

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 15, 2025

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P: “AA-” (Stable Outlook)” Underlying
(See “RATING” herein)

In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and, as to applicable corporations (as defined in Section 59(k) of the Code (as defined below)); however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for tax years beginning after December 31, 2022. This opinion of Bond Counsel is subject to continuing compliance by the School District with its covenants in the Resolution (as defined below) and other documents to comply with requirements of the Code, as amended, and applicable regulations thereunder.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania (the “Commonwealth”) as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

\$50,000,000*
Cornwall-Lebanon School District
(Lebanon County, Pennsylvania)
General Obligation Bonds, Series of 2025

Bonds Dated: Date of Delivery
Interest Due: February 15 and August 15

Principal Due: February 15
First Interest Payment: August 15, 2025

The Bonds described herein consist of \$50,000,000* aggregate principal amount General Obligation Bonds, Series of 2025 (the “Bonds”). The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership of the Bonds may be acquired in authorized denominations only under the book-entry only system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the Cornwall-Lebanon School District, located in Lebanon County, Pennsylvania (the “School District”), payable from its tax and other general revenues. The School District has covenanted, in a resolution adopted by the Board of School Directors of the School District on March 17, 2025 (the “Resolution”) authorizing the Bonds, that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its legally available revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment, the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy an annual ad valorem tax on all taxable real property within the School District, within the limits provided by law. (See “SECURITY FOR THE BONDS” and “TAXING POWERS OF THE SCHOOL DISTRICT” *infra*).

Interest on each of the Bonds is payable initially on August 15, 2025, and thereafter semiannually on August 15 and February 15 of each year, until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity and has been duly called for redemption, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed Fulton Bank, N.A. (the “Paying Agent”), as paying agent and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the book-entry only system for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its designated corporate trust office (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check made out and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See “THE BONDS,” *infra*).

The Bonds are subject to optional redemption and mandatory redemption prior to maturity as more fully described herein.

The proceeds of the Bonds will be applied toward design and construction of improvements to Cedar Crest High School and other school facilities (collectively, the “Capital Project”) and the payment of related costs and expenses, including the costs and expenses of issuing the Bonds.

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

MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS
See Inside Front Cover

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Mette, Evans & Woodside, of Harrisburg, Pennsylvania, Bond Counsel to the School District, to be furnished upon delivery of the Bonds. Certain matters will be passed upon for the School District by Barley Snyder, of Lebanon, Pennsylvania, School District Solicitor. Certain other matters will be passed upon for the Underwriter by Stevens & Lee, P.C., of Reading, Pennsylvania, as Limited Scope Underwriter’s Counsel. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, will serve as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC, on or about May __, 2025.

RAYMOND JAMES®

Dated: _____

*Estimated, subject to change.

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

\$50,000,000*
Cornwall-Lebanon School District
(Lebanon County, Pennsylvania)
General Obligation Bonds, Series of 2025

Bonds Dated: Date of Delivery
Interest Due: February 15 and August 15

Principal Due: February 15
First Interest Payment: August 15, 2025

Year of Maturity (February 15)	Principal Maturity Amount	Interest Rate	Initial Offering Yields	CUSIP No.⁽¹⁾
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				
2052				
2053				
2054				
2055				

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

*Estimated, subject to change.

Cornwall-Lebanon School District

(Lebanon County, Pennsylvania)

BOARD OF SCHOOL DIRECTORS

Ruth Ann Schlegel	President
Joel W. Zug.....	Vice President
Kyle M. Bensing.	Member
Diana E. Carpenter.....	Member
Susan A. Dieffenbach.....	Member
Jane L. Owsiak.....	Member
Jeffrey J. Snyder.....	Member
Christian M. Thomas.....	Member
Dr. Susan M. Weiss.....	Member

SUPERINTENDENT
PHILIP L. DOMENCIC, ED.D.

DIRECTOR OF BUSINESS AFFAIRS
JEAN L. HENTZ

SOLICITOR
BARLEY SNYDER
Lebanon, Pennsylvania

BOND COUNSEL
METTE, EVANS & WOODSIDE
Harrisburg, Pennsylvania

FINANCIAL ADVISOR
PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

PAYING AGENT
FULTON BANK, N.A.
Lancaster, Pennsylvania

UNDERWRITER
RAYMOND JAMES & ASSOCIATES, INC.
Lancaster, Pennsylvania

LIMITED SCOPE UNDERWRITER'S COUNSEL
STEVENS & LEE, P.C.
Reading, Pennsylvania

SCHOOL DISTRICT ADDRESS
105 East Evergreen Road
Lebanon, Pennsylvania 17042

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS PRELIMINARY OFFICIAL STATEMENT: THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS PRELIMINARY OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS OR THE RESOLUTION IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF CERTAIN STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS PRELIMINARY OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

TABLE OF CONTENTS

TABLE OF CONTENTS		Page	
INTRODUCTION	1	Pension Program	22
		Other Post-Employment Benefits	23
PURPOSE OF THE ISSUE	1	LITIGATION	23
THE BONDS	2	DEFAULTS AND REMEDIES	23
Description	2	TAX MATTERS	23
Payment of Principal and Interest	2	Federal	23
Transfer, Exchange and Registration of Bonds	2	Pennsylvania	24
SECURITY FOR THE BONDS	3	Other	24
Pledge of the School District’s Full Faith, Credit and Taxing Power	3	BONDHOLDER CONSIDERATIONS	24
Commonwealth Enforcement of Debt Service Payments	3	Cybersecurity	24
Pennsylvania Budget Adoption	3	Climate Change	25
Act 85 of 2016	4	Risk of Audit by Internal Revenue Service	25
Sinking Fund	4	CONTINUING DISCLOSURE UNDERTAKING	25
BOOK-ENTRY ONLY SYSTEM	5	RATING	26
REDEMPTION OF BONDS	6	UNDERWRITING	26
Mandatory Redemption	6	LEGAL OPINIONS	26
Optional Redemption	6	FINANCIAL ADVISOR	26
Notice of Redemption	6	MISCELLANEOUS	27
Manner of Redemption	7	APPENDIX A – DEMOGRAPHIC AND ECONOMIC INFORMATION RELATING TO THE CORNWALL-LEBANON SCHOOL DISTRICT	
THE SCHOOL DISTRICT	7	Population	1
Introduction	7	Employment	2
Administration	7	Income	3
School Facilities	8	Commercial Activity	4
Enrollment Trends	8	Medical Facilities	4
SCHOOL DISTRICT FINANCES	8	Educational Institutions	4
Introduction	8	Transportation	4
Financial Reporting	8	Utilities	4
Budgeting Process in School Districts under the Taxpayer Relief Act (Act 1)	9	APPENDIX B - FORM OF BOND COUNSEL OPINION	
Summary and Discussion of Financial Results	10	APPENDIX C - AUDITED FINANCIAL STATEMENTS	
Revenue	12	APPENDIX D - CONTINUING DISCLOSURE CERTIFICATE	
TAXING POWERS OF THE SCHOOL DISTRICT	13		
Act 130 of 2008	14		
Act 48 of 2003	14		
Tax Levy Trends	15		
Real Property Tax	15		
Other Taxes	17		
COMMONWEALTH AID TO SCHOOL DISTRICTS	18		
DEBT AND DEBT LIMITS	19		
Debt Statement	19		
Debt Limit and Remaining Borrowing Capacity	20		
Debt Service Requirements	20		
Future Financing	22		
LABOR RELATIONS	22		
School District Employees	22		

PRELIMINARY OFFICIAL STATEMENT

\$50,000,000*

**Cornwall-Lebanon School District
(Lebanon County, Pennsylvania)
General Obligation Bonds, Series of 2025**

INTRODUCTION

This Preliminary Official Statement, including the cover page hereof and Appendices hereto, is furnished by Cornwall-Lebanon School District, located in Lebanon County, Pennsylvania (the "School District"), in connection with the offering of its \$50,000,000* aggregate principal amount of General Obligation Bonds, Series of 2025 (the "Bonds"), to be dated as of the date of initial delivery to the Underwriter (the "Date of Delivery"), which is expected to be on or about May __, 2025. The Bonds are being issued pursuant to a resolution of the Board of School Directors of the School District adopted on March 17, 2025 (the "Resolution"), and pursuant to the Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (the "Act"), of the Commonwealth of Pennsylvania (the "Commonwealth").

PURPOSE OF THE ISSUE

The proceeds of the Bonds will be applied toward design and construction of improvements to Cedar Crest High School and other school facilities (collectively, the "Capital Project") and the payment of related costs and expenses, including the costs and expenses of issuing the Bonds.

Estimated Sources and Uses of the Bonds

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

	<u>Total</u>
<u>SOURCE OF FUNDS</u>	
Par Amount.....	
Net Original Issue (Discount) / Premium.....	
Total Source of Funds	
<u>USE OF FUNDS</u>	
Deposit to Construction Fund	
Cost of Issuance ⁽¹⁾	
Total Use of Funds	

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

*Estimated, subject to change.

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 principal amount and integral multiples thereof, will be dated as of the Date of Delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Preliminary Official Statement. Interest on each of the Bonds will be payable initially on August 15, 2025, and thereafter semiannually on August 15 and February 15 in each year, until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity and has been duly called for redemption, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See "BOOK – ENTRY ONLY SYSTEM" herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC, and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to Fulton Bank, N.A. (the "Paying Agent"), acting as paying agent and sinking fund depository for the Bonds, at its specified corporate trust office, presently its corporate trust office located in Lancaster, Pennsylvania, or at any other of its offices as the Paying Agent may designate (or to any successor paying agent at its designated office(s)).

Interest on certificated Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding August 15, 2025, in which event such Bond shall bear interest from the Date of Delivery, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each certificated Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

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

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under "Book-Entry Only System," Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same series, maturity and interest rate.

SECURITY FOR THE BONDS

Pledge of the School District's Full Faith, Credit and Taxing Power

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from the Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy an annual ad valorem tax on all taxable real property within the School District, within the limits provided by law. (See "SCHOOL DISTRICT FINANCES" and "TAXING POWERS OF THE SCHOOL DISTRICT" herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see "DEFAULTS AND REMEDIES" herein), and the Pennsylvania Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "Commonwealth Enforcement of Debt Service Payments" below).

Commonwealth Enforcement of Debt Service Payments

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

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

Pennsylvania Budget Adoption

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

The Governor timely signed the state's 2021-2022 fiscal year budget on June 30, 2021. That budget included an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that included some in both urban and rural areas of the Commonwealth. Special education received a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs received a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reached a record high of \$13.55 billion in the 2021-2022 budget.

After a week's delay and intense negotiations, a \$42.7 billion budget for the state's 2022-2023 fiscal year was signed by then Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement school districts with a higher at risk student population. The total amount was a \$525 million increase over the 2021-2022 fiscal year appropriation.

After over a month delay, a \$44.9 billion budget for the state's 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which included \$7.87 billion for the basic education funding appropriation. The total amount was a \$567 million increase over the 2022-2023 fiscal year appropriation. The budget also provided \$50 million in additional aid to school districts for special education services for a total of \$1.4 billion. Certain funds authorized within the 2023-24 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023, multiple code bills were passed finalizing the 2023-24 budget for education.

Governor Josh Shapiro signed the Commonwealth's budget for the 2024-25 fiscal year 11 days late on July 11, 2024. The \$47.6 billion budget includes \$8.097 billion for the basic education funding appropriation. The total amount is a \$225 million increase over the 2023-2024 fiscal year appropriation. The budget also provides \$100 million in additional aid to school districts for special education services for a total of \$1.487 billion and \$100 million for cyber charter school tuition reimbursement. 348 school districts (including the School District) will receive additional funding totaling

\$493.8 million under a new Adequacy Supplement. 182 school districts will receive an additional \$60 million in total of Hold Harmless Relief Supplement as a component of their basic education funding.

During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the School Code during any future budget impasses. See “Act 85 of 2016” hereinafter.

Act 85 of 2016

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

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

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

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

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

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

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

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

Sinking Fund

A sinking fund for the payment of debt service on the Bonds, designated “Sinking Fund, General Obligation Bonds, Series of 2025” has been created under the Resolution and will be maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

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

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

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

REDEMPTION OF BONDS

Mandatory Redemption

The Bonds stated to mature on February 15, ___, are subject to redemption prior to maturity as described in the Resolution, in the amounts and on February 15 of the years shown below, from moneys in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount being redeemed, together with interest accrued to the date fixed for redemption.

Bonds stated to mature February 15, _____:

*Final Maturity

Any such redemption shall be upon application of money available for the purpose in the Mandatory Sinking created under the Resolution. In lieu of mandatory redemption, the School District or the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds of the appropriate maturity subject to being drawn for mandatory redemption on any such date.

If any maturity of the Bonds that is subject to mandatory sinking fund redemption shall be called for optional redemption in part, the School District shall be entitled to designate whether the principal amount redeemed is to be credited against the principal amount of the Bonds of such maturity required to be called for mandatory sinking fund redemption on any particular future date or dates or shall be credited against the principal amount of such Bonds to be due and payable at maturity, in each case in multiples of \$5,000 principal amount.

Optional Redemption

The Bonds stated to mature on or after February 15, ___, are subject to redemption prior to maturity, at the option of the School District, as a whole or, from time to time, in part, on _____, _____, or on any date thereafter, upon payment of a redemption price of 100% of the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption. If less than all Bonds of a maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be selected in the manner described under “**Manner of Redemption**” below.

Notice of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See “BOOK-ENTRY ONLY SYSTEM” herein for further information regarding conveyance of notices to Beneficial Owners.

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books kept by the Paying Agent as of the day such Bonds are selected for redemption; provided, however, that failure to give such notice by mail, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the redemption price being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect thereto, except to receive payment of the redemption price thereof.

If at the time of mailing of a notice of redemption, the School District shall not have deposited with the Paying Agent, as sinking fund depositary, money sufficient to redeem all Bonds called for redemption, the notice of redemption may state that it is conditional, *i.e.*, that it is subject to the deposit of sufficient redemption money with the Paying Agent not later than the redemption date, and such notice shall be of no effect unless such money is so deposited. If the Bonds to be called for redemption shall have been refunded, money sufficient to redeem such Bonds shall be deemed to be on deposit with the Paying Agent, and the notice of redemption need not state that it is conditional if the redemption money has been deposited irrevocably with another bank or bank and trust company, which shall have been given irrevocable instructions to transfer the same to the Paying Agent not later than the redemption date.

Manner of Redemption

If a Bond is of a denomination larger than \$5,000 principal amount, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of the same series and maturity and of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all of the Bonds of any particular maturity of any series are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds of such maturity and series to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "Book-Entry Only System" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.

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

THE SCHOOL DISTRICT

Introduction

The School District is located in the south-central portion of Lebanon County and encompasses an area of 70 square miles. The School District is located approximately 30 miles west of the City of Reading, 25 miles east of Harrisburg, 20 miles north of the City of Lancaster, and 15 miles east of Hershey. The School District is comprised of the boroughs of Cornwall and Mt. Gretna and the townships of North Cornwall, North Lebanon, South Lebanon and West Cornwall.

Administration

The School District is governed by a nine-member Board of School Directors (the "School Board") elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Director of Business Affairs is responsible for budget, financial and non-instructional aspects of operations. Both officials are appointed by the Board of School Directors.

School Facilities

The School District presently operates four elementary schools, one middle school and one high school, all as described in the following table.

**TABLE 1
CORNWALL-LEBANON SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date	Grades	Rated Pupil Capacity	2024-25 Enrollment
<i>Elementary:</i>					
Cornwall	1929	2001	K-5	575	540
Ebenezer	1996	---	K-5	850	501
South Lebanon	1957	2005	K-5	600	553
Union Canal	1990	1995, 2018	K-5	600	379
Elementary Virtual	n/a	n/a	K-5	n/a	11
<i>Secondary:</i>					
Cedar Crest Middle School	1969	1997	6-8	1,372	1,205
Cedar Crest High School	1964	1997	9-12	1,690	1,577
Secondary Virtual	n/a	n/a	6-12	n/a	99

Source: School District officials.

Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollment for the next 5 years, as prepared by the School District's administrative officials.

**TABLE 2
CORNWALL-LEBANON SCHOOL DISTRICT
ENROLLMENT TRENDS**

Actual Enrollments				Projected Enrollments			
<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2020-21	2,098	2,771	4,869	2025-26	2,056	2,979	5,035
2021-22	2,122	2,818	4,940	2026-27	2,109	2,943	5,052
2022-23	2,068	2,921	4,989	2027-28	2,130	2,886	5,016
2023-24	2,010	2,891	4,901	2028-29	2,007	2,825	4,832
2024-25	1,984	2,899	4,883	2029-30	1,905	2,715	4,620

Source: School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Director of Business Affairs and submitted to the School Board for approval prior to the beginning of the fiscal year.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally, including the reclassification or elimination of internal activity (between or within funds).

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll, taxes and pension fund contributions payable, delinquent taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. Smith, Elliott and Kearns & Company, LLC, Carlisle, serves as the School District's auditor.

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

Budgeting Process in School Districts under the Taxpayer Relief Act (Act 1)

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

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

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

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

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

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

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

Summary and Discussion of Financial Results

A summary of the School District's General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4 which follow. Tables 4 and 5 show audited revenues and expenditures for the past 5 years and the Budget for 2024-25. The Budget for 2024-25, as adopted June 17, 2024, is budgeting revenue of \$102,936,749 and expenditures of \$103,478,349 including a budgetary reserve of \$2,526,050.

TABLE 3
CORNWALL-LEBANON SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
BALANCE SHEET
(Years Ending June 30)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
ASSETS					
Cash and Cash Equivalents	\$16,475,075	\$17,091,872	\$24,990,496	\$28,384,786	\$29,276,795
Investments	0	1,972	342	4,908,299	5,392,314
Taxes Receivable (Net)	1,883,049	2,307,066	2,071,796	1,980,340	2,220,663
Due from Other Funds	143,959	945,333	168,854	816,158	319,293
Due from Other Governments	100	101,925	237,338	271,946	256,415
State Revenue Receivable	2,841,162	2,983,288	3,036,529	2,886,206	3,203,849
Federal Revenue Receivable	192,364	3,229,501	2,371,153	663,854	401,207
Other Receivables	70,901	38,421	89,831	27,073	42,110
Inventories	134,813	169,660	152,512	171,062	156,232
Prepaid Expenses	11,635	10,704	144,907	79,253	183,631
TOTAL ASSETS	<u>\$21,753,058</u>	<u>\$26,879,742</u>	<u>\$33,263,758</u>	<u>\$40,188,977</u>	<u>\$41,452,509</u>
LIABILITIES					
Accounts Payable	\$1,029,940	\$665,226	\$1,020,074	\$705,339	\$862,084
Due to Other Funds	2,104,466	1,118,639	1,553,085	9,815,734	548
Accrued Salaries and Benefits	3,589,221	3,543,751	3,558,350	3,560,514	3,658,779
Payroll Deductions and Withholdings ..	5,336,943	5,523,076	5,686,984	5,294,995	5,302,237
Unearned Revenue	79,234	167,061	116,642	51,142	837,594
Other	0	27	311	25	20
TOTAL LIABILITIES	<u>\$12,139,804</u>	<u>\$11,017,780</u>	<u>\$11,935,446</u>	<u>\$19,427,749</u>	<u>\$10,661,262</u>
Deferred Inflows of Resources	\$580,865	\$671,362	\$743,540	\$472,426	\$0
FUND EQUITIES					
Non-spendable Fund Balance	\$146,448	\$180,364	\$297,419	\$250,315	\$339,845
Restricted Fund Balance	0	167,608	156,266	152,395	152,740
Assigned Fund Balance	2,816,060	7,909,524	13,093,000	13,249,657	22,368,657
Unassigned Fund Balance	6,069,881	6,933,104	7,038,087	6,636,435	7,929,987
TOTAL FUND EQUITIES	<u>\$9,032,389</u>	<u>\$15,190,600</u>	<u>\$20,584,772</u>	<u>\$20,288,802</u>	<u>\$30,791,229</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$21,753,058</u>	<u>\$26,879,742</u>	<u>\$33,263,758</u>	<u>\$40,188,977</u>	<u>\$41,452,491</u>

Source: School District Annual Financial Reports.

TABLE 4
CORNWALL-LEBANON SCHOOL DISTRICT
SUMMARY OF CHANGES IN FUND BALANCE*
(Years Ending June 30)

	Actual					Budgeted
	2020	2021⁽¹⁾	2022	2023	2024	2025⁽²⁾
Beginning Fund Balance	\$7,225,006	\$9,507,671	\$15,190,599	\$20,584,771	\$20,288,802	\$30,791,230
Revenues over (under) Expenditure	1,807,380	5,682,928	5,394,172	(295,969)	10,502,428	(541,600)
Ending Fund Balance	<u>\$9,032,387</u>	<u>\$15,190,599</u>	<u>\$20,584,771</u>	<u>\$20,288,802</u>	<u>\$30,791,230</u>	<u>\$30,249,630</u>

*Totals may not add due to rounding.

⁽¹⁾Restatement

⁽²⁾Budget as adopted June 17, 2024.

Source: School District Annual Financial Reports and Budget.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

Revenue

The School District received \$103,564,670 in revenue in 2023-24 and budgeted revenue of \$102,936,749 in 2024-25. Local sources decreased as a share of total revenue in the past five years, from 67.9% in 2019-20 to 67.4% in 2023-24. Revenue from Commonwealth sources decreased as a share of total revenue in the past five years, from 30.5% in 2019-20 to 29.1% in 2023-24. Federal and other sources increased as a share from 1.6% to 3.5% of total revenue during this period.

TABLE 5
CORNWALL-LEBANON SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years ending June 30)

	Actual					Budgeted
REVENUE:	2020	2021	2022	2023	2024	2025 ⁽¹⁾
Local Sources.....	\$54,969,649	\$57,090,929	\$61,463,086	\$65,751,500	\$69,772,863	\$70,447,992
State Sources.....	24,970,434	25,067,365	26,764,069	28,487,367	30,188,030	31,171,757
Federal Sources.....	1,190,149	5,229,768	4,700,890	3,788,347	2,380,230	1,137,000
Other Sources.....	242,819	170,733	450,147	394,439	1,223,546	180,000
TOTAL REVENUE.....	\$81,373,051	\$87,558,795	\$93,378,192	\$98,421,653	\$103,564,670	\$102,936,749
EXPENDITURES:						
Instruction.....	\$49,738,949	\$51,455,177	\$52,899,936	\$54,602,666	\$57,474,413	\$61,662,646
Pupil Personnel.....	2,694,061	3,027,326	3,062,844	3,405,758	3,494,784	3,684,756
Instructional Staff.....	2,228,051	1,808,606	2,205,439	2,251,535	2,237,386	2,282,075
Administration.....	4,685,138	4,794,180	5,283,368	5,011,614	5,354,511	5,458,114
Pupil Health.....	1,242,955	1,336,202	1,416,464	1,443,204	1,474,941	1,597,198
Business.....	805,493	828,858	915,573	908,841	1,007,303	1,174,991
Operation and Maintenance.....	5,648,877	6,148,651	6,795,340	7,047,052	8,057,652	8,241,065
Student Transportation.....	2,890,118	3,221,568	3,424,174	4,094,874	4,573,038	4,687,979
Central.....	1,326,186	1,299,871	1,396,037	1,693,071	1,751,531	2,294,325
Other Support Services.....	36,862	37,123	36,799	52,753	62,463	59,000
Operation of Non-instructional Services.....	1,400,222	1,408,277	1,703,507	1,969,367	2,006,484	1,681,881
Facs., Acq., Constr. & Improvement.....	0	0	121,459	135,840	0	0
Debt Service.....	5,127,544	5,013,794	5,270,792	5,425,756	5,021,390	4,877,034
Refund Prior Years Expenditures.....	0	0	0	0	0	0
Fund Transfers.....	1,741,217	1,496,233	3,452,288	10,675,290	546,345	325,123
Budgetary Reserve.....	0	0	0	0	0	2,526,050
TOTAL EXPENDITURES.....	\$79,565,671	\$81,875,867	\$87,984,019	\$98,717,622	\$93,062,242	\$103,478,349
SURPLUS (DEFICIT)						
REVENUES OVER EXPENDITURES.....	\$1,807,380	\$5,682,928	\$5,394,172	(\$295,969)	\$10,502,428	(\$541,600)

*Totals may not add due to rounding.

⁽¹⁾Budget as adopted June 17, 2024.

Source: School District Annual Financial Reports and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

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

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year. Additionally, in accordance with Act 6 of 2106, wages or compensation paid to individuals in active military service is not “earned income” for purposes of local income taxes levied and collected after December 30, 2015.

The Taxpayer Relief Act (Act 1)

Under the Taxpayer Tax Relief Act a school district may not levy any new tax for the support of the public schools or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

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

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

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

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

Fiscal Year (ending June 30)	Applicable Index %
2021-22	3.8%
2022-23	4.3%
2023-24	5.1%
2024-25	6.7%
2025-26	5.0%

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

A board of school directors may submit, but is not required to submit, a referendum question to the voters at a municipal election seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The information set forth above is a summary of the Taxpayer Relief Act. This summary is not intended to be an exhaustive discussion of the provisions of the Taxpayer Relief Act nor a legal interpretation of any provision of the Taxpayer Relief Act and a prospective purchaser of the Bonds should review the full text of the Taxpayer Relief Act as a part of any decision to purchase the Bonds.

Act 1 also provides for gaming revenues received by the Commonwealth to be accumulated in the Property Tax Relief Reserve Fund (“Fund”). When the Fund has sufficient monies according to a formula, the Secretary of the Commonwealth announces that funds are available for distribution to school districts. The monies received by school districts from the Fund may only be used to provide a reduction in real estate taxes to qualified homestead/farmstead properties. To qualify for a homestead and/or farmstead tax reduction, the property must be owner-occupied and used for residential purposes. The monies received by the local school district from the Fund are offset on a dollar for dollar basis by reductions in the local real estate tax payments from owners of qualified homestead and farmstead properties.

Status of the Bonds under the Taxpayer Relief Act

The Bonds described in this Preliminary Official Statement are not expected to be eligible for an exception to the Index limits of Act 1.

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District does not currently levy an Occupation Tax.

Act 48 of 2003

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures:</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total budgeted Expenditures⁽¹⁾</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

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

⁽¹⁾Effective June 30, 2011, GASB 54 fund designations renamed.

Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, Lebanon County and the municipalities within the School District.

TABLE 6
CORNWALL-LEBANON SCHOOL DISTRICT
TAX RATES

	Real Estate (mills)	Real Estate Transfer (%)	Wage and Income (%)
2020-21	15.6367	0.50	0.50
2021-22	16.0901	0.50	0.50
2022-23	16.7095	0.50	0.50
2023-24	17.3605	0.50	0.50
2024-25	18.3859	0.50	0.50

Source: School District officials.

TABLE 7
CORNWALL-LEBANON SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value for Fiscal Year)

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
<i>School District</i>	15.6367	16.0901	16.7095	17.3605	18.3859
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Cornwall Borough.....	2.2500	2.2500	2.2500	2.2500	2.2500
Mount Gretna Borough	2.2352	2.2352	2.2352	2.2352	2.2352
North Cornwall Township	1.4000	1.4000	1.4000	1.4000	1.9000
North Lebanon Township	1.5900	1.5900	1.5900	1.5900	2.0100
South Lebanon Township	1.4800	1.4800	1.4800	1.4800	1.7800
West Cornwall Township.....	1.2500	1.2500	1.2500	1.2500	1.2500
Lebanon County	3.2925	3.2925	3.8925	4.3925	4.3925

Source: Department of Community Economic Development database.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$56,910,817 in 2023-24, approximately 55.0 percent of total revenue. The real property tax is levied on July 1 of each year. Taxpayers who remit between July 1 and August 31 receive a 2 percent discount, and those who remit between September 1 and October 31 pay at the stated amount. Thereafter, taxpayers are subject to a 10% penalty, and unpaid taxes are turned over to the Tax Claim Bureau after January 1. The School District allows installment payments for property owners with the first installment due July 31.

Under current Pennsylvania law, after a county makes a countywide revision of assessment of real property or changes its established predetermined ratio of assessed to market value of real estate for purposes of taxation, a board of school directors in a school district that levies taxes for the first time on that revised assessment or valuation shall, for the first year, reduce its tax rate, if necessary, such that the percentage increase in taxes levied for that year against existing properties is not more than the Index, as determined in accordance with the Taxpayer Relief Act, for the preceding school district fiscal year (See “**The Taxpayer Relief Act (Act 1)**” herein), notwithstanding the increased valuations of such properties under the revised assessment. For the purpose of determining the total amount of taxes to be levied in such first year, the amount to be levied on newly constructed buildings or structures or on increased valuations based on new improvements made to existing houses need not be considered. The referendum requirements of the Taxpayer Relief Act apply to increases in the tax rate above the limits described in this paragraph (See “**The Taxpayer Relief Act (Act 1)**” herein).

TABLE 8
CORNWALL-LEBANON SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value	Ratio
2019-20	\$2,701,212,674	\$3,111,760,200	115.20%
2020-21	2,852,842,902	3,156,624,801	110.65%
2021-22	2,932,027,520	3,230,392,501	110.18%
2022-23	3,340,272,720	3,360,196,000	100.60%
2023-24	3,396,358,421	3,406,320,700	100.29%

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

TABLE 9
CORNWALL-LEBANON SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2022	2022	2023	2023
	<u>Market Value</u>	<u>Assessed Value</u>	<u>Market Value</u>	<u>Assessed Value</u>
Cornwall-Lebanon School District	\$3,340,272,720	\$3,360,196,000	\$3,396,358,422	\$3,406,320,700
Cornwall Borough	462,211,377	492,335,700	474,998,472	503,976,600
Mount Gretna Borough	48,214,362	54,891,600	48,214,362	54,891,600
North Cornwall Township	786,189,797	779,607,200	816,019,689	803,100,500
North Lebanon Township	900,076,802	895,599,400	920,070,211	910,967,100
South Lebanon Township	896,731,326	880,901,200	886,800,561	873,516,000
West Cornwall Township	246,849,056	256,860,900	250,255,127	259,868,900
Lebanon County	10,563,120,468	10,618,055,045	10,724,420,738	10,730,392,705

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

TABLE 10
CORNWALL-LEBANON SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Residential	\$2,229,711,600	\$2,252,912,000	\$2,302,382,800	\$2,360,853,799	\$2,393,177,000
Lots	16,795,300	17,861,900	16,738,900	14,803,400	14,056,400
Industrial	96,106,400	96,749,200	96,098,000	98,231,900	98,576,300
Commercial	567,166,300	586,548,900	611,114,300	686,283,500	698,686,900
Agriculture	132,976,500	133,399,900	134,802,700	136,187,000	137,596,700
Land/Misc	7,161,600	7,139,800	6,330,000	6,081,300	6,235,100
Minerals	0	0	0	0	0
Trailers	46,918,700	47,089,301	47,932,901	48,322,201	48,559,400
Seasonal	14,923,800	14,923,800	14,992,900	9,432,900	9,432,900
Totals	<u>\$3,111,760,200</u>	<u>\$3,156,624,801</u>	<u>\$3,230,392,501</u>	<u>\$3,360,196,000</u>	<u>\$3,406,320,700</u>

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

**TABLE 11
CORNWALL-LEBANON SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

<u>Year</u>	<u>Adjusted Levy⁽¹⁾</u>	<u>Current Collections Amount</u>	<u>Current Year Collections as Percent</u>	<u>Total Collections Amount⁽²⁾</u>	<u>Total Collections as Percent</u>
2019-20	\$47,406,723	\$46,168,889	97.39%	\$46,784,882	98.69%
2020-21	48,567,630	47,565,241	97.94%	48,199,821	99.24%
2021-22	51,246,626	50,196,595	97.95%	50,756,397	99.04%
2022-23	54,707,734	53,507,807	97.81%	53,996,750	98.70%
2023-24	58,113,755	56,910,817	97.93%	57,301,699	98.60%

⁽¹⁾Flat billing plus additions less exonerations.

⁽²⁾Includes delinquent realty taxes collected only.

Source: School District officials.

The ten largest real property taxpayers, together with 2024-25 assessed values are shown on Table 12. The aggregate assessed value of these ten taxpayers totals approximately 6.4 percent of total assessed value. The total assessed value for Cornwall-Lebanon School District for the 2023-24 year was \$3,406,320,700.

**TABLE 12
CORNWALL-LEBANON SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

<u>Owner</u>	<u>2024-25 Assessed Value</u>
CPUS Lebanon LP	\$30,509,400 ⁽¹⁾
Heilmandale Road Owner LLC - <i>Walmart</i>	30,188,500
Lebanon Plaza Mall	24,759,100
Cornwall Manor	21,496,700
Cornwall Manor " <i>The Woods</i> "	21,354,100
OAL Realty LP - <i>Orthopedic Associates of Lancaster</i>	19,367,600
Exel Inc	18,771,000
590 S. 5th Avenue LLC - <i>Cedar Haven Healthcare Center</i>	17,047,400
Fox Ridge Homes LP	16,650,000
Helix Ironwood - <i>Ironwood Generating Station</i>	16,500,000
Total	\$216,643,800

⁽¹⁾LERTA – Year 3 of 5 (50% reduction on improvements – full assessed value is \$65,770,100)

Source: School District officials.

Other Taxes

Under Act 511, the School District collected \$7,228,365 in other taxes in 2023-24. Among the taxes authorized by Act 511, the Per Capita Tax, Earned Income Tax, and Real Estate Transfer Tax have been levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$40,756,301.

Earned Income Tax. A tax of one-half percent is levied on the earned income of residents. In 2023-24 the collected portion of this tax yielded \$6,145,204 or 5.9% of the School District's total revenue.

Real Estate Transfer. A tax of one-half percent of the value of real estate transfers yielded \$1,083,161 in 2023-24, or 1.0% of the School District's total revenue.

COMMONWEALTH AID TO SCHOOL DISTRICTS

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

The largest subsidy, the basic instructional subsidy, is allocated to school districts based on a number of factors. A portion of this subsidy is allocated based on a combination of the following factors: 1) student counts, 2) poverty, 3) English language learners, 4) charter school enrollment, 5) sparsity/size adjustment, 6) local wealth, 7) local tax effort, and 8) local tax capacity. School Districts may also receive subsidies for special education, pupil transportation, vocational education, health services and debt service.

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the “Reimbursable Percentage” assigned to the Bonds by the PDE and the School District’s permanent Capital Account Reimbursement Fraction (“CARF”) currently, 35.86%, or the wealth based Market Value Aid Ratio (“MVAR”) currently 48.12%, whichever is higher. The Reimbursable Percentage is determined through a process known as the “Planning and Construction Workbook” or “PlanCon”.

The School District estimates the 2025 bonds will not be subject to reimbursement by the Commonwealth.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 (“Act 25”), which contains authorization for the Commonwealth Finance Authority (“CFA”) to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and most recently became indefinite with the adoption of Act No. 33 of 2023 on December 13, 2023.

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

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

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

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the Cornwall-Lebanon School District as of April 1, 2025, including the issuance of the Bonds.

TABLE 13

CORNWALL-LEBANON SCHOOL DISTRICT DEBT STATEMENT (As of April 1, 2025)*

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2025 (last maturity 2055).....	\$50,000,000
General Obligation Bonds, Series of 2024 (last maturity 2054).....	14,995,000
General Obligation Bonds, Series of 2023 (last maturity 2053).....	14,970,000
General Obligation Bonds, Series of 2017 (last maturity 2027).....	2,715,000
TOTAL NONELECTORAL DEBT	<u>\$82,680,000</u>
LEASE RENTAL DEBT	
TOTAL LEASE RENTAL DEBT	<u>\$ 0</u>
TOTAL PRINCIPAL OF DIRECT DEBT	<u><u>\$82,680,000</u></u>

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

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, principal of direct debt of the School District will total \$82,680,000. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$82,199,746.

TABLE 14

CORNWALL-LEBANON SCHOOL DISTRICT BONDED INDEBTEDNESS AND DEBT RATIOS (As of April 1, 2025)*

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt	\$82,680,000	\$82,199,746
Lease Rental Debt	0	0
TOTAL DIRECT DEBT	<u>\$82,680,000</u>	<u>\$82,199,746</u>
OVERLAPPING DEBT		
Lebanon County, General Obligation ⁽²⁾	\$14,067,542	\$14,067,542
Municipal Debt.....	13,040,981	13,040,981
TOTAL OVERLAPPING DEBT	<u>\$27,108,523</u>	<u>\$27,108,523</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$109,788,523</u></u>	<u><u>\$109,308,269</u></u>
DEBT RATIOS		
Per Capita.....	\$3,011.95	\$2,998.77
Percent 2023-24 Assessed Value.....	3.22%	3.21%
Percent 2023-24 Market Value.....	3.23%	3.22%

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

⁽¹⁾Gives effect to current appropriations for payment of debt service and estimated future Commonwealth reimbursement on the Bonds based on current Aid Ratio. See "Commonwealth Aid to School Districts."

⁽²⁾Pro rata 31.7 percent share of \$44,420,000 principal amount outstanding.

Debt Limit and Remaining Borrowing Capacity

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

Total Revenues for 2021-22.....	\$ 91,567,654
Total Revenues for 2022-23.....	\$ 95,017,646
Total Revenues for 2023-24.....	<u>\$100,491,393</u>
 Total Revenues, Past Three Years.....	 <u>\$ 287,076,693</u>
 Annual Arithmetic Average (Borrowing Base).....	 \$ 95,692,231

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

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral and Lease Rental Debt Limit: 225% of Borrowing Base.....	\$215,307,519	\$82,680,000	\$132,627,519

*Includes the estimated Bonds described herein, and does not reflect credits against gross indebtedness that may be claimed for a portion of the principal amount of debt estimated to be reimbursed by Commonwealth aid.

Debt Service Requirements

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

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

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

TABLE 15

**CORNWALL-LEBANON SCHOOL DISTRICT
TOTAL DEBT SERVICE REQUIREMENTS***

Year	Other General Obligation Debt	Series of 2025			Total Debt Service Requirements
		Principal	Interest	Subtotal	
2024-25	\$4,768,709				
2025-26	3,380,270				
2026-27	2,330,420				
2027-28	1,966,900				
2028-29	1,983,150				
2029-30	1,967,150				
2030-31	1,970,400				
2031-32	1,966,900				
2032-33	1,971,900				
2033-34	1,979,900				
2034-35	1,970,650				
2035-36	1,969,900				
2036-37	1,972,150				
2037-38	1,977,150				
2038-39	1,969,650				
2039-40	1,970,150				
2040-41	1,968,650				
2041-42	1,970,100				
2042-43	1,969,300				
2043-44	1,966,250				
2044-45	1,965,900				
2045-46	1,968,050				
2046-47	1,967,500				
2047-48	1,969,200				
2048-49	1,967,950				
2049-50	1,968,750				
2050-51	1,971,350				
2051-52	1,970,550				
2052-53	1,971,350				
2053-54	1,018,500				
Total	\$62,728,749				

*Totals may not add due to rounding.

TABLE 16
CORNWALL-LEBANON SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY COMMONWEALTH AID*

2023-24 State Aid Received	\$30,188,030
2023-24 Debt Service Requirements	\$5,021,390
Maximum Future Debt Service Requirements after Issuance of Bonds	
Coverage of 2023-24 Debt Service Requirements	6.01 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	times

*Assumes current Commonwealth Aid Ratio. See "Commonwealth Aid to School Districts."

Future Financing

The School District anticipates issuing additional debt of approximately \$50 million for capital projects at Cedar Crest High School over the next 1-2 years.

LABOR RELATIONS

School District Employees

There are presently 632 employees of the School District, including 352 teachers and professional staff, and 280 administrators and support personnel. The support personnel include secretaries, custodial and maintenance personnel, food service personnel, teacher's aides, and business personnel.

The School District's teachers and professional staff are represented by the Cornwall-Lebanon Education Association, an affiliate of the Pennsylvania State Education Association, under a contract which expires June 30, 2027.

Pension Program

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

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 34.0% for the fiscal year 2025-26.

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

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

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

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

Annual School District contributions have been as follows:

2019-20	\$11,949,596
2020-21	\$12,184,244
2021-22	\$12,678,350
2022-23	\$13,285,060
2023-24	\$13,268,240
2024-25 (budgeted)	\$13,678,318

At June 30, 2024, the School District reported a liability of \$108,813,685 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2022 to June 30, 2023. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2023, the School District's proportion was 0.2446% which was an increase of 0.0039% from its proportion measured as of June 30, 2022.

As of June 30, 2024, the PSERS plan was 64.63% funded, with an unfunded actuarial accrued liability of approximately \$42.3 billion. PSERS' rate of return for fiscal year ended June 30, 2024 was 7.05%. The Fund had plan net assets of \$76.5 billion at June 30, 2024. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Preliminary Official Statement.

Source: School District Administrative Officials and PSERS.

Other Post-Employment Benefits

For a full description of the School District's OPEB plan, see Appendix C- Audited Financial Statements – Notes to Financial Statements Note 9 Public School Employees' Retirement System Other Postemployment Benefits Plan.

LITIGATION

As of the date of this Preliminary Official Statement, there is no litigation pending, nor to the best knowledge of the School District and its Solicitor is there any litigation threatened, that seeks to restrain or enjoin the sale, issuance, execution or delivery of the Bonds; questions or contests the power or authority of the School District to issue, sell and deliver the Bonds, the validity of the proceedings of the School District relating to the Bonds, the validity or enforceability of the Bonds, or the School District's power or authority to perform its obligations related to the Bonds; questions or contests the valid existence of the School District or its official boundaries; questions or contests the right of any present member of the Board of School Directors or of any officer of the School District whose signature is to appear on the Bonds to hold office or exercise the powers of such office; or attempting to limit, enjoin or otherwise restrict or prevent the School District from functioning and collecting revenues and other income, or from levying and collecting taxes, for the payment of the principal of and interest on the Bonds, or from pledging its full faith, credit and taxing power for the payment of the principal of and interest on the Bonds.

At the time of settlement for the Bonds, the President or Vice President of the Board of School Directors of the School District will deliver a written certification or certifications confirming that no litigation of the type described in the preceding paragraph is then pending or, to the best of their knowledge, is then threatened. If at the time of settlement for the Bonds any such litigation is then pending or threatened, however, in place of all or part of the aforementioned certifications as to the absence of litigation, the Underwriter may accept delivery of the Bonds and pay the purchase price for the Bonds upon receipt of an opinion of counsel satisfactory to the Underwriter to the effect that such pending or threatened litigation is without legal merit.

DEFAULTS AND REMEDIES

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

TAX MATTERS

Federal

Exclusion of Interest from Gross Income. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includable in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal

alternative minimum tax on individuals and as to applicable corporations, (as defined in Section 59(k) of the Code); however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for tax years beginning after December 31, 2022.

In rendering its opinion, Bond Counsel has assumed continuing compliance by the School District with its covenants contained in the Resolution and its representations in a tax certificate to be executed by the School District on the date of issuance of the Bonds relating to actions to be taken by the School District after the issuance of the Bonds necessary to effect or maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes. These covenants and representations relate to the use and investment of proceeds of the Bonds and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

Other Federal Tax Matters. Ownership or disposition of the Bonds may result in other federal tax consequences of certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, individuals who otherwise qualify for the earned income credit and taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions, subject to Code Section 265, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the caption “Tax Matters” above and expressly stated in the form of Bond Counsel opinion included as APPENDIX B. Purchasers of the Bonds should consult their independent tax advisors with regard to all federal tax matters.

Pennsylvania

In the opinion of Bond Counsel, under the laws of the Commonwealth, as enacted and construed on the date thereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

Other

The Bonds and the interest thereon may be subject to state or local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

Purchasers of the Bonds should consult their independent tax advisors with regard to all state and local tax matters that may affect them.

BONDHOLDER CONSIDERATIONS

The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This Preliminary Official Statement does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriters disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Preliminary Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability to bear a loss from an investment in the Bonds and the suitability of investing in the Bonds, in light of their particular, individual circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire Preliminary Official Statement inclusive of its Appendices.

Cybersecurity

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District’s current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cybersecurity events may occur and what impact said events could have on its operations or finances. To mitigate these risks to the greatest extent possible, the School District implemented multi-factor authentication for key stakeholders with access to sensitive information. Furthermore, the School District follows the National Institute of Standards and Technology (NIST) cybersecurity framework to the best of its ability. In addition to the various processes in place to safeguard against cybersecurity attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be

given that future cyber threats and attacks against other third party entities or service providers will not impact the School District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate (hereinafter defined).

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The School District can not predict the timing, extent, or severity of climate change and its impact on its operations and finances. The School District maintains a comprehensive insurance policy and maintains adequate reserves that could be used in the event of extreme weather.

Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and Bond purchasers may have no right to participate in such procedure. None of the School District, the Underwriters or Bond Counsel is obligated to defend the tax-exempt status of the Bonds on behalf of the Bond purchasers, nor to pay or reimburse the cost of any Bond purchaser with respect to any audit or litigation relating to the Bonds. See “**TAX MATTERS**” herein.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15-c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly, or indirectly through a designated agent, as set forth in its Continuing Disclosure Certificate substantially in the form attached hereto as Appendix D.

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

The School District is required to give notice of certain events as set forth in the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate.

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

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

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

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

Fiscal Year	Filing	Filing Dates:
<u>Ending</u>	<u>Due Date</u>	<u>Audit, Operating Data & Budget</u>
6/30/2024	12/31/2024	12/12/2024
6/30/2023	12/31/2023	12/14/2023
6/30/2022	12/27/2022	12/06/2022
6/30/2021	12/27/2021	11/18/2021
6/30/2020	12/27/2020	11/18/2020

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements.

RATING

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

The above rating is not recommendations to buy sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the School District at an aggregate price of \$_____, which includes an underwriting discount of \$_____ and a net original issue premium of \$_____. The Underwriter's obligations are subject to certain conditions precedent, however, the Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following information for inclusion in this Preliminary Official Statement: The Underwriter and their respective affiliates are full service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriter and their respective affiliates may actively trade debt and if applicable equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for its own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriter and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer. The Underwriter does not make a market in credit default swaps with respect to municipal securities at this time but may do so in the future.

LEGAL OPINIONS

The Bonds are offered with the approving legal opinion of Mette, Evans & Woodside, of Harrisburg, Pennsylvania, Bond Counsel to the School District. Certain legal matters will be passed upon for the School District by Barley Snyder, School District Solicitor, Lebanon, Pennsylvania and for the Underwriter by Stevens & Lee, P.C., Reading, Pennsylvania, as Limited Scope Underwriter's Counsel.

FINANCIAL ADVISOR

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

MISCELLANEOUS

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

Use of the words “shall,” “will,” “must,” or other words of similar import or meaning in summaries of documents or law in this Preliminary Official Statement to describe future events or continuing obligations is not intended as a representation that such event will occur or such obligations will be fulfilled, but only that the document or law requires or contemplates such event to occur or such obligation to be fulfilled.

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

CORNWALL-LEBANON SCHOOL DISTRICT,
LEBANON COUNTY, PENNSYLVANIA

By: _____
President, Board of School Directors

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX A – Demographic and Economic
Information Relating to the Cornwall-Lebanon School District**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Population

Table A-1 which follows shows population trends for the School District, Lebanon County and the Commonwealth. The School District's population increased between 2010 and 2020. Table A-2 shows 2020 age composition and average number of persons per household in the School District, Lebanon County, and for the Commonwealth. Average household size was larger in Lebanon County and the School District than the statewide average.

TABLE A-1
POPULATION TRENDS

Area	2010	2020	Compound Average Annual Percentage Change 2010-2020
<i>School District</i>	34,729	36,451	0.17%
Lebanon County.....	133,568	143,257	0.27%
Pennsylvania	12,702,379	13,002,700	0.11%

Source: U.S. Census Bureau, 2020 Census

TABLE A-2
AGE COMPOSITION

Area	0-19 Years	20-64 Years	65+ Years	Persons Per Household
<i>School District</i>	22.6%	55.3%	22.1%	2.50
Lebanon County	25.0%	57.0%	18.0%	2.54
Pennsylvania.....	24.0%	59.0%	16.0%	2.49

Source: U.S. Census Bureau, 2020 American Community Survey 5-Year Estimates

Employment

Table A-3 shows Nonfarm Jobs for the Lebanon Metropolitan Statistical Area (MSA).

TABLE A-3
LEBANON METROPOLITAN STATISTICAL AREA
(Lebanon County)
APRIL 2024
NONFARM JOBS

Establishment Data	Industry Employment				Net Change From:	
	Nov 2024	Oct 2024	Sep 2024	Nov 2023	Oct 2024	Nov 2023
TOTAL NONFARM	58,500	58,400	58,200	57,100	100	1,400
TOTAL PRIVATE	49,400	49,300	49,100	48,100	100	1,300
GOODS-PRODUCING	12,300	12,400	12,300	11,800	-100	500
Manufacturing	9,600	9,700	9,700	9,400	-100	200
SERVICE-PROVIDING	46,200	46,000	45,900	45,300	200	900
PRIVATE SERVICE-PROVIDING	37,100	36,900	36,800	36,300	200	800
Trade, Transportation, and Utilities	14,700	14,600	14,600	14,400	100	300
Retail Trade	6,800	6,700	6,700	6,900	100	-100
Education and Health Services	9,000	8,900	8,900	8,900	100	100
Government	9,100	9,100	9,100	9,000	0	100
Federal Government	3,900	3,900	4,000	4,000	0	-100
State Government	800	800	800	800	0	0
Local Government	4,400	4,400	4,300	4,200	0	200
Data benchmarked to March 2023	***Data changes of 100 may be due to rounding***					

Source: Pennsylvania Department of Labor and Industry.

Major employers located within Lebanon County:

Name
Federal Government
Farmers Pride Inc.
Wal-Mart Associates Inc
The Good Samaritan Hospital
State Government
Cornwall-Lebanon School District
Lebanon School District
Bayer US LLC
Mastronardi Produce USA Inc
WellSpan Health

Source: Center for Workforce Information & Analysis. Quarterly Census of Employment and Wages Q2, 2024.

Table A-4 shows recent trends in labor force, employment and unemployment for Lebanon County and the Commonwealth. The unemployment rate for Lebanon County has been slightly lower than the statewide average.

TABLE A-4
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024⁽¹⁾</u>	Compound Average Annual % Rate
<i>Lebanon County</i>						
Civilian Labor Force (000) ...	70.5	71.1	74.5	75.4	74.6	1.14%
Employment (000)	66.7	66.2	72.2	73.7	72.6	1.71%
Unemployment (000)	3.8	4.9	2.4	1.7	2	-12.05%
Unemployment Rate	5.50%	6.90%	3.20%	2.30%	2.70%	
<i>Pennsylvania</i>						
Civilian Labor Force (000) ...	6,483.00	6,406.00	6,479.00	6,550.00	6426	-0.18%
Employment (000)	5,894.00	5,999.00	6,196.00	6,357.00	6215	1.07%
Unemployment (000)	589	407	283	193	211	-18.56%
Unemployment Rate	9.10%	6.30%	4.40%	2.90%	3.30%	

⁽¹⁾As of November 2024.

Source: Pennsylvania State Employment Service.

Income

The data on Table A-5 show trends in per capita income for the School District, the County and Pennsylvania over the 2010-2020 period. Per capita income in the School District is higher than per capita income in the County and the Commonwealth.

TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME*

Area	2010	2020	Compound Average Annual Percentage Change 2010-2020
School District	\$34,729	\$35,383	0.19%
Lebanon County	133,568	135,776	0.16%
Pennsylvania	12,702,379	12,779,559	0.06%

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

Source: U.S. Census Bureau, 2020.

Commercial Activity

Table A-6 shows recent trends for retail sales in Lebanon County and for the Commonwealth.

TABLE A-6
TOTAL RETAIL SALES
(000)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Lebanon County....	\$2,356,220	\$2,361,679	\$2,010,642	\$2,137,002	\$2,359,606
Pennsylvania.....	244,709,540	251,185,116	274,685,600	297,770,326	310,912,244

Source: The Nielsen Company.

Medical Facilities

Serving the Lebanon County area are several major medical institutions.

WellSpan Good Samaritan Hospital
Penn State Health Milton S. Hershey Medical Center
Lebanon VA Medical Center
WellSpan Philhaven
Cedar Haven Healthcare Center

Educational Institutions

There are no institutions of higher learning located within the School District. Lebanon Valley College is a private, undergraduate, co-education, not-for-profit, liberal arts college. The College is located in Annville, Lebanon County, Pennsylvania. Also located in Lebanon County are the Lebanon Campus of Harrisburg Area Community College, a two year community college, and the Evangelical School of Theology, located in Myerstown.

Transportation

U.S. Route 422, the major thoroughfare between Lebanon and Reading, passes through the School District. U.S. Route 322 runs through the School District. U.S. Route 72 runs through the School District. Interstate routes 78 and 81 and U.S. Route 22 are located north of the School District and one interchange of the Pennsylvania Turnpike serves the School District. The Reading Division of Norfolk Southern provides freight service to the industrial residents of the School District.

Utilities

The School District and Lebanon County have been furnished with electric energy and related services by Met-Ed.

Natural gas is delivered to residents in the School District by UGI Corporation. UGI has been in operation for more than eighty years and has over 356 miles of distribution mains in Lebanon County. Telephone service is provided to the area by a variety of providers.

A portion of the townships of North Cornwall, North Lebanon, South Lebanon and West Cornwall, and a portion of Cornwall Borough receive sewer service from the City of Lebanon Authority. Mount Gretna Borough has a small municipal disposal system. All other residents of the School District are serviced by on-site sewage disposal systems.

A portion of those residents who receive sewer service from the City of Lebanon Authority also receive water service from that Authority. The residents who live outside the City of Lebanon Authority service area use private wells. Mount Gretna residents are served by the Mount Gretna Water Company. The residents of West Cornwall Township are served by either one of two small private water companies in Mount Gretna and Quentin, or by private wells.

APPENDIX B
Form of Bond Counsel Opinion

[THIS PAGE INTENTIONALLY LEFT BLANK]

May __, 2025

§ _____
CORNWALL-LEBANON SCHOOL DISTRICT,
Lebanon County, Pennsylvania
GENERAL OBLIGATION BONDS, SERIES OF 2025

We have served as Bond Counsel to Cornwall-Lebanon School District, in Lebanon County, Pennsylvania (the “School District”), in connection with the issuance of its \$ _____ aggregate principal amount General Obligation Bonds, Series of 2025 (the “Bonds”). The Bonds have been issued under provisions of the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (“Debt Act”), and a resolution (the “Resolution”) adopted on March 17, 2025, by the Board of School Directors of the School District. The Bonds are being issued to finance the design and construction of improvements to School District facilities and pay costs of issuing the Bonds.

As Bond Counsel to the School District, we have examined: (i) the Debt Act; (ii) relevant provisions of the Public School Code of 1949, as amended; (iii) the Resolution; (iv) proceedings for and the approval of the School District’s incurrence of nonelectoral debt rendered by the Department of Community and Economic Development of the Commonwealth of Pennsylvania (the “Department”); and (v) certain statements, certifications, and other documents including, but not limited to, a non-arbitrage and rebate compliance certificate of the School District given pursuant to the Code (hereinafter defined).

In rendering the opinion set forth below, we have relied upon: (i) the genuineness and accuracy of all statements, certifications, and affidavits of or provided by the School District without undertaking to verify the same by independent investigation, and other documents and matters of law which we have considered relevant; and (ii) the opinion of the School District’s Solicitor as to all matters of fact and law set forth therein.

Based on the foregoing, we are of the opinion that:

1. The School District is authorized under the laws of the Commonwealth of Pennsylvania (the “Commonwealth”) to issue the Bonds for the purposes set forth therein, has properly authorized the issuance thereof, and the Department has approved the issuance of the Bonds.

2. The School District has established, in accordance with the Debt Act, a sinking

fund for the Bonds (“Sinking Fund”) with Fulton Bank, N.A., as paying agent, registrar, and sinking fund depository (“Paying Agent”), and has covenanted in the Resolution to deposit in the Sinking Fund amounts sufficient to pay the principal of and interest on the Bonds as the same becomes due and payable and to apply the amounts so deposited to the payment of such principal and interest.

3. The School District has covenanted: (i) to include the amount of debt service on the Bonds in each fiscal year of the School District in which such sums are due and payable in its budget for that fiscal year; (ii) to appropriate such amounts from its general revenues for the payment of such debt service; and (iii) to duly and punctually pay, or cause to be paid, from the Sinking Fund or any other of its general revenues or funds, the principal or redemption price of and interest on the Bonds on the dates and in the place and in the manner stated in the Bonds according to the true intent and meaning thereof. For such budgeting, appropriation, and payment, the School District has pledged, with respect to the Bonds, its full faith, credit, and taxing power within the limits established by law.

4. The Bonds have been duly authorized, executed, and issued and, upon due authentication by the Paying Agent, constitute valid and binding general obligations of the School District, enforceable in accordance with the Debt Act, except to the extent that enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other laws or legal or equitable principles affecting the enforcement of creditors’ rights.

5. Under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however any profits, gains or income derived from the sale, exchange, or other disposition of the Bonds are subject to Commonwealth taxes and local taxes within the Commonwealth.

6. Under existing statutes, regulations, rulings, and court decisions, interest on the Bonds: (i) is not includible in gross income of the holders thereof for federal income tax purposes, and (ii) does not constitute a specific preference item for purposes of computing the federal alternative minimum tax on individuals and, as to applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)); however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for tax years beginning after December 31, 2022.

The opinions set forth in the preceding paragraph are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes.

Without limiting the generality of the foregoing, we express no opinion with respect to, and assume no responsibility for, the accuracy, adequacy, or completeness of the preliminary official statement or the official statement prepared in respect of the Bonds, and make no representation that we have independently verified the contents thereof.

This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention.

Very truly yours,

METTE, EVANS & WOODSIDE

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C
Audited Financial Statements

[THIS PAGE INTENTIONALLY LEFT BLANK]

Audited
Financial
Statements

June 30,
2024

Cornwall-Lebanon School District

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4 - 16
FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	17
Statement of activities	18
Fund Financial Statements	
Balance sheet - governmental funds	19
Reconciliation of the governmental funds balance sheet to the statement of net position	20
Statement of revenues, expenditures, and changes in fund balance - governmental funds	21
Reconciliation of the statement of revenues, expenditures, and changes in fund balance of governmental funds to the statement of activities	22
Statement of net position - proprietary funds	23
Statement of revenues, expenses, and changes in fund net position - proprietary funds	24
Statement of cash flows - proprietary funds	25
Statement of fiduciary net position	26
Statement of changes in fiduciary net position	27
Notes to financial statements	28 - 64
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Budgetary comparison schedule - general fund	65
Schedule of school district's proportionate share of net pension liability - PSERS	66
Schedule of school district's contributions - PSERS	67
Schedule of changes in the school district's total OPEB liability and related ratios - School District Plan	68
Schedule of school district's proportionate share of net OPEB liability - PSERS	69
Schedule of school district's OPEB contributions - PSERS	70
OTHER SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	71
Notes to schedule of expenditures of federal awards	72
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 <i>GOVERNMENT AUDITING STANDARDS</i>	73 - 74
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE <i>UNIFORM GUIDANCE</i>	75 - 77
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	78 - 79
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	80

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cornwall-Lebanon School District
Lebanon, Pennsylvania

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 Cornwall-Lebanon School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Cornwall-Lebanon 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 the Cornwall-Lebanon School District, as of June 30, 2024, 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 of 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 Cornwall-Lebanon 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 Cornwall-Lebanon 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 Cornwall-Lebanon 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 the Cornwall-Lebanon 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 on pages 4 - 16, budgetary comparison schedule – general fund on pages 65, and schedules related to pension and OPEB liabilities on pages 66 – 70 be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 response 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cornwall-Lebanon School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2024 on our consideration of Cornwall-Lebanon 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 the effectiveness of Cornwall-Lebanon School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cornwall-Lebanon School District's internal control over financial reporting and compliance.

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania
December 4, 2024

CORNWALL-LEBANON SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

The Management's Discussion and Analysis of the Cornwall-Lebanon School District's ("the School District") financial performance provides an overall review of the School District's financial position as of June 30, 2024 and of its financial activities during the fiscal year ended June 30, 2024. This analysis includes a review of the School District's performance as a whole. Readers should review the Financial Statements and the Notes to Financial Statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Financial highlights for the 2023-2024 fiscal year were:

- Total net position at June 30, 2024 was negative \$ 4.0 million, an increase of \$ 17.3 million from June 30, 2023. Deferred outflows of resources increased to \$ 20.3 million from \$ 19.5 million at June 30, 2023, and deferred inflows of resources decreased from \$ 7.2 million at June 30, 2023 to \$ 6.2 million at June 30, 2024.
- Capital assets at June 30, 2024 totaled \$ 64.5 million, net of accumulated depreciation and represented 48.2 percent of total assets as of that date for the Governmental Activities.
- Total debt outstanding at June 30, 2024 was \$ 21.3 million, a 16 percent decrease from \$ 25.3 million outstanding at June 30, 2023.
- Total revenues for the year ended June 30, 2024 were \$ 108.1 million compared to \$ 101.8 million for the year ended June 30, 2023, an increase of 6 percent. Total expenses during the 2023-2024 fiscal year were \$ 90.8 million, an increase of 7 percent from \$ 85.1 million for the fiscal year ended June 30, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

The School District's annual report consists of basic financial statements and notes to financial statements. These statements are presented in a manner that provides the reader with the information to understand the financial position and activities of the School District as a whole.

The statement of net position presents the School District's assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. The trend over time in the net position balance provides an indication of the financial condition of the School District.

The statement of activities provides information showing how the School District's net position changed during the fiscal year. Revenues and expenses are included in this statement for certain items that may result in cash flows in future periods.

Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities present an aggregate view of the School District from a financial perspective. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to private-sector companies.

CORNWALL-LEBANON SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

These statements report the School District's net position and changes in those assets. The change in net position is an indicator of whether the School District's financial position, as a whole, has improved or diminished. The causes of such changes may be financial or non-financial factors, including changes in the local tax base, current laws, condition of facilities, required educational programs, and other factors.

The Statement of Net Position and the Statement of Activities divide the School District into governmental activities and into business-type activities. Most of the School District's activities, including instruction, support services, operation and maintenance of facilities, pupil transportation, and extracurricular activities are reported as governmental activities. Business-type activities are services that the School District provides on a charge for goods or services basis. The business-type activity for the School District is the Food Service Program.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. This information is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the School District's funds.

Proprietary Funds

One component of the School District's Proprietary Funds is the Enterprise Fund. It is used to account for the School District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides, these services are generally reported in enterprise funds. The Food Service Fund is the School District's enterprise fund and represents the entire amount reported as business-type activities in the government-wide statements. The fund financial statements provide detailed and additional information about the Enterprise Fund, such as cash flows.

Another component of the School District's Proprietary Funds is the Internal Service Fund, or Medical Service Fund. This fund is used to account for resources, derived primarily from premiums collected from other funds, for payment of the School District's medical costs. The fund financial statements also provide detailed and additional information about the Internal Service Fund.

CORNWALL-LEBANON SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

Fiduciary Funds

The School District is the trustee, or fiduciary, for balances held in student activity fund accounts. All of the School District's fiduciary activities are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Net Position. These activities are excluded from the School District's other financial statements because the School District does not use these assets to finance its operations.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Table 1 (Statement of Net Position) provides a comparative summary of the School District's net position as of June 30, 2024 and June 30, 2023:

TABLE 1
STATEMENTS OF NET POSITION
(in thousands)

	Governmental Activities		Business-type Activity		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 69,220	\$ 60,884	\$ 2,661	\$ 2,241	\$ 71,881	\$ 63,125
Noncurrent assets	64,468	62,131	177	203	64,645	62,334
Total assets	133,688	123,015	2,838	2,444	136,526	125,459
Deferred outflows of resources	19,752	18,838	575	666	20,327	19,504
Current liabilities	15,358	15,117	258	275	15,616	15,392
Noncurrent liabilities	136,855	141,394	2,239	2,355	139,094	143,749
Total liabilities	152,213	156,511	2,497	2,630	154,710	159,141
Deferred inflows of resources	5,961	6,998	189	158	6,150	7,156
Net position						
Net investment in capital assets	41,254	36,195	177	203	41,431	36,398
Restricted	15,013	14,560	-	-	15,013	14,560
Unrestricted (deficit)	(61,001)	(72,411)	550	119	(60,451)	(72,292)
Total net position (deficit)	\$ (4,734)	\$ (21,656)	\$ 727	\$ 322	\$ (4,007)	\$ (21,334)

The School District's net position at June 30, 2024 was negative \$ 4 million, and the net position of just governmental activities was negative \$ 4.7 million. The net deficit reflects the impact of the net pension liability of \$ 108.8 million as of June 30, 2024. This liability represents the School District's proportion of the net pension liability of the Pennsylvania Public School Employees' Retirement System. Additional information is provided in Note 11 to the financial statements.

The largest component of assets is capital assets of \$ 64.5 million, net of accumulated depreciation, at June 30, 2024. The School District's Statement of Net Position included \$ 21.3 million of bonds payable at June 30, 2024 that support capital assets. Changes in net capital assets and outstanding debt have a general correlation over time.

CORNWALL-LEBANON SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)

Table 2 (Statement of Activities) shows comparative changes in net position as a result of financial revenues and expenses for the fiscal years ended June 30, 2024 and June 30, 2023:

TABLE 2
STATEMENTS OF ACTIVITIES
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	\$ 620	\$ 583	\$ 1,114	\$ 1,137	\$ 1,734	\$ 1,720
Operating grants and contributions	17,901	18,329	2,663	2,378	20,564	20,707
Capital grants and contributions	856	971	-	-	856	971
General revenues						
Property and other taxes	66,908	63,370	-	-	66,908	63,370
Grants, subsidies and contributions not restricted	13,866	12,743	-	-	13,866	12,743
Other	3,907	2,097	270	193	4,177	2,290
Total revenues	104,058	98,093	4,047	3,708	108,105	101,801
Expenses						
Instruction	57,096	54,095	-	-	57,096	54,095
Instructional student support	7,303	6,832	-	-	7,303	6,832
Administration and financial support	8,096	7,453	-	-	8,096	7,453
Ops and maintenance of plant services	6,857	6,860	-	-	6,857	6,860
Pupil transportation	4,767	4,271	-	-	4,767	4,271
Other	3,017	2,375	3,642	3,244	6,659	5,619
Total expenses	87,136	81,886	3,642	3,244	90,778	85,130
Increase (decrease) in net position	\$ 16,922	\$ 16,207	\$ 405	\$ 464	\$ 17,327	\$ 16,671

Total revenues for the year ended June 30, 2024 increased by \$ 6.3 million, or 6 percent, from the year ended June 30, 2023. The School District recognized increased revenues from local and state subsidy sources. The largest portion of the state subsidy increase was the Basic Education Funding subsidy.

Total expenses increased by \$ 5.6 million, or 7 percent, for the year ended June 30, 2024 compared to the year ended June 30, 2023. Salaries and benefits are always a major component of the expenses for the School District. Employer contributions to the state public employee retirement system were a significant component of the total expenses, including the effect of the accounting for the future pension liability. The cost to the School District for medical insurance provided to employees continues to increase significantly in addition to salaries and other benefits. Special education program and service costs as well as mandated cyber charter school tuition costs were also major components of the expenditures for the year ended June 30, 2024.

CORNWALL-LEBANON SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)

Table 3 shows the School District's total cost of its programs and services as well as each program's net cost (total cost less revenues directly attributable to those activities) for the years ended June 30, 2024 and 2023. This table also shows the aggregate net costs of services offset by other unrestricted grants, subsidies, and contributions to show the remaining financial needs to be supported by local taxes and other miscellaneous revenues.

TABLE 3
COST OF SERVICES
(in thousands)

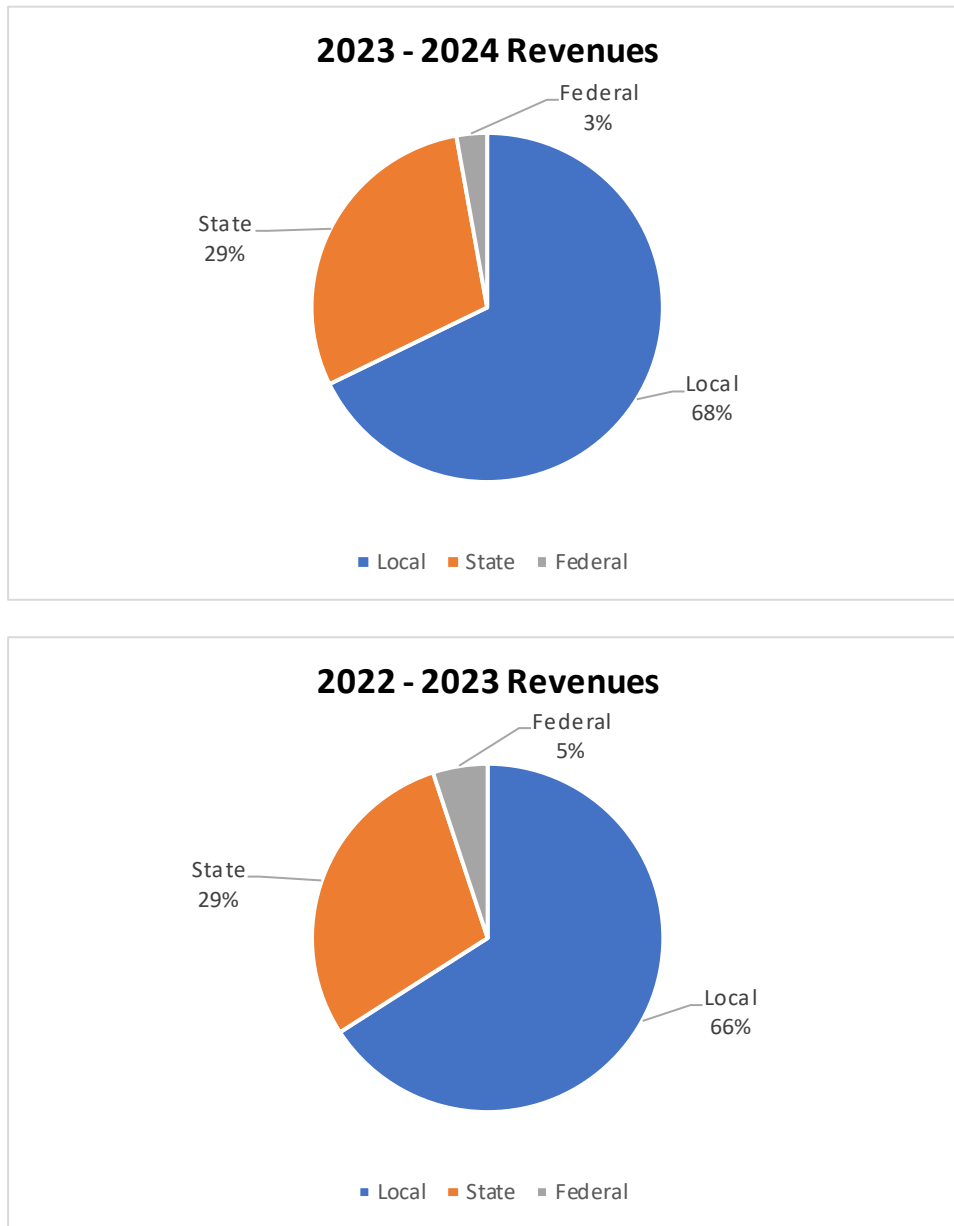
	Year Ended June 30, 2024		Year Ended June 30, 2023	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Functions/Programs				
Instruction	\$ 57,096	\$ 43,895	\$ 54,095	\$ 40,152
Instructional student support	7,303	6,074	6,832	5,497
Administrative and financial support	8,096	7,012	7,453	6,395
Maintenance and operation of facilities	6,857	6,174	6,860	6,218
Pupil transportation	4,767	2,723	4,271	2,535
Student activities	1,983	1,589	1,801	1,421
Community services	-	(82)	5	(48)
Interest on debt	879	219	421	(316)
 Total	 <u>\$ 86,981</u>	 67,604	 <u>\$ 81,738</u>	 61,854
 Less: unrestricted grants and subsidies		 <u>(13,866)</u>		 <u>(12,743)</u>
 Total needs from local taxes and other local revenue		 <u>\$ 53,738</u>		 <u>\$ 49,111</u>
 Food services	 <u>\$ 3,642</u>	 <u>\$ 135</u>	 <u>\$ 3,244</u>	 <u>\$ 270</u>

The educational programs shown in Table 3 are not fully supported by governmental or other grants or subsidies and, therefore, are dependent upon local taxes and other local revenues to fund the difference. The local need of \$ 53.7 million for the year ended June 30, 2024 was 9 percent higher than the \$ 49.1 million need for the year ended June 30, 2023. Generally, the shortfalls are resolved through increases in local real estate tax receipts or may result in a decrease in the net position of the School District.

CORNWALL-LEBANON SCHOOL DISTRICT Management's Discussion and Analysis (Unaudited)

The sources of revenue distributed according to local, state, and federal sources are shown in Chart 1. With the exception to the COVID-19 pandemic federal assistance received, the distribution of revenue by source remains consistent for the fiscal year ended June 30, 2024.

CHART 1

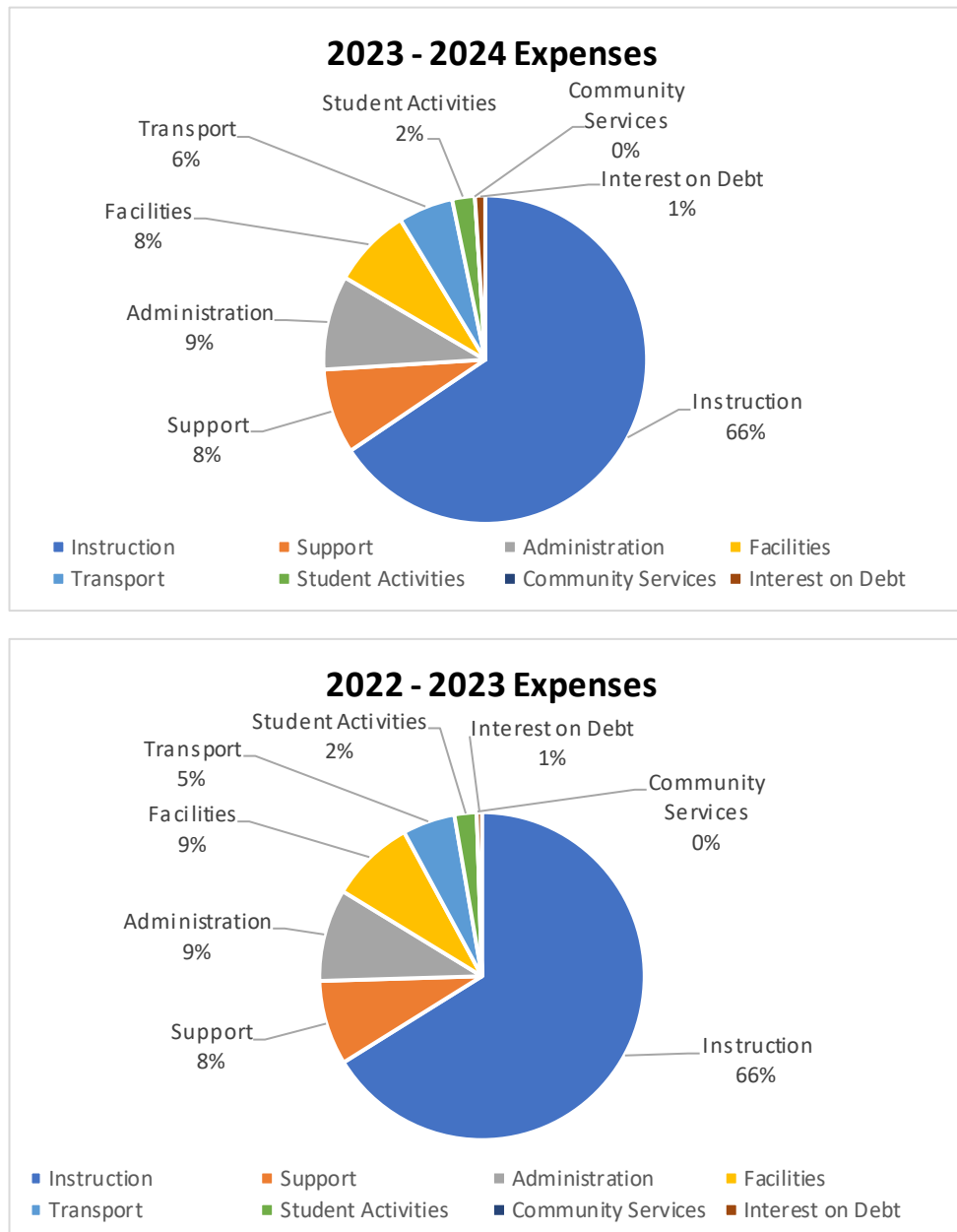


The Food Service activities are operated in a manner that strives to be self-supporting. The results of operations for the year ended June 30, 2024 showed a surplus of \$ 405 thousand, and a surplus of \$ 464 thousand was reported for the year ended June 30, 2023.

CORNWALL-LEBANON SCHOOL DISTRICT Management's Discussion and Analysis (Unaudited)

Chart 2 shows the distribution of expenses across the major functions of the School District's governmental activities for the years ended June 30, 2024 and 2023. The most significant government activities program is instructional programs, which totaled \$ 57.1 million in expenses during the fiscal year ended June 30, 2024 representing 66 percent of total governmental activities expenses. This ratio has been consistent over the past ten years.

CHART 2



CORNWALL-LEBANON SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

The School District's Funds

Information shown in the School District's fund statements is accounted for using the modified accrual basis of accounting. The School District's general fund recognized total revenues of \$ 102.6 million and other financing uses of \$ 677 thousand during the fiscal year ended June 30, 2024. The unassigned fund balance in the general fund at June 30, 2024 was \$ 7.9 million, or 7.6 percent of budgeted expenditures for fiscal year 2024-2025. The Commonwealth of Pennsylvania restricts the amount of unreserved/undesignated fund balance that a school district may maintain relative to the total amount of its expenditures. This limit is effective for any school district that is increasing its local property tax assessment rate. The School District's unassigned fund balance limit is 8.0 percent of total budgeted expenditures.

The School District expects that salaries and benefits will increase by approximately \$ 2.5 million, or 3.8 percent, in the 2024-2025 fiscal year. Staffing needs and assignments are reviewed prior to the adoption of each school year budget in order to determine the appropriate staffing levels for the upcoming fiscal year. Employee benefit costs are driven by staffing needs and wages as well as changes in the employer contribution percentage paid to the state's public school employees' retirement system. Employee wages are projected to increase by 3.2 percent for the 2024-2025 fiscal year due to staffing needs in 2023-2024 compared to needs and wage increases in 2024-2025. The increase in the rate owed by employers into the retirement system will continue to increase and will remain a significant component of expenditures.

Full-time and many part-time employees of the School District are participants in Pennsylvania's Public School Employees' Retirement System ("PSERS"). PSERS is a state-wide plan that offers a defined retirement benefit to its eligible members. Actuarial assumptions indicate the need for moderate increases in employer contribution rates for the foreseeable future. The School District began assigning a portion of its fund balance through its annual budget in 2008-2009 toward offsetting future costs of the employee retirement benefits and assigned additional funds through 2011-2012. The School District plan is to utilize a portion of these reserves annually through 2025-2026. Each year the amount used from Assigned Fund Balance to balance the budget decreases in order to phase it out.

The financial statements presented herein include the effect of the adoption of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions ("GASB 68")" as of June 30, 2015. The School District's General Fund Budget is prepared on a modified accrual accounting basis and does not consider the expenditure effect of the adoption of GASB 68.

The School District has experienced significant costs in tuition that the Commonwealth requires School Districts to pay to independent, third party cyber charter schools in which its resident students are enrolled. A total of \$ 2.2 million was recognized for 2023-2024, which is still a 79 percent increase over 2019-2020, prior to the pandemic. Due to the COVID-19 pandemic, this state mandate exacerbated the existing strain on the School District's budget as well as most school districts' budgets throughout Pennsylvania. The School District does not participate in the establishment or operation of these entities nor has any say in the type of services or cost of the services provided. However, school districts are mandated to make payments to them based upon enrollment of students residing in the school district. The School District is currently contracted with the Lancaster-Lebanon Intermediate Unit (IU) and an independent, educational company to provide the District's online learning options for School District residents.

CORNWALL-LEBANON SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

In response to the increase in the third party cyber charter school tuition costs during the pandemic, the School District created and invested in its own in-house virtual program for the 2020-2021 school year in an effort to minimize the impact of independent cyber charter school tuition costs as well as contracted costs. The School District continues to provide an in-house virtual program with many options based on student needs. Although, the District's virtual program had experienced a decrease since the fiscal year following the pandemic, enrollment remains consistent with around 2.3% of the District's total enrollment in 2024-2025.

The School District continues its commitment to technology products for students and staff including technology equipment, services, and supplies in 2024-2025. The School District provides "one-to-one" technology products for each student of the School District for grades 3 through 12. These expenditures are a part of a long-term technology plan to remain current but avoid fluctuations in expenditures year to year in the future when replacements are needed.

Revenues are projected to increase for 2024-2025 in local and state sources compared to 2023-2024. Main factors for local source increases are earned income tax and property assessed values multiplied by the increased tax rate. Financial support from the Commonwealth of Pennsylvania is expected to increase in Basic Education Funding and in the state share of the School District cost of the employee retirement plan. Federal subsidies are projected to decrease for 2024-2025 due to the 2023-2024 fiscal year being the final year of the one-time federal grant funding. This funding was a result of the American Rescue Plan Act, Elementary and Secondary School Emergency Relief (ARP ESSER) funding allocated over the fiscal years 2021-2022, 2022-2023 and 2023-2024.

General Fund Budget

The School District prepares its annual budget in accordance with Pennsylvania law and is based on accounting for certain transactions on the modified cash basis for receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the fiscal year, the Board of School Directors ("the School Board") may authorize revisions and transfers to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. A schedule is included as part of this financial report that shows the School District's original and final budget amounts compared with amounts actually paid and received during the year.

The General Fund actual revenues varied from the final budget by 5.3 percent. This variance is spread over each of the sources of revenue mainly caused by continued residual effects of the pandemic. This included additional local funds due to the increased rates on investment earnings as well as earned income tax increasing from significant wage increases. Under the state source, a significant increase in Basic Education Funding was received once again by the School District which again was not known until after the School District's budget was approved. Expenditures varied by 0.8 percent. Expenditures on a modified accounting basis are generally less than budget due to the School District's cost control philosophy. The School District's General Fund budget is prepared on a modified accrual accounting basis and does not consider the direct expense effect of GASB 68.

CORNWALL-LEBANON SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

Capital Reserve Fund

The School District maintains a Capital Reserve Fund that is utilized for unexpected and planned capital projects. At June 30, 2024, the Capital Reserve Fund had a fund balance of \$ 4.0 million. This fund balance includes a planned transfer of \$ 391 thousand from the General Fund as a part of the General Fund budget for the 2023-2024 year. This transfer represents a commitment to fund future capital improvement projects. The School District performs short-range and long-range reviews of future capital projects on an annual basis.

Capital Projects Fund

The School District established a Capital Projects Fund in preparation of three planned, major projects on the Cedar Crest Campus scheduled to take place over the next six years beginning in the Spring of 2024. This Fund will track all transactions regarding the Campus projects. This includes all expenses related to the projects as well as bond proceeds issued to finance the projects and earned interest revenue. At June 30, 2024, the Capital Projects Fund had a fund balance of \$ 23.3 million.

Capital Assets

At June 30, 2024, the School District's governmental funds had \$ 64.5 million invested in land, buildings, equipment, and construction-in-progress, net of accumulated depreciation. Table 4 shows balances at June 30, 2024 and at June 30, 2023.

TABLE 4
CAPITAL ASSETS - NET OF DEPRECIATION
(in thousands)

	June 30, 2024	June 30, 2023
Land	\$ 3,292	\$ 3,292
Land improvements	1,858	2,125
Buildings	49,723	51,818
Furniture and equipment	4,561	4,431
Right-to-use asset - equipment	-	14
Right-to-use asset - IT subscriptions	907	188
Right-to-use asset - multi-year licenses	14	13
Construction-in-progress	<u>4,112</u>	<u>249</u>
Total Capital Assets	<u>\$ 64,467</u>	<u>\$ 62,130</u>

The most recent significant addition to capital assets was in 2019-2020 when the School District acquired land in the amount of \$ 2.0 million at 1950 South Lincoln Avenue, Lebanon, Pennsylvania. The School District is currently developing a master plan for this land and plans to implement the master plan in phases. The first phase would be to provide some utilities to the land and develop natural turf athletic fields with temporary parking. This phase could potentially be done as a part of the last renovations project on the Cedar Crest Campus, or it could be done sometime after the campus projects are completed. Minor maintenance to capital assets records were made during the year ended June 30, 2024.

CORNWALL-LEBANON SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

The School District evaluates the condition of its facilities annually and makes capital plan expenditures accordingly. The School District had made a significant capital asset commitment for the Union Canal Building Project during 2018-2019, and is currently undergoing major construction and renovations on the Cedar Crest Campus. A General Obligation Bond was issued in April 2023 in preparation of the first phase of the Cedar Crest Campus projects, the construction of the Falcon Connector Building. The connector building is being constructed between the existing middle school and high school, linking the two schools together. The new structure will serve as a “swing space” for classroom instruction as the high school and then middle school are subsequently renovated. In 2024-2025 two additional General Obligation Bond series are planned for August 2024 and April 2025 to fund the Cedar Crest High School renovations project. Additional information on the School District’s capital assets can be found under Note 7 to financial statements.

Outstanding Debt

At June 30, 2024, the School District had \$ 21.3 million of bonds outstanding (net of bond premiums and deferred amounts), \$ 2.6 million of compensated absences outstanding, \$ 9.0 million in net OPEB liability and \$ 106.7 million of net pension liability, reported in the Governmental Activities. Note 11 of the financial statements details the accounting for the retirement plan that results in the pension liability. Table 5 shows principal balances of outstanding notes and bonds at June 30, 2024 compared to June 30, 2023. Outstanding bonds have scheduled maturities through 2053. Principal and interest payments are scheduled to provide consistent debt service cost from fiscal year to fiscal year.

TABLE 5
OUTSTANDING DEBT

	June 30, 2024	June 30, 2023
General Obligation Notes/Bonds:		
Bond, Series of 2023	\$ 15,000,000	\$ 15,000,000
Note, Series of 2020	-	1,449,000
Bond, Series of 2017	<u>6,345,000</u>	<u>8,830,000</u>
 Total Outstanding Debt	 <u>\$ 21,345,000</u>	 <u>\$ 25,279,000</u>

Standard and Poor’s has provided an ‘AA-’ municipal bond rating to the School District in a March 2023 rating report. Additional information on the School District’s outstanding debt can be found in the notes to financial statements.

Other Items Affecting the Financial Strength of the School District

The School District considers its financial condition to be sound. The School District believes local community support to be very positive. Future financial condition may be challenged by continued significant increases in personnel costs, significant increases in students’ needs and no PlanCon (Planning and Construction Workbook), a state reimbursement program for construction projects. Personnel costs include the cost of School District mandatory contributions to its public school employees’ state retirement plan, employees’ wages, and significant increases in employee healthcare insurance. The School District adopted GASB 68. The adoption of this accounting standard assists in displaying the extensive long-term cost of maintaining the employee retirement plan. The School District continues to monitor new programs and plans that may help control the costs of healthcare provided to its employees.

CORNWALL-LEBANON SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

The School District performs annual evaluations of its facilities and has a forward-looking plan to accommodate the cost of maintenance and replacement of facilities. A significant renovation project was completed with capital improvements and expenditures at the Union Canal Elementary School in the 2018-2019 fiscal year. As part of the long-term facilities plan, it is anticipated that a capital project will take place at an elementary school within a few years after the Cedar Crest Campus construction and renovations are completed in 2029.

Revenue sources are anticipated to increase in the next fiscal year. Local revenue is expected to be generated primarily through increases in the rate applied to real estate assessed values. Revenue from state sources is expected to have a slight increase, primarily as a result of the Commonwealth share of employee retirement plan costs but possibly as a part of the Basic Education Funding too. Revenues received from the Commonwealth are generally uncertain as the School District's budget is typically adopted prior to the adoption of fiscal budgets by the Commonwealth. Revenues from normal federal sources are expected to remain flat.

The 2023-2024 fiscal year budget was prepared in accordance with the mandates of Act 1 of 2006 ("Act 1"). Act 1 has the potential to have an effect upon the financial activity of the School District in future years. The Act places an (index) cap on the percent increase that the School District may raise its real estate tax millage rate without requiring approval from voters in a back-end referendum. Certain exceptions may be approved each year by the Pennsylvania Department of Education for employee retirement plan or special education costs that would permit the School District to exceed this index without requiring voter approval. In the event that an increase in the real estate tax rate above the Act 1 index, including permissible exceptions, would be necessary, the School District would be required to place a referendum question on the primary election ballot asking the taxpayers to approve the rate of increase. In order to facilitate this referendum process, the Act mandates a budget timetable for school districts.

If the School District seeks an increase in the real estate tax rate above the Act 1 index, including permissible exceptions, a preliminary budget approval by the Board of School Directors is required 90 days prior to the primary election. This proposed preliminary budget must be available for public inspection 20 days prior to approval by the Board. School districts also have the option to adopt a resolution that the final budget will not exceed the (adjusted index) percent in the real estate tax rate to be assessed on properties located in the school district. This resolution must be passed by the board of school directors no less than 110 days prior to the primary election. The final date for availability for public inspection for the 2025-2026 preliminary budget or for adoption of a resolution not to exceed the index will be January 30, 2025. The (adjusted index) cap applicable to the School District was 5.14 percent for the 2023-2024 fiscal year, 6.7 percent for the 2024-2025 fiscal year, and will be 5.0 percent for the 2025-2026 budget year. Act 1 controls have been in effect since the 2006-2007 budget year. The actual tax rate increase for the School District has exceeded the index, by using permissible exceptions, three times since Act 1.

The School District continues to experience reoccurring expenditures generated from state mandates born from the COVID-19 pandemic. These mandates have increased some of the School District's reoccurring expenditures, possibly without the benefit of any matching reoccurring revenue sources to offset these expenditures.

The School District has a Collective Bargaining Agreement with its professional staff that expires on June 30, 2027.

CORNWALL-LEBANON SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

The School District has sustained its sound financial condition in the past through consistent evaluation of annual property tax rate increases. The School District annually reviews its philosophy of maintaining a “balanced” budget, thereby implementing budget plans that match current revenues with current expenditures. The School District planned and assigned portions of its fund balance to reduce the annual effects that the employee retirement costs would have upon the School District. It has generally experienced minimal but consistent assessed value growth on which its real estate tax is generated. The School District practices long-term financial planning and will continue these efforts going forward. Long-range planning considers the effects that proposed or enacted legislation may have upon the School District’s financial condition for future years. The School District may use financial vehicles such as term investments to maximize the return on School District funds.

There is no known significant litigation to the School District that may have a future financial effect upon the financial position of the School District.

Contacting the School District Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives. Inquiries about this report or requests for additional information may be addressed to Jean L. Hentz, Director of Business Affairs, 105 East Evergreen Road, Lebanon, PA 17042.

CORNWALL-LEBANON SCHOOL DISTRICT
Statement of Net Position
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 52,604,080	\$ 683,756	\$ 53,287,836
Restricted cash and cash equivalents	154,516	-	154,516
Investments	10,060,111	1,459,402	11,519,513
Receivables			
Taxes	2,220,663	-	2,220,663
Intergovernmental	3,861,471	302,213	4,163,684
Other	118,419	161	118,580
Prepaid expenses	183,613	-	183,613
Internal balances	(139,254)	139,254	-
Inventories	156,232	76,529	232,761
Total current assets	69,219,851	2,661,315	71,881,166
Noncurrent Assets			
Capital assets not being depreciated			
Land	3,292,307	-	3,292,307
Construction in progress	4,111,854	-	4,111,854
Capital assets net of accumulated depreciation/amortization			
Buildings and improvements	49,723,149	-	49,723,149
Furniture and equipment	4,561,390	177,379	4,738,769
Land improvements	1,857,903	-	1,857,903
Right-to-use asset - equipment	-	-	-
Right-to-use asset - IT subscriptions	907,316	-	907,316
Right-to-use asset - Multi-year licenses	13,660	-	13,660
Total noncurrent assets	64,467,579	177,379	64,644,958
TOTAL ASSETS	133,687,430	2,838,694	136,526,124
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to net pension liability	17,966,726	468,712	18,435,438
Deferred outflows related to OPEB liability	1,763,094	106,486	1,869,580
Deferred charge on debt refunding	22,538	-	22,538
Total deferred outflows of resources	19,752,358	575,198	20,327,556
Total Assets and Deferred Outflows of Resources	\$ 153,439,788	\$ 3,413,892	\$ 156,853,680
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,032,386	\$ 46,740	\$ 2,079,126
Accrued salaries and benefits/withholdings	8,961,016	2,679	8,963,695
Accrued interest	295,189	-	295,189
Unearned revenue	36,972	208,824	245,796
Portion due or payable within one year			
Bonds and notes payable, net	3,677,025	-	3,677,025
Compensated absences	124,676	-	124,676
IT subscription liability	230,856	-	230,856
Total current liabilities	15,358,120	258,243	15,616,363
Noncurrent liabilities			
Portion due or payable after one year:			
Bonds and notes payable, net	18,197,680	-	18,197,680
Compensated absences	2,472,042	6,510	2,478,552
IT subscription liability	584,201	-	584,201
Net pension liability	106,691,905	2,121,780	108,813,685
OPEB liability	8,909,460	110,855	9,020,315
Total noncurrent liabilities	136,855,288	2,239,145	139,094,433
TOTAL LIABILITIES	152,213,408	2,497,388	154,710,796
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to net pension liability	3,510,945	128,193	3,639,138
Deferred inflows related to OPEB liability	2,449,808	61,098	2,510,906
Total deferred inflows of resources	5,960,753	189,291	6,150,044
NET POSITION (DEFICIT)			
Net investment in capital assets	41,253,698	177,379	41,431,077
Restricted	15,012,703	-	15,012,703
Unrestricted (deficit)	(61,000,774)	549,834	(60,450,940)
TOTAL NET POSITION (DEFICIT)	(4,734,373)	727,213	(4,007,160)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 153,439,788	\$ 3,413,892	\$ 156,853,680

CORNWALL-LEBANON SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 57,096,412	\$ 386,789	\$ 12,770,547	\$ 43,956	\$ (43,895,120)	\$ -	\$ (43,895,120)
Instructional student support	7,302,762	5,000	1,185,417	38,010	(6,074,335)	-	(6,074,335)
Administration and financial support services	8,096,354	-	1,084,112	-	(7,012,242)	-	(7,012,242)
Operation and maintenance of plant services	6,856,832	60,719	508,222	114,167	(6,173,724)	-	(6,173,724)
Pupil transportation	4,767,326	-	2,044,695	-	(2,722,631)	-	(2,722,631)
Student activities	1,983,227	114,489	279,481	-	(1,589,257)	-	(1,589,257)
Community services	35	52,994	28,646	-	81,605	-	81,605
Interest and other fiscal charges on long-term debt	878,582	-	-	660,099	(218,483)	-	(218,483)
Total governmental activities	<u>86,981,530</u>	<u>619,991</u>	<u>17,901,120</u>	<u>856,232</u>	<u>(67,604,187)</u>	<u>-</u>	<u>(67,604,187)</u>
Business-type activities:							
Food services	<u>3,641,848</u>	<u>1,113,456</u>	<u>2,663,159</u>	<u>-</u>	<u>-</u>	<u>134,767</u>	<u>134,767</u>
Total primary government	<u>\$ 90,623,378</u>	<u>\$ 1,733,447</u>	<u>\$ 20,564,279</u>	<u>\$ 856,232</u>	<u>(67,604,187)</u>	<u>134,767</u>	<u>(67,469,420)</u>
General revenues							
Property taxes, levied for general purposes, public utility realty tax, earned income tax, real estate transfer tax					66,908,396	-	66,908,396
Grants, subsidies and contributions not restricted					13,866,231	-	13,866,231
Miscellaneous income					111,676	4,693	116,369
Investment earnings					4,102,243	109,784	4,212,027
Gain (loss) on sale of capital asset					(306,506)	-	(306,506)
Transfers in (out)					<u>(155,815)</u>	<u>155,815</u>	<u>-</u>
Total general revenues					<u>84,526,225</u>	<u>270,292</u>	<u>84,796,517</u>
Change in net position					16,922,038	405,059	17,327,097
Net position - beginning					<u>(21,656,411)</u>	<u>322,154</u>	<u>(21,334,257)</u>
Net position - ending					<u>\$ (4,734,373)</u>	<u>\$ 727,213</u>	<u>\$ (4,007,160)</u>

CORNWALL-LEBANON SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2024

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 29,122,279	\$ 3,266,194	\$ 19,961,484	\$ 52,349,957
Restricted cash and cash equivalents	154,516	-	-	154,516
Investments	5,392,314	987,736	3,680,061	10,060,111
Taxes receivable, net	2,220,663	-	-	2,220,663
Due from other funds	319,293	-	-	319,293
Due from other governments	3,861,471	-	-	3,861,471
Other receivables	42,110	-	-	42,110
Prepaid expenditures	183,613	-	-	183,613
Inventories	156,232	-	-	156,232
Total assets	<u>\$ 41,452,491</u>	<u>\$ 4,253,930</u>	<u>\$ 23,641,545</u>	<u>\$ 69,347,966</u>
LIABILITIES				
Accounts payable	\$ 862,084	\$ 242,884	\$ 303,773	\$ 1,408,741
Due to other funds	548	-	-	548
Unearned revenue	36,972	-	-	36,972
Accrued salaries and benefits/withholdings	8,961,016	-	-	8,961,016
Total liabilities	<u>9,860,620</u>	<u>242,884</u>	<u>303,773</u>	<u>10,407,277</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	800,642	-	-	800,642
Total deferred inflows of resources	<u>800,642</u>	<u>-</u>	<u>-</u>	<u>800,642</u>
FUND BALANCES				
Nonspendable	339,845	-	-	339,845
Restricted	152,740	4,011,046	23,337,772	27,501,558
Assigned	22,368,657	-	-	22,368,657
Unassigned	7,929,987	-	-	7,929,987
Total fund balances	<u>30,791,229</u>	<u>4,011,046</u>	<u>23,337,772</u>	<u>58,140,047</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 41,452,491</u>	<u>\$ 4,253,930</u>	<u>\$ 23,641,545</u>	<u>\$ 69,347,966</u>

CORNWALL-LEBANON SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2024

Total fund balances - governmental funds \$ 58,140,047

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	150,442,039	
Accumulated depreciation	<u>(85,974,460)</u>	64,467,579

Certain receivables are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in governmental activities of the Statement of Net Position. 800,642

The Internal Service Fund is used by management to charge the cost of health insurance claims to the individual funds. A portion of assets and liabilities of the District's Internal Service Fund are included in the governmental activities and are allocated based on the usage of those funds by the governmental funds. (751,212)

Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related deferred inflows and outflows of resources consist of:

Bonds and notes payable, net of discount and premium	(21,852,167)	
Accrued interest on bonds	(295,189)	
Compensated absences	(2,596,718)	
IT subscription liabilities	(815,057)	
OPEB liability	(8,909,460)	
Net pension liability	(106,691,905)	
Deferred outflows related to pension liability	17,966,726	
Deferred inflows related to pension liability	(3,510,945)	
Deferred outflows related to OPEB liability	1,763,094	
Deferred inflows related to OPEB liability	<u>(2,449,808)</u>	<u>(127,391,429)</u>

Net position of governmental activities in the Statement of Net Position \$ (4,734,373)

CORNWALL-LEBANON SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Governmental Funds
Year Ended June 30, 2024

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local revenues				
Taxes	\$ 64,986,179	\$ -	\$ -	\$ 64,986,179
Investment earnings	2,641,250	232,958	1,206,120	4,080,328
Other	1,876,891	-	-	1,876,891
State sources	30,188,030	-	-	30,188,030
Federal sources	2,885,288	-	-	2,885,288
Total revenues	<u>102,577,638</u>	<u>232,958</u>	<u>1,206,120</u>	<u>104,016,716</u>
EXPENDITURES				
Instruction	57,707,740	-	-	57,707,740
Support services	28,020,120	-	-	28,020,120
Operation of noninstructional services	2,003,162	-	-	2,003,162
Facilities acquisition, construction and improvements	-	1,376,892	3,112,346	4,489,238
Debt service	5,020,829	-	-	5,020,829
Total expenditures	<u>92,751,851</u>	<u>1,376,892</u>	<u>3,112,346</u>	<u>97,241,089</u>
OTHER FINANCING SOURCES (USES)				
Proceeds on sale of assets	4,312	-	-	4,312
Issuance of long-term debt	1,002,448	-	-	1,002,448
Refund of prior year revenues	(561)	-	-	(561)
Interfund transfers	<u>(329,559)</u>	<u>390,530</u>	<u>-</u>	<u>60,971</u>
Total other financing sources (uses)	<u>676,640</u>	<u>390,530</u>	<u>-</u>	<u>1,067,170</u>
Net change in fund balances	10,502,427	(753,404)	(1,906,226)	7,842,797
Fund balances - beginning	<u>20,288,802</u>	<u>4,764,450</u>	<u>25,243,998</u>	<u>50,297,250</u>
Fund balances - ending	<u>\$ 30,791,229</u>	<u>\$ 4,011,046</u>	<u>\$ 23,337,772</u>	<u>\$ 58,140,047</u>

CORNWALL-LEBANON SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2024

Net change in fund balances - total governmental funds **\$ 7,842,797**

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

Governmental funds report capital outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. Sales of capital assets are reported based upon cash received in the governmental funds, in contrast, the net gain or loss on sale which reflects the net book value of capital assets sold is reported in the Statement of Activities. This is the amount by which capital outlays differed in the current period.

Depreciation/amortization expense	(4,236,384)	
Capital outlays	<u>6,898,504</u>	2,662,120

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the net cost of the capital assets sold. (310,818)

Governmental funds do not present certain revenues unless they are "available" to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. Because certain taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues changed by this amount this year. 328,216

The issuance of general obligation notes and other long-term obligations provides current financial resources to governmental funds, but has no effect on net position. Likewise, the payment to refund bond uses current financial resources, but also has no effect on net position. Governmental funds report prepaid bond issuance, bond discounts, and other similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (1,010,609)

Governmental funds report repayment of principal on bonds, notes, leases, and IT subscriptions as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. Also, governmental funds report the effect of premium, discount, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Repayment of long term obligations - principal	3,934,000	
Amortization of bond premium, discounts and prepaid bond insurance	(5,642)	
Lease liability	(958)	
IT subscription liability	317,079	

The Internal Service Fund is used by management to charge the cost of health insurance claims to individual funds. The net revenue (expense) of certain internal service amounts are reported with governmental activities. (13,224)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Accrued interest	(95,029)	
Compensated absences	(85,969)	
Net pension liability and related deferred outflows and inflows	3,401,118	
OPEB liability and related deferred outflows and inflows	<u>(41,043)</u>	

Change in net position of governmental activities **\$ 16,922,038**

CORNWALL-LEBANON SCHOOL DISTRICT
Statement of Net Position - Proprietary Funds
June 30, 2024

	Enterprise Food Service Fund	Internal Service Medical Insurance Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 683,756	\$ 254,123
Investments	1,459,402	-
Due from other funds	139,254	-
Due from other governments	302,213	-
Other receivable	161	76,309
Inventories	76,529	-
Total current assets	<u>2,661,315</u>	<u>330,432</u>
Noncurrent Assets		
Furniture and equipment	429,838	-
Accumulated depreciation	<u>(252,459)</u>	<u>-</u>
Total noncurrent assets	<u>177,379</u>	<u>-</u>
Total assets	<u>2,838,694</u>	<u>330,432</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to net pension liability	468,712	-
Deferred outflows related to OPEB liability	<u>106,486</u>	<u>-</u>
Total deferred outflows of resources	<u>575,198</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 3,413,892</u>	<u>\$ 330,432</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 337	\$ 670,048
Accrued salaries and benefits	2,679	-
Due to other funds	-	457,999
Unearned revenues	<u>208,824</u>	<u>-</u>
Total current liabilities	<u>211,840</u>	<u>1,128,047</u>
Noncurrent Liabilities		
Compensated absences	6,510	-
Net pension liability	2,121,780	-
OPEB liability	<u>110,855</u>	<u>-</u>
Total noncurrent liabilities	<u>2,239,145</u>	<u>-</u>
Total liabilities	<u>2,450,985</u>	<u>1,128,047</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to net pension liability	128,193	-
Deferred inflows related to OPEB liability	<u>61,098</u>	<u>-</u>
Total deferred inflows of resources	<u>189,291</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	177,379	-
Unrestricted (deficit)	<u>596,237</u>	<u>(797,615)</u>
Total net position (deficit)	<u>773,616</u>	<u>(797,615)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,413,892</u>	<u>\$ 330,432</u>
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets are included with business-type activities.	<u>(46,403)</u>	
Net position of business-type activities	<u>\$ 727,213</u>	

CORNWALL-LEBANON SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended June 30, 2024

	Enterprise Food Service Fund	Internal Service Medical Insurance Fund
OPERATING REVENUES		
Sales and charges for services/insurance premiums	\$ 1,113,456	\$ 11,271,079
Miscellaneous revenues	<u>4,755</u>	<u>-</u>
Total operating revenues	<u>1,118,211</u>	<u>11,271,079</u>
OPERATING EXPENSES		
Purchased services	11,001	30,073
Food and milk purchases	1,707,936	-
Salaries	890,819	-
Employee benefits	426,902	11,276,846
Supplies	331,914	-
Depreciation	25,301	-
Repairs and maintenance	21,579	-
Traveling and training	3,010	-
Other operating expense	<u>222,684</u>	<u>-</u>
Total operating expenses	<u>3,641,146</u>	<u>11,306,919</u>
Operating income (loss)	<u>(2,522,935)</u>	<u>(35,840)</u>
NON-OPERATING REVENUES		
Federal subsidies	2,112,494	-
State subsidies	550,603	-
Interest income	<u>109,784</u>	<u>21,915</u>
Total non-operating revenue	<u>2,772,881</u>	<u>21,915</u>
Income before transfers	249,946	(13,925)
Transfers in	<u>155,815</u>	<u>-</u>
Change in net position	405,761	(13,925)
Net position (deficit) - beginning	<u>367,855</u>	<u>(783,690)</u>
Net position (deficit) - ending	<u>\$ 773,616</u>	<u>\$ (797,615)</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of the internal service fund are reported with business-type activities.	<u>(702)</u>	
Change in net position of business-type activities	<u>\$ 405,059</u>	

CORNWALL-LEBANON SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2024

	Enterprise Food Service Fund	Internal Service Medical Insurance Fund
Cash flows from operating activities:		
Cash received from sales/insurance premiums	\$ 1,119,877	\$ 11,820,757
Cash payments to and on behalf of employees	(1,310,274)	(12,508,649)
Cash payments for goods and services	(2,171,618)	-
Net cash (used) by operating activities	<u>(2,362,015)</u>	<u>(687,892)</u>
Cash flows from capital financing activities:		
Transfers from other funds	155,815	-
Net cash provided by noncapital financing activities	<u>155,815</u>	<u>-</u>
Cash flows from noncapital financing activities:		
Federal subsidies	2,118,381	-
State subsidies	381,479	-
Net cash provided by noncapital financing activities	<u>2,499,860</u>	<u>-</u>
Cash flows from investing activities:		
Cash payments for purchases of investments	(1,431,000)	-
Earnings on investments	81,382	21,915
Net cash provided (used) by investing activities	<u>(1,349,618)</u>	<u>21,915</u>
Net (decrease) in cash and cash equivalents	(1,055,958)	(665,977)
Cash and cash equivalents - beginning	<u>1,739,714</u>	<u>920,100</u>
Cash and cash equivalents - ending	<u>\$ 683,756</u>	<u>\$ 254,123</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (2,522,935)	\$ (35,840)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	25,301	-
(Increase) decrease in:		
Accounts receivable	8,055	61,826
Prepaid expense	538	-
Inventory	(3,673)	-
Interfund receivable	341,393	530,934
Increase (decrease) in:		
Interfund payable	(199,501)	(689,592)
Compensated absences	(4,150)	-
Accrued salaries and benefits	1,417	-
Net pension liability and related items	1,209	-
Other post-employment benefit liability and related items	8,971	-
Unearned revenue	(6,389)	(43,082)
Accounts payable	<u>(12,251)</u>	<u>(512,138)</u>
Total adjustments	<u>160,920</u>	<u>(652,052)</u>
Net cash provided (used) by operating activities	<u>\$ (2,362,015)</u>	<u>\$ (687,892)</u>

CORNWALL-LEBANON SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2024

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 169,381
Total assets	<u>\$ 169,381</u>
NET POSITION	
Restricted for student activities	\$ 169,381
Total net position	<u>169,381</u>
Total net position	<u>\$ 169,381</u>

CORNWALL-LEBANON SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2024

	Custodial Funds
ADDITIONS	
Donations	\$ 149,984
Admission fees	139,108
Miscellaneous income	15,134
Interest income	<u>3,259</u>
Total additions	<u>307,485</u>
DEDUCTIONS	
Fundraising	97,832
Supplies	55,483
Donations	40,808
Dues	12,583
Field trips	70,238
Other operating expenses	<u>24,986</u>
Total deductions	<u>301,930</u>
Change in net position	5,555
Net position - beginning	<u>163,826</u>
Net position - ending	<u><u>\$ 169,381</u></u>

CORNWALL-LEBANON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

Cornwall-Lebanon School District (School District) operates a public school system which is comprised of the Boroughs of Cornwall and Mount

Gretna and the Townships of North Cornwall, North Lebanon, and South Lebanon in Lebanon County, Pennsylvania.

The School District consists of Cedar Crest High School and Middle School; Cornwall, Ebenezer, South Lebanon, and Union Canal Elementary Schools; as well as the School District Educational Service Center (Administration Office) and District Warehouse.

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial statements of the School District include all funds, functions, and activities to which the Board of Directors has oversight responsibility. The financial statements presented do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Cornwall-Lebanon School District.

Governmental Accounting Standards Board (GASB) statements define the criteria used to determine the composition of the reporting entity. These standards require the reporting entity to include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the above criteria, the School District is not included in any other governmental reporting entity and there are no component units of the School District.

Joint Ventures

The following joint ventures are not component units of Cornwall-Lebanon School District and are not included in this report.

Lebanon County Career and Technology Center ("LCCTC") - is a separate legal entity organized by six local school districts to provide vocational-technical training and education services in Lebanon County. The LCCTC is controlled and governed by the Career and Technology Center Board of Lebanon County, which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of the LCCTC.

CORNWALL-LEBANON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint Ventures (Continued)

Lebanon County Area Career and Technology Center Authority (“the Authority”) – in 1965, the Authority entered into an agreement with member school districts and the LCCTC to acquire land and construct buildings to provide the facilities for the operation of LCCTC.

Lancaster-Lebanon Intermediate Unit #13 – is a separate legal entity organized by constituent school districts in Lancaster and Lebanon counties to provide services to the school districts. Each member school district appoints members to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

Complete financial statements for each of the entities previously described can be obtained from each respective administrative office.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental funds:

a. General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property and earned income taxes, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration, and certain noninstructional services are accounted for in this fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

b. Capital Reserve Fund

This fund is authorized under Section 2932 and is authorized by Pennsylvania Law 145, Act of April 30, 1943, known as Section 2932. School Laws of Pennsylvania and accounts for (1) monies transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, and (2) surplus monies in the General Fund of the School District at the end of any fiscal year.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

c. Capital Project Funds

The Capital Projects Fund is utilized to account for bond proceeds and excess General Fund resources designated by board action for future capital improvement projects.

2. Proprietary Funds

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following major funds are utilized:

a. Food Service Fund – Enterprise Fund

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food, goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

b. Medical Insurance Fund – Internal Service Fund

This fund is used to account for resources, derived primarily from premiums collected from other funds, for payment of the School District's medical costs.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Student activity funds are classified as Custodial Funds.

Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. 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. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

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

CORNWALL-LEBANON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred and the related revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing food services, including charges for meals and the costs of food, salaries and benefits, depreciation, insurance premiums, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand deposits, petty cash, savings, money market accounts, and certificates of deposit with original maturities of three months or less. Investments include certificates of deposit with original maturities greater than three months. Investments are stated at market value. Accrued interest is included with other receivables on the balance sheet and statement of net position.

The School District invests in funds with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investments Trust (PGLIT). PSDLAF and PLGIT operate and are authorized under the Intergovernmental Cooperation Act of 1972. Investments in these funds have daily liquidity and are valued at amortized cost which equals market value.

These funds invest in federal securities backed by the full faith and credit of the United States Government, in agencies, instrumentalities and subdivisions of the Commonwealth of Pennsylvania and backed by the full faith and credit of the Commonwealth, and certificates of deposit which are insured by the Federal Insurance Corporation or which are collateralized as provided by law of Act 72 of 1971.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. Government-donated commodities are valued at estimated fair market value. The expendable supplies are recorded as an expenditure when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements and the asset (valued at cost) at June 30 is offset by nonspendable fund balance. Governmental fund supplies inventories are capitalized at cost and expensed as used on the government-wide financial statements.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition value as of the date received. The School District maintains a capitalization threshold of \$ 5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land improvements	20 years	N/A
Buildings and improvements	20 - 50 years	N/A
Furniture and equipment	5 - 20 years	5 -15 years
Right-to-use asset - vehicle	5 years	N/A
Right-to-use asset – IT subscriptions and multi-year licenses	3 – 5 years	N/A

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on debt refunding and various amounts related to pension and OPEB liabilities. These amounts will be amortized in future periods.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources consist of various amounts related to pension and OPEB liabilities (on the statement of net position) and unavailable tax revenue (on the balance sheet for governmental funds).

Interfund Activity/Internal Balances

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required. The final budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Directors, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Supplemental budget appropriations to the General Fund budget are the result of program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency, and frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements and capital projects in the Capital Reserve Fund. All transactions of the Capital Reserve Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and the disclosure of those items, if any, at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts, deferred charge on debt refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on debt refunding is reported as deferred outflows of resources. Prepaid bond insurance costs are reported as an asset while other bond issuance costs are expensed at the time the debt is issued.

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 original issue discounts or premiums are reported as other financing sources or uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Leases

The School District was a lessee for a noncancellable lease of equipment and vehicles. The School District recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements through completion of the lease.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Subscription-Based Information Technology Arrangements

The School District is a lessee for seven (7) noncancellable arrangements for subscription-based information technology. The School District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements.

At the commencement of a subscription arrangement, the School District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription arrangement commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscription arrangements include how the School District determines (1) the discount rate it uses to discount the expected subscription arrangement payments to present value, (2) subscription term, and (3) subscription payments.

- The School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription arrangement. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and any renewal provisions that the School District is reasonably certain to exercise.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subscription-Based Information Technology Arrangements (Continued)

The School District monitors changes in circumstances that would require a remeasurement of its subscription arrangement and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Other Postemployment Benefits Other Than Pensions

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The School District's other postemployment benefits are accounted for in accordance with these standards.

The School District provides postemployment benefits through a single employer defined benefit other post-employment benefit (OPEB) plan by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid for by the retirees. In addition, vested Superintendents receive a maximum \$ 750 per month toward the health benefit, former Director of Business Affairs and vested Cabinet Level Administrators receive \$ 225 per month, and vested Act 93 Administrators receive \$ 150 per month. The Superintendents and former Director of Business Affairs also can purchase \$ 50,000 life insurance through age 65 and \$ 25,000 to age 70 at a cost to the retiree of \$ 0.15 per \$ 1,000. See the plan document for more detailed description of plan benefits. These benefits are financed on a pay-as-you-go basis.

The School District also participates in a governmental cost sharing multi-employer OPEB plan with PSERS for all eligible retirees who qualify and elect to participate.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Retirement Plans

The School District contributes to the Public-School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of GASB Standards, which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

For purposes of measuring 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The liability for compensated absences is accounted for in accordance with the provisions of the GASB, which requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The estimate of the liability for the accumulated unpaid sick leave has been calculated using the vesting method. Under that method, the School District has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement.

Liabilities for vested, unused vacation, sick pay, and compensatory time are recorded in the proprietary funds and the government-wide financial statements and are expensed as incurred.

Payments for vacation, sick pay, and compensatory time are expensed as paid in the governmental fund financial statements.

Net Position – Government-Wide/Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

Restricted Net Position: This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

Restricted net position as of June 30, 2024 consists of \$ 14,859,963 for future capital improvements, \$ 150,420 for scholarships and \$ 2,320 HealthEquity.

Unrestricted Net Position: This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Funds

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amount of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds other than in the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board or the Director of Business Affairs that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the School Board or the Director of Business Affairs has the authority to make assignments of fund balance. Thus, these assignments would be made or changed by formal action of the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The General Fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and assigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

CORNWALL-LEBANON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: committed, assigned and unassigned. This order of spending may be altered per board approval.

NOTE 2 CASH AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government and Federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any Federal agency, instrumentality, or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2024, the School District has a bank balance of \$ 747,475. Of this balance, \$ 304,445 is covered by FDIC insurance and the remaining balance of \$ 443,030 was exposed to custodial credit risk because the collateral securities held by the bank's agents are not in the School District's name.

The School District has an arrangement with Fulton Bank to provide Government Interest Checking and Money Market accounts to the School District.

CORNWALL-LEBANON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the School District have pledged collateral on a pooled basis on behalf of the School District and all other governmental depositors in the respective financial institutions.

Credit Risk - Investments

As of June 30, 2024, the School District had the following investments:

	Carrying Value	Standard and Poor's Credit Quality Rating
PA School District Liquid Asset Fund	\$ 39,813,089	AAAm
PA Local Government Investment Trust Class	17,620,931	AAAm
PA Local Government Investment Trust I Class	8,071,882	AAAm
	<u>\$ 65,505,902</u>	

Included in cash and cash equivalents and investments are pooled investments in the Pennsylvania School District Liquid Asset Fund of \$ 39,813,089, which includes \$ 17,141,687 in PSDLAF-MAX, \$ 18,991,536 in PSDLAF-Full Flex (investments), \$ 2,949,004 in U.S. Treasuries (investments), and \$ 730,862 in PSDLAF certificates of deposit. The PSDLAF-MAX is essentially a mutual fund that consists of short-term money market instruments and seeks to maintain a constant net asset value of \$ 1 per share. PSDLAF-MAX deposits are invested by PSDLAF directly in portfolios of securities held by a third-party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool.

Included in cash and cash equivalents on the statement of net position are investments in Pennsylvania Local Government Investment Trust (PLGIT), which is used as the School District's main checking account. PLGIT operates like a money market and seeks to maintain a stable net asset value of \$ 1 per share. At June 30, 2024, the School District held \$ 9,809,881 in the PLGIT-Class portfolio, \$ 8,071,882 in the PLGIT-I Class portfolio, and \$ 7,839,45 in PLGIT certificates of deposit. PLGIT portfolio funds are invested in United States Treasury bills; obligations, participations, or other instruments of any Federal agency, instrumentality or United States government-sponsored enterprise; deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund; obligations guaranteed or insured by the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the Commonwealth; and repurchase agreements involving United States Government and agency obligations.

Investments in PSDLAF and PLGIT are subject to income, market and credit risk related to the potential for decline in current income, the potential for a decline in market value and the potential that an issuer of securities held in the investment portfolios of the fund would fail to make timely payments of principal and interest payments, respectively.

CORNWALL-LEBANON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The School District does not have a formal written investment policy that limits its investment choices to certain credit ratings.

The School District's investments consist of U.S. Treasuries in the amount of \$ 2,949,004 as of June 30, 2024, all of which had maturities of less than one year. In addition, these securities had S&P Global ratings (if rated) of AA+.

Policies Followed at PSDLAF and PLGIT

PSDLAF and PLGIT are not registered with the Securities and Exchange Commission (SEC); however, PSDLAF and PLGIT follow investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pools which are governed by the Board of Trustees. The School District's investments in PSDLAF and PLGIT are valued at amortized cost, which approximates fair value and is determined by the pools' share price.

The School District has no limitations or restrictions on withdrawals on accounts held at PSDLAF or PLGIT.

Investments – Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the financial statements at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The fair value of U.S. Treasuries is estimated using quoted active markets for identical assets and are classified as Level 1 of the valuation hierarchy.

NOTE 3 TAXES

The School District collects property taxes, earned income taxes, and other taxes and fees primarily from taxpayers located in the Boroughs of Cornwall and Mount Gretna and North Cornwall, North Lebanon, South Lebanon, and West Cornwall Townships in Lebanon County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collector on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 – October 31
Penalty	November 1 – December 31
Lien Date	January 1

As of January 1, the bills are considered delinquent and turned over to the Lebanon County Tax Claim Bureau for collection.

CORNWALL-LEBANON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS

Taxes receivable and related deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2024:

Real estate	\$ 205,031
Earned income	1,111,479
Transfer tax	103,511
Delinquent real estate	<u>800,642</u>
Taxes receivable, net	2,220,663

Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(1,420,021)</u>
---	--------------------

Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources - unavailable tax revenue in governmental funds	<u>\$ 800,642</u>
---	-------------------

Tax Abatements

Pennsylvania Clean and Green Program

Clean and Green is a preferential tax assessment program that bases property taxes on use values rather than fair market values. This ordinarily results in tax savings for landowners.

Property owners can apply at the Lebanon County tax assessment office for their property to be included in Pennsylvania's Clean and Green Program. The program was enacted as a tool to encourage protection of the Commonwealth's valuable farmland, forestland and open spaces. To be eligible, a property must be at least ten acres in size, and in Agriculture use, Agriculture Reserve, or Forest Reserve. Agricultural Use applications may be less than ten acres in size if the property is capable of generating at least \$ 2,000 annually in farm income. A landowner who breaches the covenant is subject to seven years of rollback taxes at 5% interest per year. The rollback tax is the difference between what was paid under Clean and Green versus what would have been paid, if the property had not been enrolled, plus 6% simple interest per year.

For the fiscal year ended June 30, 2024, total School District property taxes of \$ 6,614,350 were abated under this program.

Local Economic Revitalization Tax Assistance Act

The Cornwall-Lebanon School District enters into property tax abatement agreements with local businesses under the Local Economic Revitalization Tax Assistance Act of December 1, 1977. The Act authorizes specified local governments to provide tax exemption for new construction and improvements to industrial, commercial, and other business properties located within certain designated areas. Under the Act, local governments may grant property tax abatements of up to 100 percent of a business's property tax bill, based on assessed value, for the purpose of attracting or retaining businesses within their jurisdictions.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS
(CONTINUED)

Tax Abatements (Continued)

Local Economic Revitalization Tax Assistance Act (Continued)

The School District has two LERTA agreements in the current year: one with Scannell properties as of June 3, 2019, and one with CPUS Leanon LP on May 2, 2022. The agreement for Scannell Properties provides a 50% abatement for the improvements made to the properties assessed at \$ 8,603,900 for the first five years after the placed in-service date. During the year ended June 30, 2024, abated taxes related to this agreement totaled \$ 67,165. The agreement with CPUS Leanon, LP provides a 75% abatement for the first-year improvements, 50% abatements for years 2-4, and 25% abatement for year 5 to the property assessed at \$ 65,770,100. During the year ended June 30, 2024, abated taxes related to this agreement totaled \$ 794,488.

NOTE 5 INTERFUND RECEIVABLE AND PAYABLES AND TRANSFERS

Net interfund receivables/payables consist of the following at June 30, 2024:

Funds	Due from Other Funds	Due to Other Funds
General	\$ 319,293	\$ 548
Food Service	139,254	-
Medical Insurance	-	457,999
	<u>\$ 458,547</u>	<u>\$ 458,547</u>

The General Fund owes the Food Service Fund for social security and retirement receipts. The Medical Insurance Fund has payables related to claims owed after year-end.

Interfund transfers were as follows for the year ended June 30, 2024:

Funds	Transfer In	Transfer Out
General	\$ -	\$ 546,345
Capital Reserve	390,530	-
Food Service	155,815	-
	<u>\$ 546,345</u>	<u>\$ 546,345</u>

For the year ended June 30, 2024, transfers from the General Fund to the Capital Reserve Fund were made to fund future capital purchases. The General Fund transfer to the Food Service Fund was to cover the operating expenses.

CORNWALL-LEBANON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 6 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2024 consist of the following:

		General Fund	Food Service Fund
State:	Social security	\$ 496,419	\$ -
	Retirement	2,346,620	-
	Incarcerated education	22,639	-
	Basic education transportation	338,171	-
	Summer Food Service Program	-	56,431
Federal:	Various programs	401,207	245,579
Intergovernmental:	Various programs	256,415	203
		<u>\$ 3,861,471</u>	<u>\$ 302,213</u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2024:

	Beginning Balances	Additions	Retirements	Ending Balances
Governmental Activities				
Cost:				
Assets not being depreciated				
Land	\$ 3,292,307	\$ -	\$ -	\$ 3,292,307
Construction in progress	248,618	4,442,673	(579,437)	4,111,854
Assets being depreciated/amortization				
Land improvements	5,074,945	14,500	(711,395)	4,378,050
Buildings and improvements	120,659,524	806,900	(258,656)	121,207,768
Furniture and equipment	20,820,662	1,200,819	(5,860,253)	16,161,228
Right-to-use asset - equipment	74,187	-	(74,187)	-
Right-to-use asset - IT subscriptions	610,768	1,002,448	(359,847)	1,253,369
Right-to-use asset - multi-year licenses	36,154	10,601	(9,292)	37,463
Total cost	<u>150,817,165</u>	<u>7,477,941</u>	<u>(7,853,067)</u>	<u>150,442,039</u>
Less accumulated depreciation/amortization:				
Land improvements	(2,949,696)	(56,571)	486,120	(2,520,147)
Buildings and improvements	(68,841,670)	(2,836,136)	193,187	(71,484,619)
Furniture and equipment	(16,390,160)	(1,049,857)	5,840,179	(11,599,838)
Right-to-use asset - equipment	(59,919)	-	59,919	-
Right-to-use asset - IT subscriptions	(422,272)	(283,628)	359,847	(346,053)
Right-to-use asset - multi-year licenses	(22,903)	(10,192)	9,292	(23,803)
Total accumulated depreciation/amortization	<u>(88,686,620)</u>	<u>(4,236,384)</u>	<u>6,948,544</u>	<u>(85,974,460)</u>
Capital assets, net	<u>\$ 62,130,545</u>	<u>\$ 3,241,557</u>	<u>\$ (904,523)</u>	<u>\$ 64,467,579</u>
	Beginning Balances	Additions	Retirements	Ending Balances
Business-Type Activities				
Cost:				
Furniture and equipment	\$ 447,518	\$ -	\$ (17,680)	\$ 429,838
Less accumulated depreciation:				
Furniture and equipment	(244,838)	(25,301)	17,680	(252,459)
Capital assets, net	<u>\$ 202,680</u>	<u>\$ (25,301)</u>	<u>\$ -</u>	<u>\$ 177,379</u>

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense for the year ended June 30, 2024 was charged to governmental functions as follows:

Instruction	\$ 2,708,039
Instructional student support	330,455
Administration and financial support services	423,643
Pupil transportation	197,494
Operation and maintenance of plant services	491,419
Student activities	85,334
	<u>\$ 4,236,384</u>

The construction in progress consists of the following at June 30, 2024:

Roof Replacements	\$ 185,727
MS Cooling Tower	353,236
EB Chiller Rebuild	18,644
CW/EB Paving	94,029
Fire Alarm	81,510
Campus Renovation Project	28,743
Falcon Connector Building	2,673,346
CCHS Building Renovation	608,278
SL Rooftop Air Replacements	68,341
	<u>\$ 4,111,854</u>

As of June 30, 2024, the School District had the following construction commitments:

	Total Contracts	Total Costs Incurred	Total Costs To Be Incurred
Roof Replacements	\$ 404,755	\$ 185,727	\$ 219,028
MS Cooling Tower	365,328	353,236	12,092
EB Chiller Rebuild	22,650	18,644	4,006
CW/EB Paving	118,321	94,029	24,292
Fire Alarm	85,160	81,510	3,650
Campus Renovation Project	32,500	28,743	3,757
Falcon Connector Building	11,660,377	2,673,346	8,987,031
CCHS Building Renovation	608,278	608,278	-
SL Rooftop Air Replacements	79,591	68,341	11,250
Total commitments related to construction in progress	<u>\$ 13,376,960</u>	<u>\$ 4,111,854</u>	<u>\$ 9,265,106</u>

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

Accrued salaries and benefits and withholdings consist of the following as of June 30, 2024:

	General Fund	Food Service Fund
Accrued salaries/fringe benefits	\$ 3,635,817	\$ 2,026
Retirement	4,937,640	506
Social security	264,841	147
Workers' compensation insurance	7,270	-
Payroll deductions and withholdings	115,448	-
	<u>\$ 8,961,016</u>	<u>\$ 2,679</u>

NOTE 9 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2024 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
Direct Borrowing						
B) Series of 2020 GO Note Bonds	\$ 1,449,000	\$ -	\$ (1,449,000)	\$ -	\$ -	\$ -
A) Series of 2023 GO Bonds	15,000,000	-	-	15,000,000	30,000	14,970,000
C) Series of 2017 GO Bonds	8,830,000	-	(2,485,000)	6,345,000	3,630,000	2,715,000
Bond Premium (Discount)	545,754	-	(16,049)	529,705	17,025	512,680
Subtotal - notes and bonds	<u>25,824,754</u>	<u>-</u>	<u>(3,950,049)</u>	<u>21,874,705</u>	<u>3,677,025</u>	<u>18,197,680</u>
IT subscription liability	<u>121,527</u>	<u>1,002,448</u>	<u>(308,918)</u>	<u>815,057</u>	<u>230,856</u>	<u>584,201</u>
Compensated absences:						
Classified employees	199,526	22,792	(48,845)	173,473	124,676	48,797
Professional employees	1,798,994	343,664	(293,198)	1,849,460	-	1,849,460
Administrative employees	512,229	61,556	-	573,785	-	573,785
Subtotal - compensated absences	<u>2,510,749</u>	<u>428,012</u>	<u>(342,043)</u>	<u>2,596,718</u>	<u>124,676</u>	<u>2,472,042</u>
Total governmental activities	<u>\$ 28,457,030</u>	<u>\$ 1,430,460</u>	<u>\$ (4,601,010)</u>	<u>\$ 25,286,480</u>	<u>\$ 4,032,557</u>	<u>\$ 21,253,923</u>
Business-Type Activities						
Compensated absences:						
Classified employees	\$ 10,660	\$ 1,264	\$ (5,736)	\$ 6,188	\$ -	\$ 6,188
Administrative Employees	-	322	-	322	-	322
Total business-type activities	<u>\$ 10,660</u>	<u>\$ 1,586</u>	<u>\$ (5,736)</u>	<u>\$ 6,510</u>	<u>\$ -</u>	<u>\$ 6,510</u>

Bonds and Notes

The School District uses the General Fund to pay for principal and interest payments related to the bonds and notes.

(A) On April 26, 2023, the School District issued general obligation bonds (Series of 2023) in the amount of \$ 15,000,000. The proceeds were used to finance construction within the School District and to pay the costs of issuing the bonds. The bonds are maturing through February 15, 2053. The bonds bear interest rates ranging from 2.45% to 4.11% and interest is paid semi-annually.

(B) On July 15, 2020, the School District issued general obligation note (Series of 2020) in the amount of \$ 9,524,000. The proceeds were used to refund the School District's outstanding General Obligation Bonds, Series of 2013A and to pay the costs of issuing the note. The note is due on February 15, 2024. Interest is payable semi-annually on the note. The note bears interest at a rate of 0.89%.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Bonds and Notes (Continued)

(C) On December 28, 2017, the School District issued general obligation bonds (Series of 2017) in the amount of \$ 9,945,000. The proceeds were used to finance construction within the School District and to pay the costs of issuing the bonds. The bonds are maturing through February 15, 2027. The bonds bear interest rates ranging from 1.40% to 2.40% and interest is paid semi-annually.

The annual debt requirements for future general obligation bonds and notes as of June 30, 2024 are as follows:

Fiscal Year Ended June 30	Bonds				IT Subscription Liabilities			
	GO Bonds - 2017		GO Bonds - 2023				Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 3,630,000	\$ 140,415	\$ 30,000	\$ 649,650	\$ 230,857	\$ 54,757	\$ 3,890,857	\$ 844,822
2026	1,860,000	62,370	35,000	648,150	195,658	39,248	2,090,658	749,768
2027	855,000	20,520	35,000	646,400	144,748	26,103	1,034,748	693,023
2028	-	-	305,000	644,650	154,472	16,379	459,472	661,029
2029	-	-	320,000	629,400	89,322	6,002	409,322	635,402
2030-2034	-	-	1,860,000	2,890,250	-	-	1,860,000	2,890,250
2035-2039	-	-	2,380,000	2,376,000	-	-	2,380,000	2,376,000
2040-2044	-	-	2,975,000	1,778,200	-	-	2,975,000	1,778,200
2045-2049	-	-	3,610,000	1,134,600	-	-	3,610,000	1,134,600
2050-2053	-	-	3,450,000	352,000	-	-	3,450,000	352,000
	<u>\$ 6,345,000</u>	<u>\$ 223,305</u>	<u>\$ 15,000,000</u>	<u>\$ 11,749,300</u>	<u>\$ 815,057</u>	<u>\$ 142,489</u>	<u>\$ 22,160,057</u>	<u>\$ 12,115,094</u>

The School District general obligation bonds and notes contain a provision that in the event of default for nonpayment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District's subsidies and pay any past due amounts directly to the paying agent for payment to the bond or note holders.

Compensated Absences

Retirement payments are accrued as a liability using the vesting method. The liability is dependent on the employee class and is based on the years of service, accumulated sick leave, final annual salary, or a combination of these items at June 30, 2024 by those employees who are currently eligible to receive termination payments and those employees for who it is probable they will become eligible to receive termination benefits in the future. The criteria for determining liability is derived from Board policies and negotiated agreements.

The vested liability for compensated absences has been recorded as an expense and liability in the government-wide statements and enterprise fund, as appropriate, for retirement payments, compensatory time, and other unused paid time off. The calculation is based on pay rates or policy as appropriate, plus Social Security.

IT Subscription Liabilities

The School District has entered into seven (7) subscription arrangements ranging from two (2) to six (6) years for exclusive use of subscription-based information technology. The arrangements require annual principal and interest payments ranging from \$ 1,248 to \$ 95,325 based on an interest rate of 6.72%. The associated right-to-use assets are disclosed in the Capital Asset footnote.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions and Benefits Provided

School District Plan

The School District has a healthcare plan for retired employees of the School District, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical and prescription drug coverage for both the retiree and spouse. To continue coverage upon retirement, the retiree must reimburse the School District 100% of the premium. The coverage shall discontinue when the retiree qualifies for Medicare coverage. Additional benefits are provided to certain retirees as detailed in Note 1 and defined in the plan documents.

Retirees opting to participate pay a premium amount that is less than the School District's actual cost to provide health care coverage to retirees. The premium amount for retirees is based on a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as the "implicit rate subsidy" provided by the School District, which gives rise to the benefit to be recorded under generally accepted accounting principles.

Employees who are currently eligible for health care insurance and have a minimum of twenty (20) years of experience with the School District and have not attained sixty-five (65) years of age, shall have the option of continuing medical, dental, and vision insurance at their expense. The cost of the insurance will be billed in quarterly installments. When the retiree attains age sixty-five (65) years of age, the coverage will cease.

No assets are accumulated in a trust that meets the criteria of GASB standards.

PSERS

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2022, there were no assumed future benefit increase to participating eligible retirees.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

PSERS (Continued)

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program or employer-sponsored health insurance program.

Plan Membership – School District Plan

Membership in the School District's plan consisted of the following at July 1, 2022, the date of the latest actuarial valuation:

Active participants	514
Vested former participants	23
Retired participants	<u>21</u>
Total	<u>558</u>

Contributions

PSERS

The School District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.64% 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 the unfunded accrued liability. Contributions to the OPEB plan from the employer were \$ 249,320 for the year ended June 30, 2024.

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

School District Plan

The School District's total OPEB liability was measured as of July 1, 2022, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2022 to June 30, 2023 based on an actuarial valuation as of July 1, 2022. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2024, the School District reported a total OPEB liability of \$ 4,605,804.

For the year ended June 30, 2024, the School District recognized OPEB expense (benefit) of \$ 376,252.

PSERS

At June 30, 2024, the School District reported a liability of \$ 4,414,511 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2022 to June 30, 2023. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

PSERS (Continued)

reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the School District's proportion was 0.2440 percent, which was an decrease of 0.0041 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the School District recognized OPEB expense (benefit) of \$ 88,163.

The table below summarizes the combined OPEB liability and OPEB expense:

	Total OPEB/ Net OPEB Liability	OPEB Expense (Benefit)
School District Plan	\$ 4,605,804	\$ 376,252
PSERS	<u>4,414,511</u>	<u>(161,615)</u>
Total	<u>\$ 9,020,315</u>	<u>\$ 214,637</u>

Changes in the Total OPEB Liability

School District Plan

	Total OPEB Liability
Beginning Balance	\$ 4,286,098
Changes for the year	
Service cost	221,299
Interest	179,778
Difference between expected and actual experience	-
Changes in assumptions	65,124
Benefit payments	<u>(146,495)</u>
Net changes	<u>319,706</u>
Ending Balance	<u>\$ 4,605,804</u>

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability (Continued)

School District Plan (Continued)

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 377,921	\$ 169,357	\$ 29,000	\$ 44,000	\$ 406,921	\$ 213,357
Changes in assumptions	486,379	1,224,063	381,000	835,000	867,379	2,059,063
Net difference between projected and actual investment earnings	-	-	10,000	-	10,000	-
Changes in proportions - plan	-	-	47,000	115,000	47,000	115,000
Changes in proportions - governmental activities/business-type activities	29,636	29,636	91,819	91,819	121,455	121,455
Difference between employer contributions and proportionate share of total contributions	-	-	2,786	2,392	2,786	2,392
Benefit payments/contributions subsequent to the measurement date	164,646	-	249,778	-	414,424	-
	<u>\$ 1,058,582</u>	<u>\$ 1,423,056</u>	<u>\$ 811,383</u>	<u>\$ 1,088,211</u>	<u>\$ 1,869,965</u>	<u>\$ 2,511,267</u>

The amount of \$ 414,424 is reported as a deferred outflow of resources related to OPEB resulting from School District benefit payments/contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2024 related to the School District and PSERS plans. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	School District		
Year ended June 30:	Plan	PSERS	Total
2025	\$ (24,825)	\$ (93,430)	\$ (118,255)
2026	(24,825)	(116,234)	(141,059)
2027	(24,825)	(140,183)	(165,008)
2028	(24,825)	(154,155)	(178,980)
2029	(24,825)	(22,604)	(47,429)
Thereafter	(404,995)	-	(404,995)
Total	<u>\$ (529,120)</u>	<u>\$ (526,606)</u>	<u>\$ (1,055,726)</u>

Actuarial Methods and Assumptions

School District Plan

The total OPEB liability was determined based on an actuarial valuation dated July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PSERS

The total OPEB liability as of June 30, 2022, was determined by rolling forward the System's 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.

	School District Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	4.13% - S&P 20 year municipal bond rate as of July 1, 2023.	4.13% - S&P 20 year municipal bond rate as of June 30, 2023.
Salary	An assumption for salary increase is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.	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	PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubT-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.	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.
Percentage of Eligible Employees Electing Coverage in Plan	100% of Superintendents and former Director of Business Affairs, 95% of Cabinet Level Administrators, 70% of Act 93 Administrators, and 60% of Teachers and the Support Staff are assumed to elect coverage. 30% of Vested Former Participants are assumed to elect coverage at age 62. Spouses are assumed to cease coverage upon attainment of age 65.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PSERS (Continued)

Health Care Cost Trend Rate	7.0% in 2023 with a 0.5% decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than \$ 1,200 in premium assistance per year. Benefit is capped at \$ 1,200 per year.
Per Capita Claims Cost	The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows: age 45-49, \$ 6,775 for males and \$ 9,784 for females; 50-54, \$ 8,973 for males and \$ 11,058 for females; 55-59, \$ 10,928 for males and \$ 11,571 for females; and 60-64, \$ 14,261 for males and \$ 13,292 for females.	N/A

Investment Return

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

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

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	<u>100.0%</u>	1.2%

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, 2023.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Discount Rate

The discount rate used to measure the OPEB liability was 4.13% for the School District's Plan and 4.13% for PSERS. The School District Plan is not funded, therefore, the S&P 20-year municipal bond rate of 4.13% as of July 1, 2023 is applicable discount rate. Under the PSERS plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB's plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.13% which represents the S&P 20-year municipal bond rate at June 30, 2023, was applied to all projected benefit payments to measure the OPEB liability.

Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate

The following presents the total and net OPEB liabilities of the School District, as well as what the School District's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
School District Plan - Total OPEB liability	<u>\$ 4,949,882</u>	<u>\$ 4,605,804</u>	<u>\$ 4,276,054</u>
	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
PSERS - School District's proportionate share of the net OPEB liability	<u>\$ 4,991,000</u>	<u>\$ 4,414,511</u>	<u>\$ 3,932,000</u>

Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

For the PSERS plan, healthcare cost trends were applied to retirees receiving less than \$ 1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$ 1,200.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Continued)

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

School District Plan

	Healthcare Cost		
	1% Decrease	Trend Rate	1% Increase
	(4.5%	(5.5%	(6.5%
	decreasing to	decreasing to	decreasing to
	3.0%)	4.0%)	5.0%)
School District Plan - Total OPEB Liability	\$ 4,071,669	\$ 4,605,804	\$ 5,234,110

PSERS

	1% Decrease	Current Trend Rate	1% Increase
PSERS - School District's proportionate share of the net OPEB liability	\$ 4,414,000	\$ 4,414,511	\$ 4,415,000

OPEB Plan Fiduciary Net Position

PSERS

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

Payables to the OPEB Plan

School District Plan

As of June 30, 2024, the School District had no amounts payable to the School District OPEB Plan.

PSERS

As of June 30, 2024, the School District had \$ 95,500 included in accrued wages liability, of which \$ 70,765 is for the contractually required contribution for the second quarter of 2024 and \$ 24,735 is related to the accrued payroll liability for wages incurred as of June 30, 2024.

NOTE 11 PENSION PLAN

General Information About the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public-school employees, part-time hourly public-school employees who render at least 500 hours of service in the school year, and part-time per diem public-school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by 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 rights to benefits is vested after ten years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan 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).

Class T-G and Class T-H members qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, 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. A members' right to a defined benefit is vested in 10 years.

Participants are generally between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service. 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 rights to benefits is vested after ten years of service.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Benefits Provided (Continued)

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending 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.

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%
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	7.50%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.3%
T-G	On or after July 1, 2019	5.5% base rate with shared risk provision	2.75%	8.25%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

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 School District's contractually required contribution rate for fiscal year ended June 30, 2024 was 33.09% 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 from the School District to the defined benefit pension plan from the School District were \$ 12,882,744 for the year ended June 30, 2024. In addition, the School District's contribution to the defined contribution plan was \$ 113,071 for the year ended June 30, 2024.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Member Contributions (Continued)

State Funding

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2024, the School District recognized revenue of \$ 6,716,667 as reimbursement from the State for its current year pension payments.

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

At June 30, 2024, the School District reported a liability of \$ 108,813,685 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2022 to June 30, 2023. The School 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 School District's proportion was 0.2446 percent, which was an increase of 0.0039 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense as follows:

Governmental Activities	\$ 9,867,118
Business-Type Activities	1,209

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 25,000	\$ 1,490,000
Changes in assumptions	1,624,000	-
Net difference between projected and actual investment earnings	3,079,000	-
Changes in proportions - plan	373,000	1,778,000
Changes in proportions - governmental activities/business-type activities	1,773,224	1,773,224
Difference between employer contributions and proportionate share of total contributions	166,178	197,914
Contributions subsequent to the measurement date	12,995,036	-
	<u>\$ 20,035,438</u>	<u>\$ 5,239,138</u>

NOTE 11 PENSION PLAN (CONTINUED)

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

The deferred outflows of resources related to pension of \$ 12,995,036 resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. 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:	
2025	\$ 643,852
2026	(2,751,234)
2027	2,880,646
2028	1,028,000
Total	<u>\$ 1,801,264</u>

Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined by rolling forward the System's total pension liability as of June 30, 2022 to June 30, 2023 using the fulling actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level percent of pay.
- Investment rate of return – 7.00%, includes inflation at 2.50%.
- Salary growth – effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit and 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 actuarial assumptions used in the June 30, 2023 valuation were based on the 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 expenses 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.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public entity	30.0%	5.2%
Private equity	12.0%	7.9%
Fixed income	33.0%	3.2%
Commodities	7.5%	2.7%
Infrastructure/MLPs	10.0%	5.4%
Real estate	11.0%	5.7%
Absolute return	4.0%	4.1%
Cash	3.0%	1.2%
Financing (LIBOR)	(10.5%)	1.2%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

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

The following presents 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:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	<u>\$ 141,052,000</u>	<u>\$ 108,813,685</u>	<u>\$ 81,614,000</u>

Pension Plan Fiduciary Net Position

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

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 PENSION PLAN (CONTINUED)

Payables to the Pension Plan

As of June 30, 2024, the School District had \$ 4,842,140 included in accrued wages liability, of which \$ 3,588,014 is for the contractually required contribution for the second quarter of 2024 and \$ 1,278,861 is related to the accrued payroll liability for wages incurred as of June 30, 2024.

NOTE 12 CONTINGENCIES AND UNCERTAINTIES

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

At times, the School District is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2024 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 13 FUND BALANCE

The following table provides details of the fund balance classifications which are aggregated on the governmental fund balance sheet:

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
FUND BALANCES				
Nonspendable				
Prepaid expenditures	\$ 183,613	\$ -	\$ -	\$ 183,613
Inventories	156,232	-	-	156,232
Total nonspendable	<u>339,845</u>	<u>-</u>	<u>-</u>	<u>339,845</u>
Restricted				
Scholarships	150,420	-	-	150,420
HealthEquity	2,320	-	-	2,320
Capital projects	-	4,011,046	23,337,772	27,348,818
Total restricted	<u>152,740</u>	<u>4,011,046</u>	<u>23,337,772</u>	<u>27,501,558</u>
Assigned				
Future retirement expenditures	191,000	-	-	191,000
Technology	677,657	-	-	677,657
Campus project	21,500,000	-	-	21,500,000
Total assigned	<u>22,368,657</u>	<u>-</u>	<u>-</u>	<u>22,368,657</u>
Unassigned	<u>7,929,987</u>	<u>-</u>	<u>-</u>	<u>7,929,987</u>
Total fund balances	<u>\$ 30,791,229</u>	<u>\$ 4,011,046</u>	<u>\$ 23,337,772</u>	<u>\$ 58,140,047</u>

NOTE 14 RISK MANAGEMENT

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors' and officers' liability, unemployment compensation and employees' health coverage. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

Health Insurance

The School District participates in a consortium with the Lancaster-Lebanon Intermediate Unit (LLIU) to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses, and dependents. Accordingly, benefit payments plus an administrative charge made to a third party who approves and processes all claims. Each participating employer contributes to the consortium amounts determined by actuarial principles which will be adequate to cover annual claim costs, operating costs, and reserves sufficient to provide stated benefits. Since each school district is responsible for its own risk, additional assessments would be charged to make up any deficiency; thus, this functions like a retrospectively rated program.

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Financial Statements

NOTE 14 RISK MANAGEMENT (CONTINUED)

Health Insurance (Continued)

Because the consortium acts as a claim-servicing pool, the School District remains responsible for the economic risk of providing stated benefits to employees. However, claims incurred between \$ 200,000 and \$ 400,000 per individual are paid from the consortium mini-pool. Claims incurred over \$ 400,000 are paid from a stop loss insurance policy purchased by the consortium.

The School District incurred self-insurance medical claims of \$ 9,046,826 for the year ended June 30, 2024. In addition, the mini pool paid benefits totaling \$ 900,000 for the year ended June 30, 2024.

NOTE 15 AFFILIATES

Payments to fund the operating costs of affiliated entities for 2023/2024 were as follows:

Lebanon County Career and Technology Center	\$ 1,613,880
Lancaster-Lebanon Intermediate Unit #13	4,437,045

During the year ended June 30, 2020, the Lebanon County Career and Technology Center issued a note in the amount \$ 6,390,000 to refinance a previous note that was issued for building improvements. Each member school district adopted resolutions approving the project and the related debt issues and is responsible for their individual share of the Center's debt. Cornwall-Lebanon School District's share of rental payments for 2023/2024 was \$ 156,274. Cornwall-Lebanon School District's share is 27.296%, which represents \$ 1,274,723 of the outstanding debt of the Tech Center as of June 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

CORNWALL-LEBANON SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2024

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	FINAL BUDGET
REVENUES				
Local Sources				
Taxes	\$ 63,752,897	\$ 63,752,897	\$ 64,986,179	\$ 1,233,282
Investment earnings	662,500	662,600	2,641,250	1,978,650
Other	1,589,500	1,659,400	1,876,891	217,491
State sources	28,771,953	28,771,953	30,188,030	1,416,077
Federal sources	2,580,209	2,580,209	2,885,288	305,079
Total revenues	<u>97,357,059</u>	<u>97,427,059</u>	<u>102,577,638</u>	<u>5,150,579</u>
EXPENDITURES INSTRUCTION				
Regular programs	38,463,536	39,033,037	39,133,896	(100,859)
Special programs	15,839,583	16,126,077	14,917,407	1,208,670
Vocational education programs	2,475,792	2,470,867	2,521,797	(50,930)
Other instructional programs	1,241,857	1,241,857	1,132,884	108,973
Nonpublic School Programs	7,000	7,000	1,756	5,244
Adult education programs	<u>10,478</u>	<u>10,478</u>	<u>-</u>	<u>10,478</u>
Total Instruction	<u>58,038,246</u>	<u>58,889,316</u>	<u>57,707,740</u>	<u>1,181,576</u>
SUPPORT SERVICES				
Pupil personnel	3,428,982	3,434,047	3,494,792	(60,745)
Instructional staff	2,407,812	2,397,767	2,237,382	160,385
Administration	5,408,138	5,041,419	4,960,383	81,036
Pupil health	1,599,831	1,602,380	1,474,941	127,439
Business	987,558	987,558	1,007,304	(19,746)
Operation and maintenance of plant	7,625,781	7,605,727	8,064,155	(458,428)
Student transportation	4,517,483	4,517,483	4,573,042	(55,559)
Central	1,850,743	2,035,680	1,751,531	284,149
Other support services	<u>52,500</u>	<u>432,280</u>	<u>456,590</u>	<u>(24,310)</u>
Total support services	<u>27,878,828</u>	<u>28,054,341</u>	<u>28,020,120</u>	<u>34,221</u>
OPERATION OF NONINSTRUCTIONAL SERVICES				
Student activities	1,449,912	1,787,316	1,862,504	(75,188)
Community services	<u>78,426</u>	<u>78,426</u>	<u>140,658</u>	<u>(62,232)</u>
Total operation of noninstructional services	<u>1,528,338</u>	<u>1,865,742</u>	<u>2,003,162</u>	<u>(137,420)</u>
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENTS				
	<u>220,525</u>	<u>22,929</u>	<u>-</u>	<u>22,929</u>
DEBT SERVICE				
Principal	3,952,761	3,954,711	4,263,204	(308,493)
Interest	<u>780,039</u>	<u>750,093</u>	<u>757,625</u>	<u>(7,532)</u>
Total debt service	<u>4,732,800</u>	<u>4,704,804</u>	<u>5,020,829</u>	<u>(316,025)</u>
Total expenditures	<u>92,398,737</u>	<u>93,537,132</u>	<u>92,751,851</u>	<u>785,281</u>
OTHER FINANCING SOURCES (USES)				
Proceeds on sale of assets	-	-	4,312	4,312
Issuance of long-term debt	-	-	1,002,448	1,002,448
Refund of prior year receipts	-	(30,000)	(561)	29,439
Interfund transfers	(3,039,172)	(2,771,272)	(329,559)	2,441,713
Budgetary reserve	<u>(2,085,150)</u>	<u>(1,254,655)</u>	<u>-</u>	<u>1,254,655</u>
Total other financing sources (uses)	<u>(5,124,322)</u>	<u>(4,055,927)</u>	<u>676,640</u>	<u>4,732,567</u>
Net change in fund balances	<u>\$ (166,000)</u>	<u>\$ (166,000)</u>	<u>\$ 10,502,427</u>	<u>\$ 10,668,427</u>

CORNWALL-LEBANON SCHOOL DISTRICT**Schedule of School District's Proportionate Share of Net Pension Liability - PSERS**

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - measurement period	School District's Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.2446%	\$ 108,813,685	\$ 35,784,074	304.08%	61.85%
2023	0.2485%	110,479,924	36,475,347	302.89%	61.34%
2022	0.2504%	102,888,165	35,438,605	290.33%	63.67%
2021	0.2475%	121,866,565	34,731,402	350.88%	54.32%
2020	0.2487%	116,348,346	34,301,904	339.19%	55.66%
2019	0.2474%	118,764,283	33,312,336	356.52%	54.00%
2018	0.2465%	121,742,000	32,957,000	369.40%	51.84%
2017	0.2561%	126,915,000	32,409,000	391.60%	50.14%
2016	0.2452%	106,209,000	30,777,000	345.09%	54.36%
2015	0.2382%	94,281,000	30,400,000	310.13%	57.24%

NOTES

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

Changes in Actuarial Assumptions

The following actuarial assumptions were changed during the 2016/2017 fiscal year:

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

The following actuarial assumptions were changed during the 2021/2022 fiscal year:

- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

CORNWALL-LEBANON SCHOOL DISTRICT
Schedule of School District's Contributions - PSERS

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2024	\$ 12,882,744	\$ 12,882,744	\$ -	\$ 38,502,313	33.46%
2023	12,811,427	12,811,427	-	35,784,074	35.80%
2022	12,440,660	12,440,660	-	36,475,347	34.11%
2021	11,939,268	11,939,268	-	35,438,605	33.69%
2020	11,674,431	11,674,431	-	34,731,402	33.61%
2019	11,228,926	11,228,926	-	34,301,904	32.74%
2018	10,654,060	10,654,060	-	33,312,336	31.98%
2017	9,623,597	9,623,597	-	32,957,000	29.20%
2016	8,102,135	8,102,135	-	32,409,000	25.00%
2015	6,309,220	6,309,220	-	30,777,000	20.50%

CORNWALL-LEBANON SCHOOL DISTRICT
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios -
School District Plan

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 221,299	\$ 372,916	\$ 376,631	\$ 259,901	\$ 261,860	\$ 227,698	\$ 221,466
Interest	179,778	128,153	100,890	146,087	126,273	108,823	79,897
Difference between expected and actual experience	-	(200,148)	-	134,685	-	528,686	-
Changes in assumptions	65,124	(1,214,115)	(158,704)	559,755	(121,315)	3,760	79,554
Benefit payments	(146,495)	(105,985)	(133,330)	(149,560)	(160,126)	(121,778)	(115,877)
Net change in total OPEB liability	319,706	(1,019,179)	185,487	950,868	106,692	747,189	265,040
Total OPEB liability - beginning	4,286,098	5,305,277	5,119,790	4,168,922	4,062,230	3,315,041	3,050,001
Total OPEB liability - ending	<u>\$ 4,605,804</u>	<u>\$ 4,286,098</u>	<u>\$ 5,305,277</u>	<u>\$ 5,119,790</u>	<u>\$ 4,168,922</u>	<u>\$ 4,062,230</u>	<u>\$ 3,315,041</u>
Covered employee payroll	N/A	\$ 33,949,782	\$ 34,333,489	\$ 33,306,415	\$ 34,094,156	\$ 32,521,945	\$ 31,171,990
Total OPEB liability as a percentage of covered employee payroll	N/A	12.62%	15.45%	15.37%	12.23%	12.49%	10.63%

NOTES

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For the School District plan, the measurement period year-end is one year prior to the fiscal year-end.

CORNWALL-LEBANON SCHOOL DISTRICT
Schedule of School District's Proportionate Share of Net OPEB Liability - PSERS

For the Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2024	0.2440%	\$ 4,605,804	\$ 35,784,074	12.87%	7.22%
2023	0.2481%	4,286,098	36,475,347	11.75%	6.86%
2022	0.2504%	4,566,953	35,438,605	12.89%	5.30%
2021	0.2475%	5,345,564	34,731,402	15.39%	5.69%
2020	0.2487%	5,289,456	34,301,904	15.42%	5.56%
2019	0.2474%	5,158,164	33,312,336	15.48%	5.56%
2018	0.2465%	5,022,000	32,957,000	15.24%	5.73%

NOTES

The amounts presented for each fiscal year were determined as the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

CORNWALL-LEBANON SCHOOL DISTRICT
Schedule of School District's OPEB Contributions - PSERS

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2024	\$ 249,320	\$ 249,320	\$ -	\$ 38,502,313	0.65%
2023	280,159	280,159	-	35,784,074	0.78%
2022	291,520	291,520	-	36,475,347	0.80%
2021	290,376	290,376	-	35,438,605	0.82%
2020	299,367	299,367	-	34,731,402	0.86%
2019	284,691	284,691	-	34,301,904	0.83%
2018	278,603	278,603	-	33,312,336	0.84%

NOTES

This schedule with be expanded to show 10 fiscal years once information becomes available in the future.

[THIS PAGE INTENTIONALLY LEFT BLANK]

OTHER SUPPLEMENTARY INFORMATION

CORNWALL-LEBANON SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Grantor Program Title	Special Classification	Source Code	Federal Assistance Listing Number	Pass Through Grantor's Number	Grant Period Beginning Date	Grant Period Ending Date	Program or Award Amount	Total Received for the Year	Receivable (Unearned) July 1, 2023	Revenue Recognized	Expenditures Recognized	Receivable (Unearned) June 30, 2024	Total Passed-Through to Subrecipients
U.S. Department of Education													
I Passed through the Pennsylvania Department of Education													
Title I Grants to Local Educational Agencies		I	84.010	013-23-0102	8/22/2022	9/30/2024	\$ 835,980	\$ 119,409	\$ 89,577	\$ 28,048	\$ 28,048	\$ (1,784)	\$ -
Title I Grants to Local Educational Agencies		I	84.010	013-24-0102	8/18/2023	9/30/2024	829,152	651,460	-	814,100	814,100	162,640	-
Total Title I								770,869	89,577	842,148	842,148	160,856	-
Title II - Improving Teacher Quality State Grants		I	84.367	020-22-0102	8/24/2021	9/30/2023	151,386	209	(5,473)	5,682	5,682	-	-
Title II - Improving Teacher Quality State Grants		I	84.367	020-23-0102	8/22/2022	9/30/2024	145,613	21,575	8,265	7,284	7,284	(6,026)	-
Title II - Improving Teacher Quality State Grants		I	84.367	020-24-0102	8/18/2023	9/30/2024	127,613	91,037	-	116,280	116,280	25,243	-
Total Title II								112,821	2,792	129,246	129,246	19,217	-
Title III - English Language Acquisition State Grant		I	84.365	010-23-0102	8/22/2022	9/30/2024	43,342	28,732	(6,474)	35,206	35,206	-	-
Title III - English Language Acquisition State Grant		I	84.365	010-24-0102	8/18/2023	9/30/2024	49,348	17,624	-	12,123	12,123	(5,501)	-
Total Title III								46,356	(6,474)	47,329	47,329	(5,501)	-
Title IV - Student Support and Academic Enrichment Program		I	84.424	144-23-0102	8/22/2022	9/30/2023	66,497	3,151	3,151	-	-	-	-
Title IV - Student Support and Academic Enrichment Program		I	84.424	144-24-0102	8/18/2023	9/30/2024	65,446	65,446	-	65,446	65,446	-	-
Total Title IV								68,597	3,151	65,446	65,446	-	-
Education Stabilization Fund - ARP-ESSER	COVID-19	I	84.425U	223-21-0102	3/13/2020	9/30/2024	5,957,630	1,408,168	326,856	1,189,632	1,189,632	108,320	-
Total Education Stabilization Fund - ARP ESSER								1,408,168	326,856	1,189,632	1,189,632	108,320	-
Total passed through Pennsylvania Department of Education								2,406,811	415,902	2,273,801	2,273,801	282,892	-
Passed through the Lancaster-Lebanon Intermediate Unit													
Special Education Cluster (IDEA)													
Special Education Preschool Grants -IDEA Part B, Section 619 (Early Intervention)		I	84.173	131-22-0013	7/1/2022	9/30/2023	4,280	4,280	4,280	-	-	-	-
Special Education Preschool Grants -IDEA Part B, Section 619 (Early Intervention)		I	84.173	131-23-0013	7/1/2023	9/30/2024	4,158	-	-	4,158	4,158	4,158	-
Special Education Grants to States -IDEA Part B		I	84.027	062-24-0013	7/1/2023	9/30/2024	383,812	383,812	-	383,812	383,812	-	-
Special Education Grants to States -IDEA Part B, Section 611		I	84.027	062-24-0013	7/1/2023	9/30/2024	610,193	610,193	-	610,193	610,193	-	-
Special Education Grants to States -ARP IDEA Part B	COVID-19	I	84.027X	062-22-0013	7/1/2021	9/30/2023	45,928	45,928	35,379	10,549	10,549	-	-
Special Education Grants to States -ARP IDEA Part B, Section 611	COVID-19	I	84.027X	062-22-0013	7/1/2021	9/30/2023	159,887	84,164	-	84,164	84,164	-	-
Total Special Education Grants to States								1,124,097	35,379	1,088,718	1,088,718	-	-
Total Special Education Cluster								1,128,377	39,659	1,092,876	1,092,876	4,158	-
Total U.S. Department of Education								3,535,188	455,561	3,366,677	3,366,677	287,050	-
U.S. Department of Health and Human Services													
Passed through Pennsylvania Department of Public Welfare													
Medical Assistance Program		I	93.778	N/A	7/1/2023	6/30/2024	N/A	1,426	-	6,095	6,095	4,669	-
Medical Assistance Program		I	93.778	N/A	7/1/2022	6/30/2023	N/A	4,620	4,620	-	-	-	-
Total U.S. Department of Health and Human Services								6,046	4,620	6,095	6,095	4,669	-
U.S. Department of Agriculture													
I Passed through Pennsylvania Department of Education													
School Breakfast Program		I	10.553	113-38-130-3	7/1/2022	6/30/2023	N/A	73,029	73,029	-	-	-	-
School Breakfast Program		I	10.553	113-38-130-3	7/1/2023	6/30/2024	N/A	446,592	-	524,478	524,478	77,886	-
National School Lunch Program		I	10.555	113-38-130-3	7/1/2022	6/30/2023	N/A	178,437	178,437	-	-	-	-
National School Lunch Program		I	10.555	113-38-130-3	7/1/2023	6/30/2024	N/A	1,087,092	-	1,254,785	1,254,785	167,693	-
National School Lunch Program - Supply Chain Assistance		I	10.555	113-38-130-3	7/1/2022	6/30/2024	137,240	-	(137,240)	137,240	137,240	-	-
National School Lunch Program - Supply Chain Assistance		I	10.555	113-38-130-3	7/1/2023	6/30/2025	127,779	127,779	-	-	-	(127,779)	-
Summer Food Service Program		I	10.559	113-38-130-3	7/1/2023	6/30/2024	N/A	6,692	-	6,692	6,692	-	-
P-EBT Administrative Costs Grants		I	10.649	113-38-130-3	7/1/2023	6/30/2024	5,763	5,763	-	5,763	5,763	-	-
Total Passed through Pennsylvania Department of Education								1,925,384	114,226	1,928,958	1,928,958	117,800	-
Passed through Pennsylvania Department of Agriculture													
National School Lunch Program		I	10.555	42-113-38-130-3	7/1/2021	6/30/2022	N/A	181,101	(2,436)	183,537	183,537	-	-
Total National School Lunch Program								1,574,409	38,761	1,575,562	1,575,562	39,914	-
Total Child Nutrition Cluster								2,100,722	111,790	2,106,732	2,106,732	117,800	-
Total U.S. Department of Agriculture								2,106,485	111,790	2,112,495	2,112,495	117,800	-
Total Federal Expenditures								\$ 5,647,719	\$ 571,971	\$ 5,485,267	\$ 5,485,267	\$ 409,519	\$ -

CORNWALL-LEBANON SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- (I) Indirect funding
- (B) Based on USDA valuation

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedule of expenditures of federal awards is presented using the modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Education, which conform to generally accepted governmental accounting principles. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as a liability or a receivable, respectively.

Indirect Cost Rate

The School District has not elected to use the 10% de minimus indirect cost rate for its federal programs.

**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 Directors
Cornwall-Lebanon School District
Lebanon, 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 Cornwall-Lebanon School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Cornwall-Lebanon School District's basic financial statements, and have issued our report thereon dated December 4, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Cornwall-Lebanon School District's internal control over financial reporting (internal control) as a basis for designing 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 Cornwall-Lebanon School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cornwall-Lebanon 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 were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Cornwall-Lebanon 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 financial statements. 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.

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania
December 4, 2024



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

Board of Directors
Cornwall-Lebanon School District
Lebanon, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited Cornwall-Lebanon 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 Cornwall-Lebanon School District's major federal programs for the year ended June 30, 2024. Cornwall-Lebanon 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, Cornwall-Lebanon 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, 2024.

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 Cornwall-Lebanon 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 Cornwall-Lebanon 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 Cornwall-Lebanon 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 Cornwall-Lebanon 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 Cornwall-Lebanon 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 Cornwall-Lebanon 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 Cornwall-Lebanon 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 Cornwall-Lebanon 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.

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania
December 4, 2024

CORNWALL-LEBANON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified? ☐ Yes ☒ None Reported

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

Unmodified

- Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR Section 200.516?

☐ Yes ☒ No

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Program
84.425	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

CORNWALL-LEBANON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2024

Section II – Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

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

Section III – Federal Findings and Questioned Costs

C. Significant Deficiencies or Material Weaknesses in Internal Control Over Compliance

None noted

D. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with the Uniform Guidance by 2 CFR Section 200.516.

CORNWALL-LEBANON SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

Findings related to financial statements:

None

Findings related to federal awards:

None

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D
Continuing Disclosure Certificate

[THIS PAGE INTENTIONALLY LEFT BLANK]

May __, 2025

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by **CORNWALL-LEBANON SCHOOL DISTRICT**, Lebanon County, Pennsylvania (the “School District”), in connection with the issuance of its General Obligation Bonds, Series of 2025, in the aggregate principal amount of \$ _____, dated the date set forth above (the “Bonds”). The Bonds are being issued pursuant to a resolution duly adopted by the Board of School Directors of the School District on March 17, 2025 (the “Resolution”). The School District makes the following certifications and representations as an inducement to the Participating Underwriters and others to purchase the Bonds:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders or beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term or phrase used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the School District pursuant to and as described in Sections 3 and 4 of this Disclosure Certificate.

“Business Day” shall mean a day other than a Saturday, a Sunday, or a day on which the New York Stock Exchange is closed or a day on which banks located in the Commonwealth are authorized by law or executive order to be closed.

“Commonwealth” shall mean the Commonwealth of Pennsylvania.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Financial Obligation” shall mean: (A) a debt obligation; (B) a derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of either (A) or (B) but which shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“Material Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Obligated Person” shall mean any person, including an issuer of municipal securities, who is either generally or through an enterprise fund or account of such person committed by contract or other arrangement to support payment of all or part of the obligations of the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Official Statement” shall mean the final official statement relating to the Bonds prepared by or on behalf of the School District and distributed in connection with the offering and sale of the Bonds by the Participating Underwriters.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Depository” shall mean any public or private depository or entity designated by the Commonwealth as a state depository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports. The School District shall, by no later than April 1 each of its fiscal years, beginning with the fiscal year ending June 30, 2024, provide to the MSRB through EMMA at <http://www.emma.msrb.org/> an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package in PDF format, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report.

If the School District is unable to provide to the MSRB an Annual Report by the date required in the preceding paragraph, the School District in a timely manner shall send or cause to be sent a notice to the MSRB through EMMA stating in substance that the School District has not provided an Annual Report as required by this Section 3 and the date that the School District anticipates filing the Annual Report.

SECTION 4. Content of Annual Reports. The School District’s Annual Report shall contain or incorporate by reference the following financial information and operating data with respect to the School District:

- the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards
- a summary of the budget for the current fiscal year
- the aggregate assessed value and market value of all taxable real estate for the current fiscal year
- the taxes and millage rates imposed for the current fiscal year

- the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount)
- a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the School District or related public entities which have been submitted to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The School District shall clearly identify each other document so incorporated by reference. The School District reserves the right to modify from time to time specific types of information provided hereunder or the format of the presentation of such information, to the extent necessary or appropriate; provided, however, that any such modification will be in a manner consistent with the Rule.

SECTION 5. Reporting of Significant Events. The School District will, in a timely manner, within 10 days of the occurrence of the event, file with the MSRB through EMMA, notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, issuance by the Internal Revenue Service of proposed or final determinations of taxability or a Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to tax status of the Bonds or other events affecting the tax status of the Bonds;
- (g) modifications to rights of Bondholders, if material;
- (h) bond calls (excluding mandatory sinking fund redemption) if material and tender offers;

- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership, or a similar proceeding by an obligated person;
- (m) consummation of a merger, consolidation, acquisition involving an obligated person, or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or determination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or other change of name of a trustee, if material;
- (o) incurrence of a Financial Obligation of the School District or an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School District or an Obligated Person, any of which affect security holders, if material;
- (p) default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the School District or an Obligated Person, any of which reflect financial difficulties; and
- (q) in a timely manner, to provide to the MSRB through EMMA, notice of any failure to provide required annual financial information on or before the date specified above.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

SECTION 6. Dissemination Agent. The School District may, at any time and from time to time, appoint or engage another person (the “Dissemination Agent”) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge such Dissemination Agent, with or without appointing a successor, and without notice to holders of the Bonds.

SECTION 7. Termination of Disclosure Obligation. The School District's obligations under this Disclosure Certificate shall terminate at such time as the School District is no longer an Obligated Person with respect to the Bonds.

SECTION 8. Default. In the event of a failure of the School District to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the School District causes this Continuing Disclosure Certificate to be executed on its behalf by the President of the Board of School Directors, all as of the date set forth above.

CORNWALL-LEBANON SCHOOL DISTRICT,
Lebanon County, Pennsylvania

By: _____
President of the Board
of School Directors