u>9,570,077</u>	<u>2,131,608</u>	-	<u>11,701,685</u>
Total capital assets being depreciated	<u>379,121,772</u>	<u>24,416,862</u>	-	<u>403,538,634</u>
Less accumulated depreciation for				
Land improvements	(7,308,563)	(214,105)	-	(7,522,578)
Buildings and improvements	(102,407,458)	(9,393,574)	-	(111,801,032)
Right-to-use lease assets	(849,531)	(445,440)	-	(1,294,971)
Furniture and equipment	<u>(5,336,319)</u>	<u>(1,828,332)</u>	-	<u>(7,164,651)</u>
Total accumulated depreciation	<u>(115,901,871)</u>	<u>(11,881,361)</u>	-	<u>(127,783,232)</u>
Total capital assets being depreciated, net	<u>263,219,901</u>	<u>12,535,501</u>	-	<u>(275,755,402)</u>
Governmental activities, net	<u>\$ 321,292,527</u>	<u>\$ 30,184,524</u>	<u>\$22,285,254</u>	<u>\$ 329,191,797</u>

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Business-type activities				
Machinery and equipment	\$ 516,052	\$ 124,616	\$ -	\$ 640,668
Less accumulated depreciation	<u>(302,702)</u>	<u>(42,060)</u>	<u>-</u>	<u>(344,762)</u>
Business-type activities, net	<u>\$ 213,350</u>	<u>\$ 82,556</u>	<u>\$ -</u>	<u>\$ 295,906</u>

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

Governmental activities	
Instruction	\$ 8,761,692
Instructional student support	994,936
Administrative and financial support services	1,158,672
Operation and maintenance of plant services	786,316
Student activities	<u>179,745</u>
Total depreciation expense – governmental activities	<u>\$11,881,361</u>
Business-type activities	
Food service	<u>\$ 42,060</u>

As of June 30, 2023, the District had outstanding construction commitments totaling \$40,072,428 for renovation projects at Sol Feinstone Elementary School and Richboro Elementary School.

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food Service Fund	<u>\$ 235,741</u>	General Fund	<u>\$ 235,741</u>

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

A summary of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Food Service Fund	\$ 235,741	General Fund	\$ 235,741
Debt Service Fund	<u>18,766,401</u>	General Fund	<u>18,766,401</u>
	<u>\$19,002,142</u>		<u>\$19,002,142</u>

Transfers from the General Fund to the Food Service Fund represent transfers to subsidize costs associated with food service operations, while transfers from the General Fund to the Debt Service Fund were for the payment of debt service maturities.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$237,400,000	\$23,410,000	\$11,280,000	\$249,530,000	\$12,100,000
Bond premiums	8,656,330	-	1,431,426	7,224,904	1,427,589
Bond discounts	(215,381)	(113,018)	(14,853)	(313,546)	(14,853)
Total general obligation debt	<u>245,840,949</u>	<u>23,296,982</u>	<u>12,696,573</u>	<u>256,441,358</u>	<u>13,512,736</u>
Other noncurrent liabilities					
Compensated absences	4,890,396	5,124	-	4,895,520	489,552
Right-to-use leases payable	1,509,170	-	444,023	1,065,147	338,676
OPEB liability	9,490,555	871,450	1,468,351	8,893,654	-
Net OPEB liability – PSERS	18,901,412	-	4,736,679	14,164,733	-
Net pension liability	<u>327,345,308</u>	<u>15,386,980</u>	<u>-</u>	<u>342,732,288</u>	<u>-</u>
Total other noncurrent liabilities	<u>362,136,841</u>	<u>16,263,554</u>	<u>6,649,053</u>	<u>371,751,342</u>	<u>828,228</u>
Total noncurrent liabilities	<u>\$607,977,790</u>	<u>\$39,560,536</u>	<u>\$19,345,626</u>	<u>\$628,192,700</u>	<u>\$14,340,964</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.

General obligation debt outstanding as of June 30, 2023 consisted of the following:

<u>Description</u>	<u>Interest</u> <u>Rate(s)</u>	<u>Original</u> <u>Issue</u> <u>Amount</u>	<u>Final</u> <u>Maturity</u>	<u>Principal</u> <u>Outstanding</u>
General obligation bonds				
Series of 2016	2.00% - 5.00%	\$16,615,000	11/15/2023	\$ 1,735,000
Series of 2016A	2.00% - 3.25%	\$60,000,000	11/15/2035	59,970,000
Series of 2017A	5.00%	\$21,455,000	08/15/2023	6,600,000
Series of 2018	3.00% - 5.00%	\$43,000,000	11/15/2039	42,980,000
Series of 2018A	5.00%	\$ 4,830,000	08/01/2023	1,035,000
Series of 2019	2.00% - 3.70%	\$18,750,000	11/15/2044	18,735,000
Series of 2019A	2.00% - 4.00%	\$17,300,000	11/15/2029	15,090,000
Series of 2019B	4.00% - 5.00%	\$14,605,000	08/15/2028	12,780,000
Series of 2020	2.00% - 5.00%	\$ 9,325,000	11/15/2035	9,310,000
Series of 2021	0.25% - 2.20%	\$25,250,000	08/15/2045	25,245,000
Series of 2021A	5.00%	\$ 5,395,000	08/15/2027	4,530,000
Series of 2022	2.00% - 5.00%	\$ 9,130,000	11/15/2035	9,125,000
Series of 2022A	2.00% - 4.00%	\$18,990,000	11/15/2045	18,985,000
Series of 2023	4.00% - 5.00%	\$23,410,000	11/15/2052	23,410,000
Total general obligation bonds				<u>\$249,530,000</u>

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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>
2024	\$ 12,100,000	\$ 7,986,427	\$ 20,086,427
2025	9,400,000	7,496,555	16,896,555
2026	9,810,000	7,100,070	16,910,070
2027	10,210,000	6,684,450	16,894,450
2028	10,605,000	6,267,375	16,872,375
2029-2033	47,755,000	26,614,823	74,369,823
2034-2038	55,270,000	19,171,666	74,441,666
2039-2043	46,970,000	10,698,743	57,668,743
2044-2048	30,115,000	5,361,317	35,476,317
2049-2053	<u>17,295,000</u>	<u>1,784,900</u>	<u>19,079,900</u>
	<u>\$249,530,000</u>	<u>\$99,166,326</u>	<u>\$348,696,326</u>

Series of 2023 General Obligation Bonds

In March 2023, the District issued \$23,410,000 of general obligation bonds, Series of 2023, for the costs of acquiring, designing, constructing, furnishing and equipping alterations, additions and renovations and other improvements to the School District's existing school buildings and to pay for the cost of issuing the bonds.

(8) RIGHT-TO USE LEASES PAYABLE

The District entered into a long-term lease agreement as lessee for the use of a bus depot in Newtown Township. An initial lease liability was recorded in the amount of \$1,360,258. As of June 30, 2023, the carrying amount of the lease liability is \$809,021. The lease has an imputed interest rate of 0.81%. The term of the lease was 7 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2023 is \$800,152, net of accumulated amortization of \$560,106, and is included with noncurrent assets on the statement of net position (deficit).

The District entered into a long-term lease agreement as lessee for the use of a bus depot in Wrightstown Township. An initial lease liability was recorded in the amount of \$435,124. As of June 30, 2023, the carrying amount of the lease liability is \$35,431. The lease has an imputed interest rate of 0.32%. The term of the lease was 3 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2023 is \$35,280, net of accumulated amortization of \$399,844, and is included with noncurrent assets on the statement of net position (deficit).

The District entered into a long-term lease agreement as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$539,500. As of June 30, 2023, the carrying amount of the lease liability is \$217,618. The lease has an imputed interest rate of 0.60%. The copiers estimated useful life was 5 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2023 is \$215,800, net of accumulated amortization of \$323,700, and is included with noncurrent assets on the statement of net position (deficit).

The District entered into a long-term lease agreement as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$14,242. As of June 30, 2023, the carrying amount of the lease liability is \$3,077. The lease has a discount rate of 0.28%. The postage machines estimated useful life was 3 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2023 is \$2,921, net of accumulated amortization of \$11,320, and is included with noncurrent assets on the statement of net position (deficit).

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Year ending June 30,

2024	\$ 345,934
2025	307,393
2026	197,859
2027	197,859
2028	32,977
Less: amount representing interest	<u>(16,875)</u>
Present value of minimum lease payments	<u>\$1,065,147</u>

(9) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

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

OPEB Plan Membership

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

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

Funding Policy

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

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2023. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, and by rolling forward the liabilities from the July 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$8,893,654, all of which is unfunded. As of June 30, 2023, the OPEB liability of \$8,893,654 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, 2023 was as follows:

Balance as of July 1, 2022	<u>\$ 9,490,555</u>
Changes for the year	
Service cost	642,593
Interest on total OPEB liability	228,857
Changes in assumptions	(1,291,964)
Benefit payments	<u>(176,387)</u>
Net changes	<u>(596,901)</u>
Balance as of June 30, 2023	<u>\$ 8,893,654</u>

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$502,228. At June 30, 2023, 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	\$ 75,074	\$3,791,996
Changes in assumptions	1,173,541	1,656,977
Contributions subsequent to the measurement date	<u>192,413</u>	<u>-</u>
	<u>\$1,441,028</u>	<u>\$5,448,973</u>

\$192,413 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, 2023. 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,

2024	\$ (369,222)
2025	(369,222)
2026	(369,222)
2027	(369,222)
2028	(369,219)
Thereafter	<u>(2,354,251)</u>
	<u>\$ (4,200,358)</u>

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

The following presents the OPEB liability for June 30, 2023, 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>\$7,819,817</u>	<u>\$8,893,654</u>	<u>\$10,163,430</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 4.06%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate:

	<u>1% Decrease 3.06%</u>	<u>Current Discount Rate 4.06%</u>	<u>1% Increase 5.06%</u>
OPEB liability	<u>\$9,593,819</u>	<u>\$8,893,654</u>	<u>\$8,233,355</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2023, was determined by rolling forward the OPEB liability as of July 1, 2021 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

- Actuarial cost method – entry age normal
- Discount rate – 4.06% – Standard and Poor’s 20-year municipal bond rate. The discount rate changed from 2.28% to 4.06%.
- Salary growth – salary increases are composed of 2.50% costs of living adjustment, 1.00% for real wage growth and for teachers and administrators a merit increase which varies by age from 2.75% to 0.00%.
- Assumed healthcare cost trends – 6.50% in 2022, 6.00% in 2023 and 5.50% in 2024-2025. Rates gradually decrease from 5.40% in 2026 to 3.90% in 2075 and later.
- Mortality rates were based on the Buck Modified 2016 projection scale to reflect mortality improvement.

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, 2022, 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

For Class DC members to become eligible for health insurance premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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.

Employer Contributions

The District’s contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% 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 \$870,648 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$14,164,733 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District’s proportion was 0.7695 percent, which was a decrease of 0.0280 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net OPEB liability of \$14,164,733 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

For the year ended June 30, 2023, the District recognized OPEB expense of \$225,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 130,422	\$ 75,888
Changes in assumptions	1,572,658	3,345,387
Net difference between projected and actual investment earnings	38,529	-
Changes in proportions	24,285	783,495
Contributions subsequent to the measurement date	<u>870,648</u>	<u>-</u>
	<u>\$2,636,542</u>	<u>\$4,204,770</u>

\$870,648 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, 2024. 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,

2024	\$ (546,691)
2025	(382,243)
2026	(455,907)
2027	(501,315)
2028	<u>(552,720)</u>
	<u>\$(2,438,876)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 4.09% – Standard & Poors 20-year municipal bond rate
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Participation rate:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the year period ending June 30, 2020.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: the actual data for retirees benefiting under the OPEB plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

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

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

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.00%</u>	0.50%

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, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. 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 4.09% which represents the Standard & Poors 20-year municipal bond rate at June 30, 2022, 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, 2022, 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, 2022, 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, 2023

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$14,163,294</u>	<u>\$14,164,733</u>	<u>\$14,165,887</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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
District's proportionate share of the net OPEB liability	<u>\$16,018,612</u>	<u>\$14,164,733</u>	<u>\$12,613,429</u>

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in the PSERS Annual Comprehensive Financial Report which can be found on PSERS's website at www.psers.pa.gov.

(10) PENSION PLAN

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

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS 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 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.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1.00% 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.

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

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer Contributions

The District’s contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% 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 \$40,061,396 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$342,732,288 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS’ total pension liability as of June 30, 2021 to June 30, 2022. 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, 2023, the District’s proportion was 0.7709 percent, which was a decrease of 0.0264 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net pension liability of \$342,732,288 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, 2023, the District recognized net pension expense of \$18,884,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 155,413	\$ 2,964,357
Changes in assumptions	10,234,391	-
Net difference between projected and actual investment earnings	-	5,814,482
Changes in proportions	-	12,342,000
Contributions subsequent to the measurement date	<u>40,061,396</u>	<u>-</u>
	<u>\$50,451,200</u>	<u>\$21,120,839</u>

\$40,061,396 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, 2024. 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,

2024	\$ (3,464,794)
2025	(3,410,342)
2026	(11,972,921)
2027	<u>8,117,022</u>
	<u>\$(10,731,035)</u>

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward PSERS' total pension liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2021
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.75%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.00%	5.30%
Private equity	12.00%	8.00%
Fixed income	33.00%	2.30%
Commodities	9.00%	2.30%
Infrastructure/MLPs	9.00%	5.40%
Real estate	11.00%	4.60%
Absolute return	6.00%	3.50%
Cash	3.00%	0.50%
Leverage	<u>(11.00)%</u>	0.50%
	<u>100.00%</u>	

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2022.

Discount Rate

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

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

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

	<u>1% Decrease</u> <u>6.00%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
District's proportionate share of the net pension liability	<u>\$443,300,772</u>	<u>\$342,732,288</u>	<u>\$257,940,881</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 PSERS' website at www.psers.state.pa.us.

(11) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Middle Bucks Institute of Technology

The District and three other Bucks County school districts participate in the Middle Bucks Institute of Technology (the "**MBIT**"). The MBIT provides vocational-technical training and education to students of the participating school districts. The MBIT is controlled by a joint board comprised of representative school board members of participating school districts. District oversight of the MBIT operations is the responsibility of the joint board. The District's share of operating costs for the MBIT fluctuates based on the District's percentage of enrollment. The District share of operating costs for 2022-2023 was \$1,314,843.

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 2022-2023 was \$468,502.

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

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Year ending June 30,

2024	\$ 465,862
2025	467,576
2026	466,502
2027	467,496
2028	466,695
2029	<u>467,335</u>
	<u>\$2,801,466</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.

(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 2022-2023 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, 2023 which has historically been satisfied within 60 days after June 30.

COUNCIL ROCK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Insurance claims liability – beginning of year	\$ 2,477,984	\$ 2,020,525
Current year insurance claims and changes in estimates	24,837,600	24,518,783
Insurance claims paid	<u>(25,215,498)</u>	<u>(24,061,324)</u>
Insurance claims liability – end of year	<u>\$ 2,100,086</u>	<u>\$ 2,477,984</u>

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 25, 2024, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.

In March 2024, the District issued \$11,280,000 of general obligation bonds, Series of 2024, to be used for construction and renovations to Sol Feinstone and Richboro Elementary School, various capital improvement projects, and to pay for the cost of issuing the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

COUNCIL ROCK SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 196,590,509	\$ 196,590,509	\$ 202,736,479	\$ 6,145,970
State sources	56,828,025	56,828,025	58,547,806	1,719,781
Federal sources	4,284,000	4,284,000	5,111,960	827,960
Total revenues	<u>257,702,534</u>	<u>257,702,534</u>	<u>266,396,245</u>	<u>8,693,711</u>
EXPENDITURES				
Instruction				
Regular programs	103,745,314	104,163,830	105,898,729	(1,734,899)
Special programs	53,736,072	53,858,048	54,900,165	(1,042,117)
Vocational programs	1,932,814	1,932,814	1,783,345	149,469
Other instructional programs	1,337,269	1,300,396	1,521,470	(221,074)
Nonpublic school programs	-	-	19,278	(19,278)
Total instruction	<u>160,751,469</u>	<u>161,255,088</u>	<u>164,122,987</u>	<u>(2,867,899)</u>
Support services				
Pupil support services	8,938,557	8,865,818	8,981,264	(115,446)
Instructional staff services	7,173,588	7,206,908	7,258,613	(51,705)
Administrative services	10,896,016	11,568,885	10,763,343	805,542
Pupil health	2,859,422	2,870,966	2,879,130	(8,164)
Business services	1,672,046	1,689,284	1,647,051	42,233
Operation and maintenance of plant services	15,719,575	16,270,839	15,751,172	519,667
Student transportation services	13,760,005	13,762,462	17,667,632	(3,905,170)
Support services - central	7,455,570	7,479,587	6,969,518	510,069
Other support services	-	88,866	110,491	(21,625)
Total support services	<u>68,474,779</u>	<u>69,803,615</u>	<u>72,028,214</u>	<u>(2,224,599)</u>
Operation of non-instructional services				
Student activities	3,454,185	3,771,219	3,408,591	362,628
Community services	158,527	214,527	187,820	26,707
Total operation of noninstructional services	<u>3,612,712</u>	<u>3,985,746</u>	<u>3,596,411</u>	<u>389,335</u>
Total expenditures	<u>232,838,960</u>	<u>235,044,449</u>	<u>239,747,612</u>	<u>(4,703,163)</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>24,863,574</u>	<u>22,658,085</u>	<u>26,648,633</u>	<u>3,990,548</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior period expenditures	-	-	47,600	47,600
Refund of prior period receipts	-	-	(48,540)	(48,540)
Transfers out	(22,416,401)	(20,250,837)	(19,002,142)	1,248,695
Budgetary reserve	(1,210,000)	(1,170,075)	-	1,170,075
Total other financing sources (uses)	<u>(23,626,401)</u>	<u>(21,420,912)</u>	<u>(19,003,082)</u>	<u>2,417,830</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,237,173</u>	<u>\$ 1,237,173</u>	<u>7,645,551</u>	<u>\$ 6,408,378</u>
FUND BALANCE				
Beginning of year			19,700,822	
End of year			<u>\$ 27,346,373</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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.7709%	0.7973%	0.8105%	0.8108%	0.8162%	0.8122%	0.8268%	0.8287%	0.8376%
District's proportionate share of the net pension liability	\$ 342,732,288	\$ 327,345,308	\$ 399,082,225	\$ 379,313,386	\$ 391,816,524	\$ 401,133,000	\$ 409,736,000	\$ 358,954,000	\$ 331,529,000
District's covered payroll	\$ 113,156,210	\$ 113,059,670	\$ 113,590,163	\$ 111,823,276	\$ 109,915,506	\$ 108,138,648	\$ 107,083,635	\$ 106,627,027	\$ 106,878,148
District's proportionate share of the net pension liability as a percentage of its covered payroll	302.88%	289.53%	351.34%	339.21%	356.47%	370.94%	382.63%	336.64%	310.19%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%



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

COUNCIL ROCK SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 40,061,396	\$ 38,427,018	\$ 37,892,066	\$ 37,865,942	\$ 36,309,537	\$ 34,634,000	\$ 31,066,000	\$ 26,304,000	\$ 21,398,000	\$ 16,686,000
Contributions in relation to the contractually required contribution	<u>40,061,396</u>	<u>38,427,018</u>	<u>37,892,066</u>	<u>37,865,942</u>	<u>36,309,537</u>	<u>34,634,000</u>	<u>31,066,000</u>	<u>26,304,000</u>	<u>21,398,000</u>	<u>16,686,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 116,086,340	\$ 113,156,210	\$ 113,059,670	\$ 113,590,163	\$ 111,823,276	\$ 109,915,506	\$ 108,138,648	\$ 107,083,635	\$ 106,627,027	\$ 106,878,148
Contributions as a percentage of covered payroll	34.51%	33.96%	33.52%	33.34%	32.47%	31.51%	28.73%	24.56%	20.07%	15.61%

COUNCIL ROCK SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY						
Service cost	\$ 642,593	\$ 866,324	\$ 621,188	\$ 738,131	\$ 683,981	\$ 686,836
Interest on total OPEB liability	228,857	241,911	361,883	358,255	356,821	260,577
Differences between expected and actual experience	-	(3,271,727)	-	(1,535,415)	-	165,158
Changes of assumptions	(1,291,964)	(307,982)	1,358,633	(305,691)	10,926	326,930
Benefit payments	<u>(176,387)</u>	<u>(387,600)</u>	<u>(308,105)</u>	<u>(486,762)</u>	<u>(480,628)</u>	<u>(526,270)</u>
Net change in total OPEB liability	(596,901)	(2,859,074)	2,033,599	(1,231,482)	571,100	913,231
Total OPEB liability, beginning	<u>9,490,555</u>	<u>12,349,629</u>	<u>10,316,030</u>	<u>11,547,512</u>	<u>10,976,412</u>	<u>10,063,181</u>
Total OPEB liability, ending	<u>\$ 8,893,654</u>	<u>\$ 9,490,555</u>	<u>\$ 12,349,629</u>	<u>\$ 10,316,030</u>	<u>\$ 11,547,512</u>	<u>\$ 10,976,412</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 105,890,458	\$ 105,890,458	\$ 107,707,118	\$ 107,707,118	\$ 102,018,141	\$ 102,018,141
Net OPEB liability as a % of covered payroll	8.40%	8.96%	11.47%	9.58%	11.32%	10.76%

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

COUNCIL ROCK SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.7695%	0.7975%	0.8093%	0.8108%	0.8162%	0.8122%
District's proportionate share of the net OPEB liability	\$ 14,164,733	\$ 18,901,412	\$ 17,486,521	\$ 17,244,435	\$ 17,017,354	\$ 16,548,000
District's covered payroll	\$ 113,156,210	\$ 113,059,670	\$ 113,590,163	\$ 111,823,276	\$ 109,915,506	\$ 108,138,648
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.52%	16.72%	15.39%	15.42%	15.00%	15.00%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	6.00%	6.00%

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

COUNCIL ROCK SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 870,648	\$ 898,568	\$ 928,011	\$ 952,732	\$ 928,942	\$ 911,891	\$ 898,000
Contributions in relation to the contractually required contribution	<u>\$ 870,648</u>	<u>\$ 898,568</u>	<u>\$ 928,011</u>	<u>\$ 952,732</u>	<u>\$ 928,942</u>	<u>\$ 911,891</u>	<u>\$ 898,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered payroll	\$ 116,086,400	\$ 113,156,210	\$ 113,059,670	\$ 113,590,163	\$ 111,823,276	\$ 109,915,506	\$ 108,138,648
Contributions as a percentage of covered payroll	0.75%	0.79%	0.82%	0.84%	0.83%	0.83%	0.83%

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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, 2023 with summarized comparative totals for 2022

	<u>Debt Service Fund</u>	<u>Student Sponsored Activity Fund</u>	<u>Totals</u>	
			<u>2023</u>	<u>2022</u>
ASSETS				
Cash	\$ 2,551,138	\$ 351,003	\$ 2,902,141	\$ 3,111,442
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 39
FUND BALANCES				
Restricted for debt service	2,551,138	-	2,551,138	2,758,894
Restricted for student activities	-	351,003	351,003	352,509
Total fund balances	<u>2,551,138</u>	<u>351,003</u>	<u>2,902,141</u>	<u>3,111,403</u>
Total liabilities and fund balances	<u>\$ 2,551,138</u>	<u>\$ 351,003</u>	<u>\$ 2,902,141</u>	<u>\$ 3,111,442</u>

See accompanying notes

COUNCIL ROCK SCHOOL DISTRICT

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

Year ended June 30, 2023 with summarized comparative totals for 2022

	Debt Service Fund	Student Sponsored Activity Fund	Totals	
			2023	2022
REVENUES				
Local sources	\$ 25	\$ 527,872	\$ 527,897	\$ 479,661
EXPENDITURES				
Support services	-	-	-	75,380
Operation of noninstructional services	-	529,378	529,378	409,785
Debt service	18,974,182	-	18,974,182	18,392,860
Total expenditures	<u>18,974,182</u>	<u>529,378</u>	<u>19,503,560</u>	<u>18,878,025</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(18,974,157)</u>	<u>(1,506)</u>	<u>(18,975,663)</u>	<u>(18,398,364)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt - refunding	-	-	-	9,038,700
Payment of debt - refunding	-	-	-	(9,411,700)
Bond premiums	-	-	-	453,357
Transfers in	18,766,401	-	18,766,401	18,766,401
Total other financing sources (uses)	<u>18,766,401</u>	<u>-</u>	<u>18,766,401</u>	<u>18,846,758</u>
NET CHANGE IN FUND BALANCES	(207,756)	(1,506)	(209,262)	448,394
FUND BALANCES				
Beginning of year	2,758,894	352,509	3,111,403	2,663,009
End of year	<u>\$ 2,551,138</u>	<u>\$ 351,003</u>	<u>\$ 2,902,141</u>	<u>\$ 3,111,403</u>

See accompanying notes

SINGLE AUDIT

COUNCIL ROCK SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023	Passed Through to Subrecipients	
U.S. Department of Education												
Passed-Through the Pennsylvania Department of Education												
Title I - Improving Basic Programs	I	84.010	013-220105	07/01/21 - 09/30/22	\$ 338,280	\$ 90,177	\$ 26,056	\$ 64,121	\$ 64,121	\$ -	\$ -	
Title I - Improving Basic Programs	I	84.010	013-230105	07/01/22 - 09/30/23	310,851	311,770	-	275,662	275,662	(36,108)	-	
Total ALN #84.010						401,947	26,056	339,783	339,783	(36,108)	-	
Title II - Improving Teacher Quality	I	84.367	020-220105	07/01/21 - 09/30/22	165,854	44,231	30,737	13,494	13,494	-	-	
Title II - Improving Teacher Quality	I	84.367	020-230105	07/01/22 - 09/30/23	146,451	145,012	-	130,066	130,066	(14,946)	-	
Total ALN #84.267						189,243	30,737	143,560	143,560	(14,946)	-	
-CS- Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-220105	07/01/21 - 09/30/22	40,082	10,888	10,888	-	-	-	-	
	Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-230105	07/01/22 - 09/30/23	45,551	42,959	-	45,261	45,261	2,302	-
	Total ALN #84.365					53,847	10,888	45,261	45,261	2,302	-	
Title IV - Student Support and Academic Achievement	I	84.424	144-220105	07/01/21 - 09/30/22	22,297	7,437	248	7,189	7,189	-	-	
Title IV - Student Support and Academic Achievement	I	84.424	144-230105	07/01/22 - 09/30/23	26,406	25,154	-	24,863	24,863	(291)	-	
Total ALN #84.424						32,591	248	32,052	32,052	(291)	-	
COVID-19 Education Stabilization Fund-ESSER II	I	84.425D	200-210105	03/13/20- 09/30/23	1,094,866	483,778	356,665	127,113	127,113	-	-	
COVID-19 ARP ESSER III	I	84.425U	223-210105	03/13/20 - 09/30/24	2,214,598	644,247	(195,603)	1,082,029	1,082,029	242,179	-	
COVID-19 ARP 7%	I	84.425U	225-210105	03/13/20 - 09/30/24	172,125	68,850	21,678	87,095	87,095	39,923	-	
Total ALN #84.425						1,196,875	182,740	1,296,237	1,296,237	282,102	-	

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Passed Through to Subrecipients</u>
Passed Through the Bucks County I.U.											
I.D.E.A. - Part B, Section 619	I	84.173	131-230022	07/01/22 - 06/30/23	4,710	4,710	-	4,710	4,710	-	-
COVID-19 I.D.E.A. - Part B, Section 611 ARP	I	84.027	062-220022	07/01/22 - 06/30/23	374,657	366,475	366,475	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-230022	07/01/22 - 06/30/23	1,785,007	1,785,007	-	1,785,007	1,785,007	-	-
Total ALN #84.027						2,151,482	366,475	1,785,007	1,785,007	-	-
Total U.S. Department of Education						4,030,695	617,144	3,646,610	3,646,610	233,059	-
U.S. Department of Health and Social Services											
Drug Free Communities Support Program	D	93.276	5H79SP015667-03	09/30/21 - 09/29/22	125,000	-	(11,161)	-	-	(11,161)	-
Passed Through the Bucks County I.U.											
Medical Assistance Program	I	93.778	N/A	07/01/21 - 06/30/22	N/A	35,119	35,119	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/22 - 06/30/23	N/A	11,601	-	38,702	38,702	27,101	-
Total ALN #93.778						46,720	35,119	38,702	38,702	27,101	-
Total U.S. Department of Health and Human Services						46,720	35,119	38,702	38,702	15,940	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
School Lunch Program	S	N/A	N/A	07/01/21 - 06/30/22	N/A	3,335	3,335	-	-	-	-
School Lunch Program	S	N/A	N/A	07/01/22 - 06/30/23	N/A	300,204	-	300,204	300,204	-	-
Total School Lunch Program						303,539	3,335	300,204	300,204	-	-
School Breakfast Program	I	10.553	N/A	07/01/22 - 06/30/23	N/A	140,175	-	140,175	140,175	-	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/22 - 06/30/23	N/A	628	-	628	628	-	-
Supply Chain Assistance	I	10.555	N/A	07/01/22 - 06/30/23	N/A	177,464	-	177,464	177,464	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	152,109	152,109	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	649,133	-	649,133	649,133	-	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued Revenue July 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued Revenue June 30, 2023</u>	<u>Through to Subrecipients</u>
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	158,519 a)	(34,906) b)	193,425 c)	193,425	- d)	-
Total ALN #10.555						1,137,225	117,203	1,020,022	1,020,022	-	-
Total U.S. Department of Agriculture						1,578,232	117,203	1,461,029	1,461,029	-	-
Total Federal Awards and Certain State Grants						\$ 5,655,647	\$ 758,305	\$ 5,146,341	\$ 5,146,341	\$ 237,838	\$ -
Total Federal Awards						\$ 5,352,108	\$ 754,970	\$ 4,846,137	\$ 4,846,137	\$ 237,838	\$ -
Total State Awards						303,539	3,335	300,204	300,204	-	-
Total Federal Awards and Certain State Grants						\$ 5,655,647	\$ 758,305	\$ 5,146,341	\$ 5,146,341	\$ 237,838	\$ -
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						\$ 2,156,192	\$ 366,475	\$ 1,789,717	\$ 1,789,717	\$ -	\$ -
Child Nutrition Cluster (ALN's #10.553 and #10.555)						\$ 1,277,400	\$ 117,203	\$ 1,160,197	\$ 1,160,197	\$ -	\$ -

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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, 2023

(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 2022-2023 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, 2023 was \$1,297,948.

(5) ALTERNATIVE FUEL CREDIT

The District participates in a program that promotes the use of alternative fuels. Credits are considered federal source revenues but are not considered federal financial assistance. The amount of alternative fuel credits recognized for the year ended June 30, 2023 was \$128,700.

(6) 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, 2023.

COUNCIL ROCK SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2023

There were no audit findings for the year ended June 30, 2022.



**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, 2023, and the related notes to the financial statements, which collectively comprise Council Rock School District's basic financial statements, and have issued our report thereon dated March 25, 2024.

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 or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
March 25, 2024**



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Council Rock School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Council Rock School District's major federal programs for the year ended June 30, 2023. Council Rock School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Council Rock School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

BBD, LLP

**Philadelphia, Pennsylvania
March 25, 2024**

COUNCIL ROCK SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

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:
 - Special Education Cluster:
 - Special Education – Grants to States (IDEA, Part B) – Assistance Listing #84.027
 - Special Education – Preschool Grants (IDEA Preschool) – Assistance Listing #84.173

 - Education Stabilization Fund – Assistance Listing #84.425
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Council Rock School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None