



NEW ISSUE - BOOK ENTRY ONLY

**RATINGS: S&P: “A+” (Stable Outlook) (Underlying)
S&P: “AA” (Stable Outlook) (BAM Insured)
(See “RATINGS” herein)**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including interest in the form of original issue discount, if any, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022. Under the laws of the Commonwealth of Pennsylvania, 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. See “TAX MATTERS” herein.

\$10,520,000*

**CONEMAUGH TOWNSHIP AREA SCHOOL DISTRICT
(Somerset County, Pennsylvania)
General Obligation Bonds, Series of 2024**

Bonds Dated: Date of delivery
Principal Due: December 1, as shown on inside cover
Denomination: Integral multiples of \$5,000

Interest Payable: June 1 and December 1
First Interest Payment: December 1, 2024
Form: DTC Book-Entry Only

Legal Investment for Fiduciaries in Pennsylvania: The Bonds are a legal investment for fiduciaries in the Commonwealth of Pennsylvania under the Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508 as amended and supplemented.

General: The General Obligation Bonds, Series of 2024 (the “Bonds” or “2024 Bonds”) in the aggregate principal amount of \$10,520,000* are being issued by the Conemaugh Township Area School District (the “School District”), a public school district located in Somerset County, Pennsylvania. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of the Bonds can be made only under the book-entry system of DTC, and purchasers will not receive certificates representing their interests in the Bonds. While DTC, or its nominee Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent, directly to Cede & Co. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners of the Bonds is the responsibility of the DTC Participants and the Indirect Participants. See “**BOOK-ENTRY ONLY SYSTEM**” herein. Interest on the Bonds is payable initially on December 1, 2024, and thereafter, semiannually on June 1 and December 1 of each year.

Security: The Bonds are payable from the tax and other general revenues of the School District. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from funds deposited by the School District in the respective sinking funds established under the Resolution adopted by the School District on March 26, 2024, authorizing and securing the Bonds, or from any other of its legally available revenue or funds, the principal of every Bond and the interest thereon at the dates and place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and all available taxing power, which taxing power includes the power to levy *ad valorem* taxes on all taxable property in the School District, within limitations provided by law (see “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**”, APPENDIX A - “**TAXING POWERS AND LIMITS**” and “**PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS**” – “**Taxpayer Relief Act (Act 1)**” herein).

Redemption: The Bonds are subject to optional redemption prior to their stated maturity dates, as described herein.

Proceeds of the Bonds will be used to finance: (1) general capital improvements to the facilities of the School District, including, without limitation, roof replacements, masonry repairs, boiler repairs and replacements, and improvements to heating, air conditioning and ventilation systems; (2) interest on a portion of the Bonds; and (3) related costs, including the costs of issuing the Bonds.

Bond Insurance: The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **Build America Mutual Assurance Company (“BAM”)**.



The Bonds are offered for delivery when, as and if issued by the School District and received by the Underwriter, subject to the approving legal opinion of Clark Hill PLC, Pittsburgh, Pennsylvania, as Bond Counsel to the School District, to be furnished upon delivery of the Bonds. Certain legal matters will be passed upon by Barbera, Melvin & Svonavec, LLP, Somerset, Pennsylvania and Fike, Cascio & Boose, Somerset, Pennsylvania, as Co-Solicitor’s for the School District, and for the Underwriter by its limited scope underwriter’s counsel, McNeas Wallace & Nurick LLC, Lancaster, Pennsylvania. It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about May , 2024.

RAYMOND JAMES®

*Preliminary, subject to change.

This Preliminary Official Statement and the information herein are subject to completion or amendment. 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 these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The School District deems this Preliminary Official Statement to be final for the purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1) except for certain information on the cover hereof and certain pages herein which have been omitted in accordance with such Rule and which will be supplied in the final Official Statement.

\$10,520,000*

CONEMAUGH TOWNSHIP AREA SCHOOL DISTRICT
(Somerset County, Pennsylvania)
General Obligation Bonds, Series of 2024

Bonds Dated: Date of delivery
Principal Due: December 1
Denomination: Integral multiples of \$5,000

Interest Payable: June 1 and December 1
First Interest Payment: December 1, 2024
Form: DTC Book-entry Only

BOND MATURITY SCHEDULE

| (December 1) | Principal | Interest | | | CUSIP |
|---------------------|----------------------|--------------------|---------------------|---------------------|--------------------------------------|
| <u>Year</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>Numbers</u> ⁽¹⁾ |

⁽¹⁾The 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 Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

*Preliminary, subject to change.

No dealer, broker, salesman or other person has been authorized by the School District or the Underwriter to give any information or to make any representation, other than that given or made in this Official Statement, and if given or made, any such other information or representation may not be relied upon as having been authorized by the School District or the Underwriter. This 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 by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement has been approved by the School District and, while the information set forth in this Official Statement has been furnished by the School District and other sources which are believed to be reliable, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter or, as to information obtained from other sources, by the School District. The information and expressions of opinion set forth in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that the affairs of the School District have remained unchanged since the date of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY THE MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS 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.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Appendix G - Specimen Municipal Bond Insurance Policy”.

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SUMMARY PAGE

This Summary Statement is subject in all respects to more complete information in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or otherwise use it without the entire Official Statement. A full review of the entire Official Statement should be made by potential Bond purchasers.

| | |
|--|--|
| Issuer | Conemaugh Township Area School District, Somerset County, Pennsylvania (the "School District"). |
| Bonds | The General Obligation Bonds, Series of 2024 in the principal amount of \$10,520,000* (the "Bonds"), dated as of the date of delivery, maturing on December 1, ____ through December 1, ____. Interest on the Bonds shall be payable semiannually on June 1 and December 1. See " DESCRIPTION OF THE BONDS " herein. |
| Optional Redemption | The Bonds stated to mature on or after December 1, ____, are subject to redemption prior to maturity at the option of the School District in whole or, from time to time, in part, in any order of maturities as the School District shall select, on any date or dates on or after December 1, ____, at a price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for such optional redemption. |
| Form | Book-Entry Only. |
| Application of Proceeds | Proceeds of the Bonds will be used to finance: (1) general capital improvements to the facilities of the School District, including, without limitation, roof replacements, masonry repairs, boiler repairs and replacements, and improvements to heating, air conditioning and ventilation systems; (2) interest on a portion of the Bonds; and (3) related costs, including the costs of issuing the Bonds. |
| Security | The Bonds are general obligations of the School District, for the payment of which the School District has pledged its full faith, credit and taxing power. |
| Ratings | S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal Bond rating to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal Bond insurance policy insuring the payment when due of the principal of and interest on the Bonds will be issued by BAM. Currently, BAM's financial strength is rated "AA" (stable outlook) by S&P. S&P has also assigned the School District an underlying rating of "A+" (stable outlook). (See " RATINGS " herein.) |
| Continuing Disclosure Undertaking | The School District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted (the "Rule"). (See " CONTINUING DISCLOSURE UNDERTAKING " and " APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE herein.) |

*Preliminary, subject to change.

**CONEMAUGH TOWNSHIP AREA SCHOOL DISTRICT
(Somerset County, Pennsylvania)**

300 West Campus Avenue
Davidsville, Pennsylvania 15928

BOARD OF SCHOOL DIRECTORS

| | |
|--------------------------|----------------|
| Susan Saylor-Stahl..... | President |
| Dr. Rocco Mantini..... | Vice President |
| Jeffrey Alesantrino..... | Treasurer |
| Earl Sleek, II..... | Secretary |
| Melanie Byer..... | Member |
| Deanna Maurer..... | Member |
| Ethan Phillippi..... | Member |
| Jeremy Sotosky..... | Member |
| Christine Troxell..... | Member |

SCHOOL ADMINISTRATION

| | |
|---------------------|---------------------------|
| Nicole Dull..... | Superintendent of Schools |
| Brandon Studer..... | Business Manager |

BOND COUNSEL

Clark Hill PLC
Pittsburgh, Pennsylvania

CO-SOLICITORS

Barbera, Melvin & Svonavec, LLP
Somerset, Pennsylvania

Fike, Cascio & Boose
Somerset, Pennsylvania

UNDERWRITER

Raymond James & Associates, Inc.
Pittsburgh, Pennsylvania

LIMITED SCOPE UNDERWRITER'S COUNSEL

McNees Wallace & Nurick LLC
Lancaster, Pennsylvania

PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.
Pittsburgh, Pennsylvania

OFFICIAL STATEMENT

\$10,520,000*

CONEMAUGH TOWNSHIP AREA SCHOOL DISTRICT

(Somerset County, Pennsylvania)

General Obligation Bonds, Series of 2024

INTRODUCTION

This Official Statement is furnished by the Conemaugh Township Area School District (the "School District"), a public school district located in Somerset County, Pennsylvania, in connection with the offering of its General Obligation Bonds, Series of 2024 (the "Bonds") in the aggregate principal amount of \$10,520,000*, to be dated their date of delivery (the "Delivery Date") when the Bonds are issued and delivered to DTC (described below) or its agent. The Bonds are general obligations of the School District, which are secured by a parity pledge of its full faith, credit and taxing power to pay the principal of and interest due on the Bonds.

The Bonds are being issued pursuant to, and are secured by, a Resolution adopted by the Board of School Directors of the School District on March 26, 2024 (the "Resolution"), in accordance with the laws of the Commonwealth of Pennsylvania (the "Commonwealth" or "State"), including the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the "Debt Act"), as amended. Copies of the Resolution may be obtained from the School District.

The Bonds shall be issued in fully registered form, without certificates or coupons, in the denomination of \$5,000 principal amount and integral multiples thereof. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2024. Interest on any Bond is payable to the Beneficial Owner as of the applicable Record Date (defined below). The interest on and principal of the Bonds is payable by the School District to The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"), serving as paying agent and sinking fund depository, for transfer to DTC. 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 bond certificates, and beneficial ownership of the Bonds will be evidenced only by electronic book entries. See "BOOK-ENTRY ONLY SYSTEM" herein.

The information which follows contains summaries of the Resolution, the Bonds, the Debt Act, Act 1 (herein defined) and other laws, the School District's Budget and its Financial Statements. Such summaries do not purport to be complete, and reference is made to such documents and laws in their entirety, copies of which are on file and available for examination at the offices of the School District.

Neither the delivery of the Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create an implication that there have been no changes in the affairs of the School District, or in the communities or areas in or about the School District, since the date of the Official Statement of the earliest date as of which certain information contained herein is given.

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to finance: (1) general capital improvements to the facilities of the School District, including, without limitation, roof replacements, masonry repairs, boiler repairs and replacements, and improvements to heating, air conditioning and ventilation systems; (2) interest on a portion of the Bonds; and (3) related costs, including the costs of issuing the Bonds.

SOURCES AND USES OF FUNDS

| | <u>Total</u> |
|--|--------------|
| <u>Sources of Funds</u> | |
| Proceeds of the Bonds..... | |
| Original Issue Premium [Discount]..... | |
| Total Sources of Funds..... | |
| <u>Uses of Funds</u> | |
| Construction Fund Deposit..... | |
| Capitalized Interest Fund..... | |
| Costs of Issuance ⁽¹⁾ | |
| Total Uses of Funds..... | |

(1) Includes legal fees, underwriter's discount, paying agent fees, rating fee, CUSIP, insurance premium, printing and miscellaneous fees.

*Preliminary, subject to change.

DESCRIPTION OF THE BONDS

The Bonds will be issued in book-entry form, in denominations of \$5,000 principal amount and integral multiples thereof. The Bonds will bear interest from the Delivery Date at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on the Bonds will be payable initially on December 1, 2024, and thereafter, semiannually on June 1 and December 1 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, 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 partnership 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 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 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 to the Beneficial Owners of the Bonds and payment of principal and interest on the Bonds shall be made as described in the following paragraphs.

The principal of any certificated Bonds, when due upon maturity or any earlier mandatory or optional redemption, will be paid to the registered owners of such Bonds, or registered assigns, upon surrender of such Bonds to the Paying Agent at its designated corporate trust office (or to any successor paying agent at its designated office(s)).

Interest on any certificated Bonds will be payable to the registered owner of such 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, December 1, 2024, in which event such Bond shall bear interest from the Delivery Date, 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 a 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 15th day of the month (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of such 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 ten (10) days preceding such special record date. Such notice shall be mailed to the persons in whose names such certificated 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 Certificated Bonds

Subject to the provisions herein under “BOOK-ENTRY ONLY SYSTEM”, any certificated Bonds are transferable or exchangeable by the registered owners thereof upon surrender of such 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 such Bonds in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered and certificated bond or bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount that the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any certificated Bond as the absolute owner thereof (whether such 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 certificated 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 such Bonds to be redeemed and ending at the close of business on the day of mailing of the applicable notice of redemption; or (b) to register the transfer of or exchange any portion of any certificated Bond selected for redemption until after the redemption date. Certificated Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same series, maturity, and interest rate.

REDEMPTION OF BONDS

Mandatory Sinking Fund Redemptions

In the manner and upon the terms and conditions provided in the Resolution, the following Bond maturities are subject to mandatory redemption in direct order of maturity at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest, on December 1th of the following years and in the following principal amounts:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
|-------------|---------------|

Optional Redemption

The Bonds maturing on and after December 1, _____ are subject to redemption prior to maturity at the option of the School District, in whole or in part, in any order of maturities as the School District shall select, on any date on or after December 1, _____ at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for such optional redemption. In the event that less than all Bonds of a particular maturity are to be redeemed, the Bonds of such maturity shall be drawn by lot by the Paying Agent.

Notice of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, 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 and 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 nor more than sixty (60) days prior to the date fixed for redemption, addressed to each of the registered owners of any certificated Bonds to be redeemed, at the addresses shown on the registration books kept by the Paying Agent as of the date such Bonds are selected for redemption; provided, however, that failure to give such notice by mailing, 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 principal and interest 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 principal to be redeemed and accrued interest thereon to the date fixed 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 or other escrow agent on the redemption date in sufficient time to effectuate the redemption of Bonds. If, after issuing a notice of redemption, the School District is unable or otherwise fails to deposit with the Paying Agent (or other bank or depository acting as refunding escrow agent) money sufficient to redeem the Bonds called for redemption, such notice may be withdrawn or be of no effect until such money is so deposited.

Manner of Redemption

So long as Cede & Co., nominee of DTC, is the registered owner of the Bonds, however, payment of the redemption price shall be made by 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 in a particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner on such Bonds 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 a Bond is of a denomination larger than \$5,000, 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 certificated Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for certificated Bonds of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or on 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, 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.

If any maturity of the Bonds which 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 stated maturity, in each case in a whole multiple of \$5,000 principal amount.

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, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such 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 a Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 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 Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments 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 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 its use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

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

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Obligation Pledge

The Bonds are general obligations of the School District, payable from its local taxes and other general revenues, including available state subsidies, on a parity basis with each other, and other existing or future general obligation debt of the School District. The taxing powers of the School District are described more fully in **APPENDIX A – TAXING POWERS AND LIMITS**. The School District has covenanted in the Resolution that it will include in its budget for each fiscal year, and will appropriate in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay, or cause to be paid, 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 has irrevocably pledged its full faith, credit and all available taxing power.

Actions in the Event of Default on the Bonds

In the event of a failure by 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 remedies specified by the Debt Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Debt Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Debt Act also provides that upon a default of at least 30 days, holders of at least 25% of the Bonds may appoint a trustee to represent them. The Debt Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

Sinking Fund

Under the Resolution, the School District has created a "Sinking Fund - General Obligation Bonds, Series of 2024" (the "Sinking Fund Depository") as required by the Debt Act and segregated from all other funds of the School District. The School District shall deposit in the Sinking Fund, not later than the date when principal or interest is to become due on the Bonds, an amount sufficient to provide for the payment of interest and principal becoming due on the Bonds.

The Sinking Fund shall be held by the Sinking Fund Depository and invested by the Sinking Fund Depository in such securities 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 Sinking Fund Depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent is authorized and directed to pay from the Sinking Fund the principal of and interest on the Bonds when due and payable.

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the “Public School Code”), provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the bonds were issued, the Secretary of Education of the Pennsylvania Department of Education (“PDE”) shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bonds. 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. In addition, enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. See “**Pennsylvania Budget Adoption Impasses**” herein.

Pennsylvania Budget Adoption Impasses

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

The budgets for the 2018-19 and the 2019-20 fiscal years were adopted timely. Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the Governor approved a five-month stopgap budget for fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven-months of fiscal year 2020-21. The legislation was sent to the Governor’s desk for approval and on November 23, 2020, the Governor approved the 2020-21 Supplemental Budget, which 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 signed the state’s 2021-2022 fiscal year budget on June 30, 2021. The 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 districts 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 2021-22 budget.

After a week’s delay and intense negotiations, the \$45.2 billion budget for Pennsylvania’s 2022-23 fiscal year was signed by Governor Tom Wolf on July 8, 2022. The 2022-23 enacted budget included \$7,625,124,000 for the basic education funding appropriation and \$225,000,000 to supplement those school districts with a higher at risk student population. The total amount allocated for education included a \$767,820,000 (10.83%) increase over the 2021-2022 fiscal year appropriation.

After over a month delay, a \$45.5 billion budget for the state’s 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which included \$8.4 billion for the basic education funding appropriation. The total amount included a \$796.6 million (10.45%) increase over the 2022-23 fiscal year appropriation. The budget also provided \$50 million in additional aid to school districts for special education services for a total of \$1.3 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.

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

Act 85 of 2016 (State Subsidy Intercept During a Budget Impasse)

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") otherwise due a school district that is 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" Sections 633 of the Public School Code. The School District's general obligation debt, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts as 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 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 of Act 85 of 2016 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 subject to an intercept statute or intercept agreement must deliver to PDE, in the format PDE directs, information pertaining to each eligible borrowing within thirty (30) days of receipt of the proceeds of the obligations. The School District intends to submit this information 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.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$500.0 million, \$230.7 million and \$269.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BONDHOLDER CONSIDERATIONS

The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This Official Statement does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriter disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this 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 Official Statement inclusive of its Appendices.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the “Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the School District which is recovered by the School District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy. However, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the School District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Bond Insurer’s consent may be required in connection with amendments to the applicable agreements.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent pursuant to the applicable agreements. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description under “**RATINGS**” herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the School District or Underwriter has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

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 cyber security events may occur and what impact said events could have on its operations or finances. In addition to the various processes in place to safeguard against cyber security 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 Paying Agent, 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, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

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 cannot predict the timing, extent, or severity of climate change and its impact on its operations and finances.

The School District has not experienced increases in extreme weather events, but has established reserves to address severe weather disasters and maintains a comprehensive insurance policy.

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 Underwriter 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 EXEMPTION AND OTHER TAX MATTERS**” herein.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15c2-12 (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 Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District’s filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

| Fiscal Year | Filing Due Date | Filing Dates | | |
|--------------------|------------------------|--------------------------|---------------------------|---------------|
| | | Audit | Operating Data | Budget |
| 6/30/2023 | 1/15/2024 | 1/11/2024 | 1/11/2024 | 1/11/2024 |
| 6/30/2022 | 1/15/2023 | 1/12/2023 ⁽¹⁾ | 12/19/2022 | 6/22/2022 |
| 6/30/2021 | 1/15/2022 | 1/28/2022 ⁽²⁾ | 2/25/2022 ⁽⁴⁾ | 7/07/2021 |
| 6/30/2020 | 1/15/2021 | 12/23/2020 | 10/28/2020 ⁽⁵⁾ | 6/26/2020 |
| 6/30/2019 | 1/15/2020 | 1/22/2020 ⁽³⁾ | 12/2/2019 | 7/02/2019 |

⁽¹⁾The School District filed a timely interim filing of its Annual Financial Statements on 10/31/2022 and supplemented its filing with its Audited Financials around the time the Audited Financials became available.

⁽²⁾The School District Filed a timely interim filing of its Annual Financial Report to EMMA on 12/1/2021 and supplemented its filing with its Audited Financials around the time the Audited Financials became available.

⁽³⁾The School District Filed an interim filing of its Annual Financial Report to EMMA on 11/19/2019 and supplemented its filing with its Audited Financials around the time the Audited Financials became available.

⁽⁴⁾The School District filed a "Failure to Timely File Notice" on 3/15/2022.

⁽⁵⁾A portion of the School District's operating data was not included in the original filing (tax collection), but the information was included in the 2021 operating data filing, to EMMA, on 2/25/2022.

Additionally, on April 28, 2022, the Butler County General Authority ("Authority") issued its School Lease Revenue Note (GJCTC Project), Series of 2022 (the "Note") in the amount of \$16,500,000. The original principal amount of the School District's proportionate share of the principal is \$1,937,925. The Note bears interest at 2.30% and matures on March 15, 2042. The School District posted a "Notice of Financial Obligation" to EMMA on April 11, 2024, and, although this Notice was filed, it was not timely filed.

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements. Digital Assurance Certification, LLC ("DAC") currently serves as the School District's dissemination agent.

NO LITIGATION

As a condition to the settlement for the Bonds, the School District will deliver a certificate, and the School District's Solicitor's opinion will include a paragraph, stating that there is no pending litigation challenging or pertaining to the Bonds.

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 includible 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; however, such interest is considered in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022.

In rendering its opinion, Bond Counsel has assumed compliance by the School District with its covenants contained in the Resolution and the representations in the Federal 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 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 to 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.

The Bonds are **not** designated, as "qualified tax-exempt obligations" for purposes and effected by Section 265 of the Code (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

Bond Counsel is not rendering any opinion as to any federal tax matters other than as described under the caption "Exclusion of Interest from Gross Income" above and expressly stated in the form of Bond Counsel opinion included as APPENDIX C. 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 hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Other Jurisdictions

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.

LEGAL OPINIONS

The issuance of the Bonds is subject to the approving legal opinion of legal opinion of Clark Hill PLC, Pittsburgh, Pennsylvania, as Bond Counsel, to be furnished upon delivery of the Bonds. Certain legal matters will be passed upon by Barbera, Melvin & Svonavec, LLP, Somerset, Pennsylvania and Fike, Cascio & Boose, Somerset, Pennsylvania, as Co-Solicitor's for the School District and McNees Wallace & Nurick LLC, in Lancaster, Pennsylvania, will pass upon certain legal matters as limited scope underwriter's counsel.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal Bond rating to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal Bond insurance policy insuring the payment when due of the principal of and interest on the Bonds will be issued by BAM. Currently, BAM's financial strength is rated "AA" (stable outlook) by S&P. S&P has also assigned the School District an underlying rating of "A+" (stable outlook). This underlying rating may be changed, suspended or withdrawn as a result, or unavailability, of information.

The above ratings are 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 agency. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE" herein.

UNDERWRITING

Raymond James & Associates, Inc., Lancaster, Pennsylvania (the "Underwriter") subject to certain conditions, has purchased the Bonds from the School District at a purchase price of \$_____ (representing the par amount of the Bonds of \$_____, plus an original issue premium of \$_____, less an underwriting discount of \$_____). The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds on the Delivery Date 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 and its 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 its 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 respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the School District. The Underwriter and its 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 School District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

PAYING AGENT

Pursuant to the provisions of the Resolution, as paying agent and sinking fund depository, the Paying Agent has the limited duty of receiving payments from the School District, depositing such payments in a sinking fund and making payments to the owners of the Bonds of the principal of, interest on, and premium, if any, on the Bonds when due, but only to the extent such moneys have been received. As registrar and transfer agent, the Paying Agent has the limited duty of handling the registration and transfer of the Bonds. Accordingly, the Paying Agent performs ministerial duties not involving the exercise of discretion and assumes no fiduciary relationship with respect to the owners of the Bonds.

The Paying Agent may now or in the future have banking relationships with the School District which involve making loans to the School District; these loans may have a security feature which is different from that of the security feature associated with the Bonds. The Paying Agent may also serve as trustee or paying agent and sinking fund depository on other obligations issued by or on behalf of the School District.

CERTAIN OTHER MATTERS

All references to sections or language of the Debt Act, Act 1, the Bonds and the Resolution set forth in this Official Statement are made subject to all the detailed provisions thereof, to which reference is hereby made for further information, and this Official Statement does not purport to be complete statements of any or all such provisions.

All information, estimates and assumptions herein have been obtained from officials of the School District, other governmental bodies, trade and statistical services, and other sources, which the School District believes to be reliable; but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended as such and not representations of fact.

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

CONEMAUGH TOWNSHIP AREA SCHOOL DISTRICT
Somerset County, Pennsylvania

By: _____
President, Board of School Directors

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APPENDIX A

SUMMARIES OF OPERATING DATA REGARDING THE SCHOOL DISTRICT

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DESCRIPTION OF THE SCHOOL DISTRICT

Introduction

The Conemaugh Township Area School District (the “School District”), comprised of Conemaugh Township, Benson Borough and a portion of Paint Township, is situated in the northwest portion of Somerset County (the “County”). Situated in the Laurel Highlands, the School District covers 54.6 square miles, with a population of approximately 9,937 and is located approximately 75 miles east of Pittsburgh, Pennsylvania, 20 miles north of Somerset, Pennsylvania and 3 miles southwest of Johnstown, Pennsylvania.

The School District is governed by a nine member Board of School Directors who are citizens of the School District and elected to serve four-year terms on a staggered basis. The daily operations and management of the School District are performed by a central administrative staff which is led by the Superintendent and the Business Manager who are appointed by the Board of School Directors.

School Facilities

The School District presently operates one elementary school and one junior/senior high school, as described in the following table.

| <u>School</u> | <u>Year Constructed</u> | <u>Additions/Alterations</u> | <u>Grades</u> | <u>Rated Pupil Capacity</u> | <u>2023-24 Enrollment</u> |
|--|-------------------------|------------------------------|---------------|-----------------------------|---------------------------|
| Conemaugh Township Elementary..... | 1960 | 1989, 2012 | K-5 | 545 | 388 |
| Conemaugh Township Junior/Senior H.S. | 1938 | 1989 | 6-12 | 674 | 493 |
| Total School District..... | | | | | <u>881</u> |

Source: School District Officials.

Pupil Enrollment

The past, current and projected enrollments within the School District are shown below:

| <u>Year</u> | <u>Elementary</u> | <u>Secondary</u> | <u>Total</u> |
|--------------------------|-------------------|------------------|--------------|
| 2019-20 | 364 | 495 | 859 |
| 2020-21 | 364 | 505 | 869 |
| 2021-22 | 390 | 512 | 902 |
| 2022-23 | 389 | 493 | 882 |
| 2023-24 (Current)..... | 388 | 493 | 881 |
| 2024-25 (Projected)..... | 382 | 478 | 860 |

Source: School District Officials – April 1st “Enrollment Report” as filed with the Pennsylvania Department of Education.

SCHOOL DISTRICT FINANCES

Financial Reporting

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, loans receivable from other funds, and revenues receivable from other governmental units.

The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by state law. The firm of Kotzan CPA & Associates, P.C., of Johnstown, Pennsylvania currently 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 contained in Appendix E, any procedures on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

Budgeting Process in accordance with the Public School Code and Act 1 of 2006 (Taxpayer Relief Act)

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

Procedures for Adoption of the Annual Budget. Unless the Simplified Procedures described below are utilized, under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together, the "Taxpayer Relief Act" or "Act 1") all school districts of the first class A, second class, third class and fourth class must adopt a preliminary budget (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election preceding the next fiscal year. This preliminary budget 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 prior public notice of its intent to adopt the preliminary budget prior to its adoption. The board of school directors shall print the final budget and make it available for public inspection at least 20 days prior to its adoption and shall give public notice of its intent to adopt the final budget at least 10 days prior to adoption, and may hold a public hearing prior to adoption. Guidance from PDE suggests that the preliminary budget be converted to a proposed budget adopted by the board of school directors at least 30 days prior to the adoption of the final budget as required by the Public School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the Public School Code.

If the adopted preliminary budget includes an increase in the rate of any tax levied, the school district must submit information on the increase to PDE on a uniform form furnished by PDE. Such information must be submitted no later than 85 days prior to the date of the election immediately preceding the school district's next fiscal year. PDE compares the proposed percentage increase in the rate of any tax with an index established annually (see "**The Taxpayer Relief Act (Act 1)**" herein) and within 10 days of the receipt of the information but not later than 75 days prior to the date of the election immediately preceding the beginning of the school district's next fiscal year, PDE informs the school district whether the proposed tax rate increase is less than or equal to the index. If PDE determines that the proposed percentage increase in the rate of the tax exceeds the index, PDE notifies the school district that: (1) the proposed tax increase must be reduced to an amount less than or equal to the index; or (2) the proposed tax increase must be approved by the electorate at the election immediately preceding the beginning of the school district's next fiscal year; or (3) the School District must seek approval to utilize one or more of the referendum exceptions authorized under the Taxpayer Relief Act.

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

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

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the applicable 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 that the school district comply with the procedures in Section 687 of the School Code for the adoption of its proposed and final budgets. Section 687 of the School Code requires that the school district adopt a proposed budget at least thirty (30) days prior to the adoption of the annual budget; that the proposed budget be made available for public inspection at least twenty (20) days prior to the date set for the adoption of the annual budget; and that action shall not be taken on the annual budget until after ten (10) days public notice. No referendum exceptions are available to a school district after adoption of such a resolution.

Summary and Discussion of Financial Results

The below table presents a summary of the School District’s General Fund Financial Condition for Fiscal Years ending June 30, 2019 through 2023. For more complete information, the individual financial statements and the 2024 Budget of the School District are available on the School District’s website or may be reviewed at the School District’s Business Office.

**CONEMAUGH TOWNSHIP AREA SCHOOL DISTRICT
General Fund Revenues, Expenditures and Fund Balances
(Fiscal Years Ending June 30)**

| | ACTUAL | | | | | Budgeted |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Revenues | | | | | | |
| Local Sources | \$4,308,293 | \$4,156,877 | \$4,287,572 | \$4,359,258 | \$4,496,251 | \$4,601,148 |
| State Sources | 10,112,598 | 10,293,089 | 10,260,642 | 10,347,273 | 10,644,806 | 10,806,625 |
| Federal Sources | <u>251,203</u> | <u>310,584</u> | <u>539,226</u> | <u>655,935</u> | <u>1,623,744</u> | <u>424,304</u> |
| Total Revenues | \$14,672,094 | \$14,760,550 | \$15,087,440 | \$15,362,466 | \$16,764,801 | \$15,832,077 |
| Expenditures | | | | | | |
| Instructional Services | \$8,164,085 | \$8,171,709 | \$8,576,017 | \$8,800,345 | \$8,931,439 | \$9,536,695 |
| Support Services | 4,828,407 | 4,914,971 | 4,817,295 | 5,096,662 | 5,324,003 | 5,496,015 |
| Noninstructional Services | 501,487 | 470,259 | 470,132 | 541,516 | 589,771 | 589,653 |
| Capital Outlay | 0 | 1,555 | 21,319 | 0 | 1,238,392 | 158,979 |
| Debt Service (P&I) | 721,681 | 699,389 | 698,721 | 699,071 | 702,646 | 860,894 |
| Leases (P&I) | 0 | 0 | 0 | 0 | 0 | 100,000 |
| Budgetary Reserve | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>7,390</u> | <u>0</u> |
| Total Expenditures | \$14,215,660 | \$14,257,883 | \$14,583,484 | \$15,137,594 | \$16,786,251 | \$16,742,236 |
| Other Financing Sources (Uses) | | | | | | |
| Interfund Transfers in (out) | (\$1,000,000) | (\$568,120) | \$0 | (\$500,000) | (\$1,000,000) | \$0 |
| Proceeds from lease financing | 0 | 0 | 0 | 0 | 52,332 | 0 |
| Refunds of prior year's receipts | (395) | (1,102) | 0 | 0 | 0 | 0 |
| Sale of Capital Assets | 4,301 | 5,000 | 0 | 0 | 0 | 0 |
| Insurance recoveries | 128,721 | 13,450 | 17,251 | 4,165 | 0 | 0 |
| Budgetary Reserve | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Other Financing Sources (Uses) | (\$867,373) | (\$550,772) | \$17,251 | (\$495,835) | (\$947,668) | \$0 |
| Excess Expenditures | | | | | | |
| Over (Under) Revenues | (\$410,939) | (\$48,105) | \$521,207 | (\$270,963) | (\$969,118) | (\$910,159) |
| Beginning Fund Balance | \$6,110,768 | \$5,699,829 | \$5,691,761 | \$6,232,610 | \$5,918,503 | \$4,949,385 |
| Prior Period Adjustments | \$0 | (\$8,068) | \$540,849 | (\$314,107) | \$0 | \$0 |
| Fund Balance June 30 | <u>\$5,699,829</u> | <u>\$5,691,761</u> | <u>\$6,232,610</u> | <u>\$5,918,503</u> | <u>\$4,949,385</u> | <u>\$4,039,226</u> |

Source: School District Audits and Budget.

TAXING POWERS AND LIMITS

In General

Subject to certain limitations imposed by the Act 1 (more specifically described below), the School District is empowered by the Public School Code and other statutes to levy the following taxes:

1. An 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 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, a per capita tax, an earned income and net profits 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”)/Tax Equalization Division (“TED”)) 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.

PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS

Taxpayer Relief Act (Act 1)

The information set forth below is a partial summary of relevant sections of Act 1 and their impact. This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor intended to provide a legal interpretation of any provision of Act 1. A prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.

Under the Taxpayer Relief Act (Act 1), a school district may not levy any tax for the support of the public schools which was not levied in the previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act, 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 or more of the exceptions summarized below is applicable and the use of such exception is approved by PDE:

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004 (“Act 72”), or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 (as in the case of the School District); (a) to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and (b) 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;
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 great than the Index (as determined by PDE in accordance with the provisions of Act 1), subject to the limitation that the salary base used for calculating estimated payments is capped at the 2011-12 salary base level, per PDE Referendum Exception Guidelines.”

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, as the case may be. 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.

“Index” is defined in Act 1 as follows:

INDEX

1. Except as set forth in paragraph (2), the average of the percentage increase in the Statewide Average Weekly Wage and the Employment Cost Index.
2. For a school district with a market value/income aid ratio great than 0.400 for the school fiscal year prior to the school fiscal year for which the Index is calculated, the value under paragraph (1) multiplied by the sum of:
 - (i) 0.75; and
 - (ii) the school district’s market value/income aid ratio for the school fiscal year prior to the school fiscal year for which the Index is calculated.

“Statewide Average Weekly Wage” is defined in Act 1 as follows:

STATEWIDE AVERAGE WEEKLY WAGE

That amount determined by the Department of Labor and Industry in the same manner that it determines the average weekly wage under section 404(e)(2) of the Act of December 5, 1936 (2nd Sp. Sess., 1937 P.L. 2897, No. 1), known as the Unemployment Compensation Law, except that it shall be calculated for the preceding calendar year.

The Act 1 Index applicable to the School District for the next fiscal year, current fiscal year and prior three fiscal years is as follows:

| <u>Fiscal Year</u> | <u>Index %</u> |
|--------------------|----------------|
| 2024-25 | 7.5 |
| 2023-24 | 5.8 |
| 2022-23 | 4.8 |
| 2021-22 | 4.2 |
| 2020-21 | 3.7 |

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum on the ballot at the May 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. A board of school directors may submit, but is not required to submit, a referendum question to the voters in any future municipal election seeking approval to levy or increase the rate of an earned income tax (“EIT”) or impose a personal income tax (“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 referendum was not approved by a majority of the voters at the primary election.

Status of the Bonds Under the Taxpayer Relief Act (Act 1)

The debt service payable on the Bonds described in this Official Statement is not eligible for a specific exception to the Index limits of Act 1.

Limitations on School District Fund Balance

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

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes unless the school district has adopted a budget for such school fiscal year that includes an estimated ending unreserved and 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, undesignated fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate 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.

*Applicable to the School District

⁽¹⁾Effective June 30, 2011, Governmental Accounting Standards Statement #54 adopted the term “Unassigned” to refer to general fund balances that would fall within the definition of “Unreserved and Undesignated Fund Balance” in the statute known as Act 48 of 2003.

TAX REVENUES OF THE SCHOOL DISTRICT

Tax Levies - Real Estate and Other Non-Realty Tax Rates

| Fiscal Year | School District | Real Estate Transfer Tax (%) | Per Capita Tax (\$)⁽¹⁾ | Local Services Tax (\$) | Earned Income Tax (%) | Occupation Tax (Mills) |
|--------------------|------------------------|-------------------------------------|--|--------------------------------|------------------------------|-------------------------------|
| 2019-20 | 27.960 | 0.5 | 10.0 | 5.00 | 0.5 | 250 |
| 2020-21 | 27.960 | 0.5 | 10.0 | 5.00 | 0.5 | 250 |
| 2021-22 | 27.960 | 0.5 | 10.0 | 5.00 | 0.5 | 250 |
| 2022-23 | 27.960 | 0.5 | 10.0 | 5.00 | 0.5 | 250 |
| 2023-24 | 27.960 | 0.5 | 10.0 | 5.00 | 0.5 | 250 |

⁽¹⁾\$5.00 under Act 511 and \$5.00 under Section 679 of the Public School Code.
Source: Local Officials

Real Estate Tax Collection Record

The School District's realty tax collection record for the previous five fiscal years ending June 30th, is as follows:

| Fiscal Year | Taxable Assessed Valuation | Adjusted Levv | Current Collections | Current Percent Collected | Total Collections⁽¹⁾ | Total Percent Collected |
|--------------------|-----------------------------------|----------------------|----------------------------|----------------------------------|--|--------------------------------|
| 2018-19 | \$114,919,440 | \$3,213,148 | \$2,674,830 | 83.2% | \$3,005,489 | 93.5% |
| 2019-20 | 115,826,070 | 3,238,497 | 2,678,407 | 82.7% | 2,919,263 | 90.1% |
| 2020-21 | 115,688,900 | 3,234,664 | 2,687,835 | 83.1% | 2,966,084 | 91.7% |
| 2021-22 | 115,826,070 | 3,238,497 | 2,687,835 | 83.0% | 2,966,084 | 91.6% |
| 2022-23 | 116,182,970 | 3,252,822 | 2,628,651 | 80.8% | 2,962,284 | 91.1% |

⁽¹⁾Includes delinquent collections.
Source: School District Officials.

Trends in Market and Assessed Valuations

The trend in market and assessed valuations of real estate in the School District is shown below:

| Tax Year | Market Value | Assessed Value | Ratio |
|-----------------|---------------------|-----------------------|--------------|
| 2018-19 | \$310,932,212 | \$114,919,440 | 36.96% |
| 2019-20 | 311,753,946 | 115,826,070 | 37.15% |
| 2020-21 | 318,510,987 | 115,688,900 | 36.32% |
| 2021-22 | 318,315,624 | 115,826,070 | 36.39% |
| 2022-23 | 337,372,420 | 115,961,240 | 34.37% |

Source: Pennsylvania State Tax Equalization Board (STEB). Valuations are certified in June of following year.

Ten Most Valuable Taxable Parcels in the School District

The following table represents the ten real estate parcels having the highest assessed values in the School District. These taxpayers represent approximately 6.02% of the School District's total most recent assessed value.

| Taxpayer | Taxable Aggregate Assessed Valuation |
|--------------------------------|---|
| Allegheny Christian Ministries | \$2,637,550 |
| Nau Gary A <i>et. al.</i> | 1,329,820 |
| The Highlands Group LLC | 665,370 |
| Allegheny Christian Ministries | 560,340 |
| Luna Patton LLC | 472,530 |
| Pine Crest MHP LLC | 332,490 |
| CKT Moore Properties LLC | 281,310 |
| Wyandt Charles C. III | 265,170 |
| Country Manor Real Estate LLC | 237,100 |
| Markferding Family Trust | 208,440 |
| Total | \$6,990,120 |

Source: County Assessment Office

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.

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

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

School districts also receive subsidies for special education, pupil transportation, career and technical education and health services, among other things.

Lack of Commonwealth Appropriations for Debt Service Reimbursement

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of the debt service on some or all of the School District's outstanding bonds after said bonds have received final approval from the Department of Education (see **"DEBT STATEMENT AND DEBT LIMITS"** herein). Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the bonds and the School District's Aid Ratio or CARF, whichever is higher. The School District's MVAR is currently higher at 69.81%. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon". In future years, this percentage may change as the School District's MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and 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, consisting of 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 and its Revenue Bonds, Series of 2019 (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 will be used to provide PlanCon reimbursement to the School District for the current and future 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.

Act 70 of 2019 was adopted by the State legislature that has modified the PlanCon process. The Act states that on July 1, 2020, a new PlanCon system will go online. However, the legislation does not include any funding nor does it state when the Commonwealth would start to allow applicants to enter into the new program.

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.

DEBT STATEMENT AND DEBT LIMITS

Residents of the School District are responsible for the following debt within the School District, the municipalities within the School District and the County following the settlement of the Bonds. The School District has never defaulted on the payment of debt service.

| <u>DIRECT DEBT</u> | Gross | Project | Effective⁽¹⁾ | State | Local |
|---|---------------------------|----------------------------|--------------------------------|---------------------|---------------------|
| <u>NONELECTORAL DEBT</u> | <u>Outstanding</u> | <u>Reimbursable</u> | <u>Reimbursement</u> | <u>Share</u> | <u>Share</u> |
| <u>Issue Type</u> | | Percent (%) | | | |
| General Obligation Bonds, Series of 2024..... | \$10,520,000* | 0.00% | 0.00% | \$ 0 | \$10,520,000* |
| General Obligation Bonds, Series of 2019..... | 8,520,000 | 22.50% | 15.71% | 1,338,258 | 7,181,742 |
| Total Principal of Nonelectoral Debt..... | \$19,040,000* | | | \$1,338,258 | \$17,701,742 |
| <u>LEASE RENTAL DEBT</u> | | | | | |
| Total Principal of Lease Rental Debt..... | \$ 0 | | | | |
| TOTAL DIRECT DEBT | \$19,040,000 | | | | |
| <u>OVERLAPPING DEBT</u> | | | | | |
| Component Municipalities Debt..... | \$9,459,939 | | | | |
| Somerset County ⁽²⁾ | 2,068,124 | | | | |
| Total Principal of Overlapping Debt..... | \$24,291,748 | | | | |
| TOTAL DIRECT AND OVERLAPPING DEBT | \$41,516,748* | | | | |
| <u>DEBT RATIOS OF DIRECT DEBT</u> | | | | | |
| Market Valuation of Real Estate..... | 5.64%* | | | | |
| Assessed Valuation of Real Estate..... | 16.42%* | | | | |
| Per Capita (2020 Population)..... | \$257 | | | | |
| <u>DEBT RATIOS OF DIRECT DEBT AND OVERLAPPING DEBT</u> | | | | | |
| Market Valuation of Real Estate..... | 7.09%* | | | | |
| Assessed Valuation of Real Estate..... | 50.18%* | | | | |
| Per Capita (2020 Population)..... | \$902 | | | | |

⁽¹⁾Gives effect to current appropriations for payment of debt service and expected future State Reimbursement of School District sinking fund payments based on current Aid Ratio. See “Commonwealth Aid to School Districts” herein.

⁽²⁾School District’s pro rata 7.52% share of the County’s \$27,510,452 principal amount of debt outstanding.

* Preliminary; subject to change

Source: Department of Community and Economic Development (“DCED”) website.

FUTURE FINANCING

The School District does not anticipate issuing additional long-term debt in the near future.

BORROWING CAPACITY
(Under Local Government Unit Debt Act)

The legal borrowing capacity of the School District is calculated in accordance with the Debt Act, which describes the applicable debt limits for local government units (entities with taxing powers), including school districts and municipalities. Under the Debt Act, the School District may incur electoral debt, which is debt that is approved by a majority of the School District's voters at either a general or special election, in an unlimited amount. Net nonelectoral debt, or debt not approved by the School District's electorate, net of state aid, may not exceed 225% of the School District's "Borrowing Base", as defined in the Debt Act. The Bonds constitute nonelectoral debt under the Debt Act. The Borrowing Base is calculated as the annual arithmetic average of Total Revenues (as defined in the Debt Act), for the three full fiscal years next preceding the date of incurring debt. Combined net nonelectoral debt and net lease rental debt (debt represented by capital leases and similar agreements relating to debt payments), net of approved state aid, incurred on behalf of the School District may not exceed 225% of the School District's Borrowing Base. The Borrowing Base and borrowing capacity of the School District are as follows:

| | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> |
|---|---------------------|----------------------|---------------------|
| Total General Fund Revenues | \$15,087,440 | \$15,362,466 | \$16,764,801 |
| <u>Less: Required Deductions</u> | | | |
| a. Rental and Sinking Fund Reimbursement | \$80,205 | \$79,636 | \$80,621 |
| b. Revenues for Self-Liquidating Debt | 0 | 0 | 0 |
| c. Refunds from Prior Year Expenditures | 0 | 0 | 0 |
| d. Grant and Gifts for Capital Projects | 0 | 0 | 0 |
| e. Sale of Equipment and Non-Recurring Items (i.e., insurance recoveries) | 0 | 0 | 0 |
| Total Deductions | <u>\$80,205</u> | <u>\$79,636</u> | <u>\$80,621</u> |
| Total Net Revenues | <u>\$15,007,235</u> | <u>\$15,282,830</u> | <u>\$16,684,180</u> |
| | | | |
| Total Net Revenues for Three Years | | \$46,974,245 | |
| Borrowing Base - Average Net Revenues for Three-Year Period | | \$15,658,082 | |
| | | | |
| <u>Computation of Borrowing Capacity</u> | | | |
| Debt Limitation - 225% OF Borrowing Base | | \$35,230,684 | |
| Less: Net Non-Electoral and Lease Rental Debt | | 19,040,000* | |
| Current Non-Electoral and Lease Rental Borrowing Capacity | | <u>\$16,190,684*</u> | |

*Preliminary; subject to change

LABOR RELATIONS

Employees and Labor Contracts

There are presently 150 employees of the School District, including 86 teachers and administrators, and 64 full-time support personnel, secretaries, athletic staff, maintenance/custodial staff, transportation staff, cafeteria staff and teachers' aides.

The current collective bargaining agreement between the School District and its professional employees, represented by the Conemaugh Township Education Association, extends until June 30, 2025. Relations between the School District and Association have been good.

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 district, and the Commonwealth 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. On December 16, 2022, the PSERS Board certified the employer rate, to be paid by the School District, of 34.00% for the 2023-24 fiscal year, which begins July 1, 2023.

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 transitioned 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 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. Both the School District and the Commonwealth are responsible for paying a portion of the employer’s share. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. The School District contributions are made on a quarterly basis and employee contributions are deducted bi-weekly for each paycheck and remitted monthly. Recent School District payments, net of reimbursement, have been as follows:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|----------------------|
| 2019-20 | \$2,031,000 |
| 2020-21 | 2,080,825 |
| 2021-22 | 2,174,390 |
| 2022-23 | 2,194,424 |
| 2023-24 | (Budgeted) 2,092,781 |

On June 30, 2023, the School District reported a liability of \$18,939,000 for its proportionate share of the PSERS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS' total pension liability as of June 30, 2021 to June 30, 2022. The School District's proportion of the pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the PSERS' one-year reported contributions. This method was changed beginning with PSERS’ fiscal year ended June 30, 2020. In prior years, the proportion of the PSERS net pension liability was calculated utilizing the School District’s one-year reported covered payroll as it related to PSERS’ total one-year report covered payroll. On June 30, 2022 (measurement date), the School District's proportion was 0.0426%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2021.

As of June 30, 2023, the PSERS plan was 61.6% funded, with an unfunded actuarial accrued liability of approximately \$44.0 billion. PSERS’ rate of return for fiscal year ended June 30, 2023, was 3.54%. The Fund had plan net assets of \$72.8 billion on June 30, 2023. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Official Statement.

Source: School District Audit and PSERS

Other Post-Employment Benefits (“OPEB”)

The School District provides certain health care and life insurance benefits for its retirees (commonly referred to as “other post-employment benefits” or “OPEB”). Effective for the 2008-09 fiscal year, the District adhered to Governmental Accounting Standards Board Statement No. 45, (“GASB 45”) "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the School District. As of June 2017, GASB 45 has been eliminated and replaced with a new standard, Governmental Accounting Standards Board Statement No. 75 (“GASB 75”). GASB 75 replaced the requirements of GASB 45 and established new accounting and financial reporting requirements. The School District funds the PSERS cost sharing, multiple-employer OPEB plan through contractually required contribution rates. No assurances can be given that the School District’s future OPEB obligations will not have a material impact on the School District’s ability to pay its debts, including the Bonds.

For a full description of the pension and OPEB plans, please refer to Appendix E – Audited Financial Statements.

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APPENDIX B

LOCAL DEMOGRAPHIC, STATISTICAL, AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND STATISTICAL INFORMATION

Population

| | <u>2010</u> | <u>2020</u> |
|-----------------------|-------------|-------------|
| School District..... | 8,369 | 9,937 |
| Somerset County | 77,742 | 74,129 |
| Pennsylvania | 12,702,379 | 13,002,788 |

Source: U.S. Bureau of Census.

Percentage of Age Composition (Estimates as of July 1, 2022)

| | <u>Under 18 years</u> | <u>65 years and over</u> |
|-----------------------|-----------------------|--------------------------|
| Somerset County | 20.8% | 17.3% |
| Pennsylvania | 5.2 | 19.6 |

Source: U.S. Bureau of Census.

Income (Estimates as of July 1, 2022)

| | <u>Median Household</u> | <u>Per Capita</u> | <u>Persons in Poverty</u> |
|-----------------------|-------------------------|-------------------|---------------------------|
| Somerset County | \$131,948 | \$67,554 | 5.1% |
| Pennsylvania | \$73,170 | \$36,289 | 4.7% |

Source: U.S. Bureau of Census.

Housing Characteristics (Estimates as of July 1, 2022)

| | <u>Housing Units</u> | <u>% Owner-Occupied</u> | <u>Households</u> | <u>Persons Per Household</u> |
|-----------------------|----------------------|-----------------------------|-------------------|----------------------------------|
| Somerset County | 133,445 | 75.3 | 127,566 | 2.67 |
| Pennsylvania | 5,815,392 | 69.2 | 5,193,727 | 2.42 |

Source: U.S. Bureau of Census.

Medical facilities

| <u>Institution</u> |
|-----------------------------------|
| Somerset Hospital |
| Conemaugh Memorial Medical Center |
| Windber Medical Center |

Source: School District Officials.

Transportation

The School District is served by Route 219 and Route 985, which go from north to south through the School District and the Pennsylvania Turnpike, which is south of the School District and provides easy access to other highways.

Utilities and Communications

The School District uses GPU Energy and PPL Electric Utilities Company for electric services. Dominion Peoples supplies gas and Verizon North supplies telephone service.

Higher Education

The University of Pittsburgh at Johnstown (Pitt-Johnstown) and the Pennsylvania Highlands Community College, both located in Johnstown, Pennsylvania provide higher education to residents of the School District.

Pitt-Johnstown is a four-year degree-granting fully accredited, co-educational, residential undergraduate college of the University of Pittsburgh. The suburban campus, combines the strong academic reputation and outstanding resources of a major research university with the personal appeal of a smaller college.

Recreation

Somerset County is well known within Pennsylvania for its recreational facilities. There are several ski resorts, including Seven Springs and Hidden Valley, which is owned by Seven Springs. Seven Springs is a 4,000 acre mountain resort containing 883 townhouses/condos and approximately 10-15 single family homes, ski slopes and trails, an 18-hole golf course, a small lake and facilities for biking, hiking, roller skating, bowling, miniature golf, indoor swimming and racquetball. Hidden Valley is a 2,500 acre mountain resort containing ski slopes, a golf course, a small fishing and boating lake, rental lodging units and privately owned units, a ski lodge and facilities for indoor swimming, tennis, racquetball, outdoor swimming, basketball, volleyball and restaurant. These resorts draw patrons from across Pennsylvania, Maryland, Washing D.C., West Virginia, Baltimore and Ohio. In addition, 20,185 acres of state parks, forest, game land and three state park picnic areas are located within Somerset County.

ECONOMIC INFORMATION

Ten Largest Employers

| <u>Somerset County</u> |
|-------------------------------|
| <u>Company</u> |
| State Government |
| UPMC Somerset |
| VR US Holdings Inc. |
| CSS Medical Center at Windber |
| Somerset County |
| Somerset Area School District |
| Wal-Mart Associates Inc. |
| Wheeler Brothers Inc. |
| DeVilbiss Healthcare LLC |
| CVS PA Distribution Inc. |

Source: Department of Labor a& Industry, Center for Workforce Information and Analysis – Labor & Industry (L & I), 3rd Quarter, 2023.

SOMERSET MICROPOLITAN STATISTICAL AREA

(Somerset County)

TOTAL CIVILIAN LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT, AND UNEMPLOYMENT RATE BY PLACE OF RESIDENCE¹

| TIME PERIOD | CIVILIAN LABOR FORCE | EMPLOYMENT ² | UNEMPLOYMENT | RATE (%) | SEASONALLY ADJUSTED ⁴ | | | |
|---------------|----------------------|-------------------------|--------------|----------|----------------------------------|-------------------------|--------------|----------|
| | | | | | LABOR FORCE | EMPLOYMENT ² | UNEMPLOYMENT | RATE (%) |
| January 2024 | 32,800 | 31,300 | 1,500 | 4.5 | 32,200 | 31,200 | 1,000 | 3.0 |
| December 2023 | 31,400 | 30,100 | 1,200 | 3.8 | 31,600 | 30,300 | 1,200 | 3.8 |
| November | 31,300 | 30,300 | 1,000 | 3.2 | 31,800 | 30,500 | 1,300 | 4.2 |
| January 2023 | 32,700 | 30,600 | 2,000 | 6.2 | 32,100 | 30,600 | 1,500 | 4.7 |

⁽¹⁾Estimate of workers by place of residence. These data are controlled to state Current Population n Survey (CPS) data which adjusts for commuting and dual jobholding. Workers are counted where they live only once regardless of the number of jobs they may hold. All in-depth inquiries relative to the estimating methodology should be addressed to the Bureau of Labor Statistics, U.S. Department of Labor. All data are subject to revision during annual benchmarking.

⁽²⁾Includes wage and salary workers (including agriculture), self-employed persons, and unpaid family workers (including agriculture), domestic workers, and persons involved in labor-management disputes.

⁽³⁾Unemployed as percent of civilian labor force, computed using unrounded data.

⁽⁴⁾Seasonally adjusted MSA level data (and their equivalent) is developed by the federal Bureau of Labor Statistics (BLS); seasonal adjustment for all other sub-state areas are developed by CWIA.

SOMERSET MICROPOLITAN STATISTICAL AREA

(Somerset County)

January 2024

NONFARM JOBS - NOT SEASONALLY ADJUSTED

| ESTABLISHMENT DATA | Industry Employment | | | | Net Change From: | |
|--|--|----------|----------|----------|------------------|----------|
| | Jan 2024 | Dec 2023 | Nov 2023 | Jan 2023 | Dec 2023 | Jan 2023 |
| Total Nonfarm | 24,600 | 24,500 | 24,400 | 24,100 | 100 | 500 |
| Total Private | 20,300 | 20,200 | 20,100 | 19,800 | 100 | 500 |
| Goods-Producing | 4,200 | 4,300 | 4,500 | 4,200 | -100 | 0 |
| Mining, Logging, and Construction | 1,600 | 1,700 | 1,800 | 1,600 | -100 | 0 |
| Manufacturing | 2,600 | 2,600 | 2,700 | 2,600 | 0 | 0 |
| Service-Providing | 20,400 | 20,200 | 19,900 | 19,900 | 200 | 500 |
| Trade, Transportation, and Utilities | 4,900 | 5,000 | 5,000 | 4,900 | -100 | 0 |
| Transportation, Warehousing & Utilities | 1,300 | 1,400 | 1,400 | 1,400 | -100 | -100 |
| Trade | 3,600 | 3,600 | 3,600 | 3,500 | 0 | 100 |
| Wholesale trade | 1,100 | 1,100 | 1,100 | 1,000 | 0 | 100 |
| Retail Trade | 2,500 | 2,500 | 2,500 | 2,500 | 0 | 0 |
| Retail Trade | 900 | 900 | 900 | 800 | 0 | 100 |
| Financial Activities | 1,600 | 1,600 | 1,600 | 1,600 | 0 | 0 |
| Professional and Business Services | 4,100 | 4,100 | 4,100 | 3,900 | 0 | 200 |
| Education and Health Services Leisure and Hospitality | 3,100 | 2,800 | 2,500 | 3,000 | 300 | 100 |
| Other Services | 1,400 | 1,400 | 1,400 | 1,300 | 0 | 100 |
| Other Services | 4,300 | 4,300 | 4,300 | 4,300 | 0 | 0 |
| Government | 1,600 | 1,600 | 1,600 | 1,600 | 0 | 0 |
| State Government Local Government | 2,500 | 2,500 | 2,500 | 2,500 | 0 | 0 |
| Data benchmarked to March 2023 | ***Data changes of 100 may be due to rounding*** | | | | | |

Source: Pennsylvania Department of Labor & Industry.

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

FORM OF OPINION OF BOND COUNSEL

The form of the approving legal opinion of Clark Hill PLC, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of this Preliminary Official Statement shall create no implication that Clark Hill PLC has reviewed any of the matters set forth in such opinion subsequent to the date thereof.

To and for the attention
of the Purchaser of the
Described Bonds:

_____, 2024

We have served as Bond Counsel to the Conemaugh Township Area School District (Somerset County, Pennsylvania) (the "Local Government Unit") and do hereby undertake to advise you in connection with the issuance, sale and delivery of its \$ _____ aggregate principal amount, General Obligation Bonds, Series of 2024 (the "Bonds") issued in fully registered form, dated and bearing interest from _____, 2024 and maturing on various annual dates ending on _____, and subject to optional redemption on and after _____.

In that capacity, we have examined the Constitution of the Commonwealth of Pennsylvania; the Public School Code of 1949, Act of March 10, 1949, P.L. 30, No. 14, as amended (the "School Code"); the Local Government Unit Debt Act, as codified by the Act of December 19, 1996 (P.L. 1158, No. 177), as amended (the "Debt Act"); the formal action of the Governing Body of the Local Government Unit authorizing the incurrence of nonelectoral debt evidenced by the Bonds (the "Debt Ordinance"); the corresponding Certificate of Approval of the Department of Community and Economic Development; the Internal Revenue Code of 1986, as amended (the "Tax Code"); the Federal Income Tax Certificate of an authorized officer; and such other certificates, proceedings and law as we deemed necessary in order to render this opinion. Unless separately noted, we have not independently verified factual certifications made to us by the Local Government Unit, its officers and agents during the course of our engagement.

Both principal of and interest on the Bonds are payable at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as Paying Agent for the Local Government Unit; the bank has additionally been appointed Registrar and Sinking Fund Depository for the Bonds.

Based on the foregoing, we are of the opinion on this date as follows:

1. The Bonds are valid and binding general obligations of the Local Government Unit.
 - (a) The Bonds are issued for a valid purpose under the School Code.
 - (b) The Bonds, and all other outstanding debt of the Local Government Unit, are within constitutional and statutory limitations.
 - (c) The Debt Ordinance authorizing the Bonds was duly and properly enacted and is in full force and effect.

(d) The Bonds conform, in all substantial respects, to the form provided in the Debt Ordinance.

2. The Bonds are secured by a pledge of the full faith, credit and all available taxing power of the Local Government Unit. The Local Government Unit has effectively covenanted in the Debt Ordinance to include the amount of debt service on this issue, in each fiscal year for which such sums are due, in its budget for that year; to appropriate such amount to the payment of such debt service; and to pay or cause to be paid, from time to time as and when due, the principal of the Bonds and the interest thereon on the dates, at the place and in the manner stated in the Bonds.

3. Presently included among the general revenues of the Local Government Unit available for the payment of a portion of the Bonds are ad valorem real estate taxes, whose levy is subject to the limitations of Pennsylvania Act No. 1 of Special Session of 2006 (“Act 1”), as amended, which became effective June 27, 2006. The pledge of ad valorem taxes to the payment of debt service on the Bonds will not be unlimited, but will be constrained, generally, to rates established at the time of adoption of the fiscal 2023-2024 budget, as adjusted by an annual index.

4. The Bonds are payable and enforceable according to their own terms, those of the Debt Ordinance and all provisions of the Debt Act; however, any such payment and enforcement could be restrained by a court of proper jurisdiction operating under the authority of bankruptcy, receivership and other similar laws of accommodation and adjustment of creditors' rights, as then applicable.

5. The Bonds, having all the qualities and incidents of securities under Article 8 of the Uniform Commercial Code, are negotiable instruments.

6. The Bonds are an authorized investment, under the Probate, Estates and Fiduciaries Code, as amended, for fiduciaries and personal representatives (as such terms are therein defined) within the Commonwealth of Pennsylvania.

7. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds (including, in the case of Bonds sold at an original issue discount, the difference between the original offering price and par) is excludible from gross income for Federal income tax purposes. Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Internal Revenue Code, of 1986, as amended, (the “Tax Code”) in computing the alternative minimum tax on individuals. However, interest on the Bonds is included in calculations of both: (a) average annual “adjusted financial statement income” for the purpose of determining whether a corporation is an “applicable corporation,” as defined in Section 59(k) of the Tax Code; and (b) the amount of current “adjusted financial statement income” of such applicable corporation which is subject to the alternative minimum tax imposed by Section 55 of the Tax Code, for tax years beginning after December 31, 2022. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Tax Code. We express no opinion as to any other Federal income tax consequence arising from ownership of the Bonds.

8. The Bonds, and interest income therefrom, are free from taxation for purposes of personal income and corporate net income within the Commonwealth of Pennsylvania.

Very truly yours,

CLARK HILL PLC

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
CONEMAUGH TOWNSHIP AREA SCHOOL DISTRICT
(Somerset County, Pennsylvania)
Dated _____, 2024 - Final Maturity _____
GENERAL OBLIGATION BONDS, SERIES OF 2024

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is executed and delivered the ____ day of _____, 2024 by the Conemaugh Township Area School District (Somerset County, Pennsylvania) (the "Issuer") in connection with the issuance of its \$ _____ General Obligation Bonds, Series of 2024 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of School Directors of the Issuer on March 26, 2024 (the "Authorizing Legislation"). The Issuer certifies, covenants and agrees as follows:

SECTION 1. Purpose of the Certificate.

This Certificate is being executed and delivered by the Issuer to provide for the disclosure of certain information concerning the Bonds on an on-going basis as set forth herein for the benefit of Bondholders (as hereinafter defined) in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule").

SECTION 2. Definitions; Scope of this Certificate.

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Authorizing Legislation and the Bonds. Notwithstanding the foregoing, the term "Disclosure Agent" shall mean the Issuer, or any disclosure agent appointed or engaged by the Issuer; any successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean a copy of the annual audited financial information prepared for the Issuer which shall include, if prepared, a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared using a modified accrual basis of accounting, provided, however, that the Issuer may change the accounting principles used for preparation of such financial information so long as the Issuer includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and providing a method by which to compare the financial information provided by the differing financial accounting principles. Any or all of the items listed above may be incorporated by reference from other documents, including Offering Documents of debt issues of the Issuer or related public entities, which have been submitted to each of the MSRB through EMMA, SID, if any, or filed with the SEC. If the document incorporated by reference is a final Offering Document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including personal holding Bonds through nominees, depositories or other intermediaries).

"*Bondholders*" shall mean any holder of the Bonds and any Beneficial Owner thereof.

"*EMMA*" shall mean the Electronic Municipal Market Access System created by the MSRB and located at www.emma.msrb.org and as described in Securities and Exchange Commission Release No. 34-59061 and Release No. 34-59062.

"*Financial Obligation*" means a:

- (A) (i) Debt obligation;
 - (ii) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
 - (iii) A guarantee of either (i) or (ii), above.
- (B) Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board.

"*Material Event*" shall mean any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of security the Bondholders, if material;
- (viii) Bond calls (if material) and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar events of the Issuer;

- (xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

The SEC requires the listing of (i) through (xvi) although some of such events may not be applicable to the Bonds.

"Official Statement" shall mean the Offering Document, dated _____, 2024.

"Operating Data" shall mean:

1. A summary of the budget for the current fiscal year;
2. 10 Largest real property taxpayers and the assessed value of each;
3. History of Tax Collections;
4. Real Estate Tax Millage Rate of the School District; and
5. Total Market Value and Assessed Value of Real Estate in the School District.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"SEC" shall mean the Securities and Exchange Commission.

"SID" shall mean the state information depository ("SID"), as such term is used in the Securities and Exchange Commission Release No. 34-34961.

"State" shall mean Commonwealth of Pennsylvania.

SECTION 3. Disclosure of Information.

(A) Information Provided to be Disclosed. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 4 hereof, the Issuer shall make, or shall cause the Disclosure Agent to make, a filing with the MSRB through EMMA of the information set forth in subsections (1), (2) and (3) below:

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than March 31, beginning March 31, 2025, for the fiscal year ending June 30, 2024, and continuing with each fiscal year thereafter. If the Disclosure Agent is an entity or person other than the Issuer, then the Issuer shall provide the Annual Financial Information to the Disclosure Agent not later than fifteen (15) Business Days prior to the disclosure date referenced above. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information.

(2) Material Events Notices. Notice of the occurrence of a Material Event, which notice shall be filed not more than ten (10) business days after the occurrence thereof.

(3) Failure to Provide Annual Financial Information or Operating Data. Notice of the failure of Issuer to provide the Annual Financial Information or Operating Data by the date required herein.

(B) Means of Submitting Information.

The Issuer or the Disclosure Agent under this Certificate shall submit the information required to be disclosed under this Certificate:

(a) to the MSRB using EMMA. Such information shall be transmitted in portable document word-searchable format (word-searchable pdf) at www.emma.msrb.org, and accompanied by identifying information as prescribed by the MSRB; and

(b) to the SID (if a SID is established for the State), by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Agent is authorized to transmit information to a SID by whatever means are mutually acceptable to the Disclosure Agent or the Issuer, as applicable, and the SID.

SECTION 4. Amendment or Modification.

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate and any provision of this Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond 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 as well as any change in circumstance.

SECTION 5. Miscellaneous.

(A) Termination. The Issuer's obligations under this Certificate shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity.

(B) Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Statement or notice of occurrence of a Material Event, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Financial Statement or notice of occurrence of a Material Event in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Statement or notice of occurrence of a Material Event.

(C) Defaults; Remedies. In the event of a failure of the Issuer or the Disclosure Agent to comply with any provision of this Certificate any Bondholder may take such action as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the Issuer or the Disclosure Agent to comply with its obligations under this Certificate. A default under this Certificate shall not constitute a default on the Bonds and the sole remedy available in any proceeding to enforce this Certificate shall be an action to compel specific performance.

(D) Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Disclosure Agent, the Participating Underwriters and Bondholders, or beneficial owners thereof, and shall create no rights in any other person or entity.

SECTION 6. Additional Disclosure Obligations.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the Issuer, and that under some circumstances, compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

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IN WITNESS WHEREOF, the Issuer has caused its duly authorized officer to execute this Continuing Disclosure Certificate as of the day and year first above written.

CONEMAUGH TOWNSHIP AREA
SCHOOL DISTRICT

By: _____
President, Board of School Directors

APPENDIX E
AUDITED FINANCIAL STATEMENTS

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**Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928**

**Single Audit Report as required
by the Uniform Guidance**

**For the Year Ended
June 30, 2023**

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List of Report Distribution

January 4, 2024

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

Board Members:

Not later than thirty days after receipt of the audit report, Conemaugh Township Area School District must distribute the audit report as follows:

One (1) copy to: Commonwealth of Pennsylvania -
Bureau of Audits
(submitted electronically)

One (1) copy to: Single Audit Clearinghouse
(submitted electronically)

Sincerely,

Kotzan CPA & Associates, P.C.

Independent Auditors' Report

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

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 Conemaugh Township Area School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 Conemaugh Township Area School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Conemaugh Township Area 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.

Emphasis of Matter – GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

As discussed in Note 21 to the financial statements, Conemaugh Township Area School District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. This statement requires recognition of certain right-to-use subscription assets and corresponding subscription liabilities for arrangements that were previously recognized as outflows of resources based on the payment provisions of the arrangement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Conemaugh Township Area 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.

Auditors' 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 auditors' 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 Conemaugh Township Area 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 Conemaugh Township Area 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

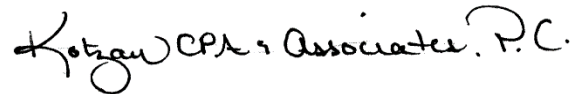
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension and OPEB information, and budgetary comparison information on pages 6-14, pages 59-61 and pages 62-63 respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Conemaugh Township Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 and certain state grants is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2024, on our consideration of Conemaugh Township Area 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 solely 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 Conemaugh Township Area 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 Conemaugh Township Area School District's internal control over financial reporting and compliance.



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
January 4, 2024

Management's Discussion and Analysis

Conemaugh Township Area School District

2022-2023

This Management's Discussion and Analysis (MD & A) offers an overview of the Conemaugh Township Area School District's (CTASD) financial performance during the fiscal year July 1, 2022-June 30, 2023. It should be read in conjunction with the financial statements, which follow. Comparative data from fiscal year 2021-2022 is required and is included in this report.

FINANCIAL STATEMENTS

Financial Statements have been audited by Kotzan CPA & Associates, P.C. and prepared in accordance with GASB Statement No. 34, presenting both entity-wide and fund-type reports using both the accrual and modified accrual basis of accounting respectively.

GASB # 34 REPORTING

Every effort has been made to ensure this report is easy-to-read and understandable to all citizens of the Conemaugh Township Area School District and other interested parties. Questions and comments regarding the included information may be obtained either in person or by mail by contacting: Mr. Brandon Studer, Business Manager, 300 W. Campus Avenue, Davidsville, PA 15928; Phone (814) 479-7431 or email brandon.studer@ctasd.org. The remainder of the report contains information included in the fiscal year 2022-2023 Annual Financial Report (PDE form 2057) and local auditor's report. Comparative data for 2021-2022 vs. 2022-2023 is included in the following report.

Government-wide Statements

The government-wide statements report information about the District as a whole using the accrual method of accounting. Net assets include all of the district's assets and liabilities. Current year revenues and expenditures are included in the statement of activity regardless of when paid or received. This approach allows school districts to account for assets and liabilities more like a "for-profit" business would, making comparisons easier and more consistent.

The financial well-being of the District can be more easily assessed using the net assets report, or the overall difference between assets and liabilities. The following reports only show the District's financial stability and do not address the overall success or failure of the District. Determining if the District is providing a quality education to its students while maintaining financial stability is much more difficult and involves many non-financial factors not included in this analysis. It is important to keep in mind, as these reports are reviewed, financial statements, although very important, are only one part of the overall operation of the District.

The government-wide statements are divided into two categories:

1. **Government Activities** - Includes all basic activities, such as education, administration, transportation, capital projects and athletics.
2. **Business-Type Activities** - Food Service Department. Fees and charges to staff and students help support the cost of operation.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Fund Financial Statements

Fund financial statements provide information about the significant funds, *not the district as a whole*.

Governmental Funds - Governmental funds encompass most of the District's activities. Government fund statements present a detailed, short-term financial view of the District on a modified accrual basis.

Proprietary Funds - Proprietary funds are more like a business-type activity. The District Food Service Fund is a proprietary fund in that money is collected through fees and charges and supports the expenses of the fund.

Fiduciary Funds - Funds where the District is a custodian or trustee. The District cannot use these funds for any operational expenditure. The Student Activities Fund represents the District's fiduciary fund.

FINANCIAL HIGHLIGHTS

The Conemaugh Township Area School District's general fund posted revenues of \$16,817,133 and expenditures of \$17,793,641. The difference resulted in a deficit of revenues under expenditures in the amount of \$976,508. Conemaugh Township Area School District's general fund maintains a healthy fund balance of \$4,941,508 at June 30, 2023. These amounts are reflected in the fund financial statements (modified accrual basis).

Property taxes were not increased in 2021-2022 or 2022-2023 and remain at 27.96 mills.

During the 2013-2014 fiscal year the District issued the Series of 2014 General Obligation Bonds in the amount of \$4,095,000 to fund various capital improvements in the District and to refund the District's 2006 lease agreement with the Bank of America. The balance outstanding at June 30, 2023 was \$5,000. During the 2018-2019 fiscal year the District issued the Series of 2019 General Obligation Bonds in the amount of \$10,000,000 to refund the Series of 2012 and a portion of the Series of 2014, and to fund capital projects. The balance outstanding on the Series of 2019 General Obligation Bonds at June 30, 2023 was \$9,005,000.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Entity-Wide Financial Analysis

Table 1 summarizes the assets, liabilities, and net position of the District at June 30, 2023, as compared to June 30, 2022.

Table 1
Condensed Schedule of Net Position

| | Governmental Activities | | Business-type Activities | | Total School District | | Change 2022-23 |
|--|-------------------------|-----------------------|--------------------------|-------------------|-----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Assets | | | | | | | |
| Current assets | \$ 9,669,489 | \$ 10,155,797 | \$ 389,465 | \$ 471,105 | \$ 10,058,954 | \$ 10,626,902 | \$ (567,948) |
| Non-current assets | 16,553,569 | 15,876,579 | 499,082 | 494,262 | 17,052,651 | 16,370,841 | 681,810 |
| Total assets | <u>\$ 26,223,058</u> | <u>\$ 26,032,376</u> | <u>\$ 888,547</u> | <u>\$ 965,367</u> | <u>\$ 27,111,605</u> | <u>\$ 26,997,743</u> | <u>\$ 113,862</u> |
| Deferred Outflows of Resources | <u>\$ 3,249,226</u> | <u>\$ 3,672,207</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 3,249,226</u> | <u>\$ 3,672,207</u> | <u>\$ (422,981)</u> |
| Liabilities | | | | | | | |
| Current liabilities | \$ 2,265,273 | \$ 2,207,454 | \$ (10,339) | \$ 75,299 | \$ 2,254,934 | \$ 2,282,753 | \$ (27,819) |
| Long-term liabilities | 30,177,387 | 29,415,239 | 34,163 | 37,371 | 30,211,550 | 29,452,610 | 758,940 |
| Total liabilities | <u>\$ 32,442,660</u> | <u>\$ 31,622,693</u> | <u>\$ 23,824</u> | <u>\$ 112,670</u> | <u>\$ 32,466,484</u> | <u>\$ 31,735,363</u> | <u>\$ 731,121</u> |
| Deferred Inflows of Resources | <u>\$ 1,005,000</u> | <u>\$ 3,539,000</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 1,005,000</u> | <u>\$ 3,539,000</u> | <u>\$ (2,534,000)</u> |
| Net Position | | | | | | | |
| Invested in capital assets, net of related debt | \$ 7,571,412 | \$ 6,505,228 | \$ 499,082 | \$ 494,262 | \$ 8,070,494 | \$ 6,999,490 | \$ 1,071,004 |
| Restricted | 1,815,525 | 1,230,807 | 0 | 0 | 1,815,525 | 1,230,807 | 584,718 |
| Unrestricted | <u>(13,362,313)</u> | <u>(13,193,145)</u> | <u>365,641</u> | <u>358,435</u> | <u>(12,996,672)</u> | <u>(12,834,710)</u> | <u>(161,962)</u> |
| Total net position | <u>\$ (3,975,376)</u> | <u>\$ (5,457,110)</u> | <u>\$ 864,723</u> | <u>\$ 852,697</u> | <u>\$ (3,110,653)</u> | <u>\$ (4,604,413)</u> | <u>\$ 1,493,760</u> |

Current assets are largely comprised of cash and investments. Non-current assets represent land, construction in progress, buildings, and equipment less accumulated depreciation and right-of-use assets less accumulated amortization. Current liabilities primarily include accrued salaries and wages as well as the current portion of long-term debt. Long-term debt is comprised of the compensated absences liability, the OPEB liability, net pension liability, and the Series 2014 and Series 2019 Bonds.

The District recognized numerous significant fluctuations reflected above, including the increases in non-current assets, long-term liabilities, and total net position; and the decreases in current assets, current liabilities, and deferred inflows and outflows of resources.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Table 2 summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2023 compared to the year ended June 30, 2022.

Table 2
Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total School District | | Variance |
|---|-------------------------|-------------------|--------------------------|-------------------|-----------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2022-23 |
| Program Revenues: | | | | | | | |
| Charges for services | \$ 51,546 | \$ 48,515 | \$ 230,714 | \$ 78,640 | \$ 282,260 | \$ 127,155 | \$ 155,105 |
| Operating grants and contributions | 3,873,003 | 3,983,297 | 626,396 | 977,586 | 4,499,399 | 4,960,883 | (461,484) |
| Capital grants and contributions | 1,317,003 | 79,636 | 40,500 | 342,811 | 1,357,503 | 422,447 | 935,056 |
| General Revenues: | | | | | | | |
| Taxes levied | 3,930,854 | 4,112,701 | 0 | 0 | 3,930,854 | 4,112,701 | (181,847) |
| Grants and entitlements | 7,295,326 | 7,175,678 | 0 | 0 | 7,295,326 | 7,175,678 | 119,648 |
| Investment earnings | 248,388 | 50,788 | 11,380 | 1,079 | 259,768 | 51,867 | 207,901 |
| Other | 6,509 | 6,046 | 0 | 0 | 6,509 | 6,046 | 463 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues | <u>16,722,629</u> | <u>15,456,661</u> | <u>908,990</u> | <u>1,400,116</u> | <u>17,631,619</u> | <u>16,856,777</u> | <u>774,842</u> |
| Program Expenses: | | | | | | | |
| Instruction | 8,875,291 | 8,658,839 | 0 | 0 | 8,875,291 | 8,658,839 | 216,452 |
| Support services | | | | | | | |
| Instructional student support | 1,038,376 | 983,819 | 0 | 0 | 1,038,376 | 983,819 | 54,557 |
| Administrative and financial support services | 2,180,776 | 2,064,292 | 0 | 0 | 2,180,776 | 2,064,292 | 116,484 |
| Operation and maintenance | 1,417,040 | 1,695,472 | 0 | 0 | 1,417,040 | 1,695,472 | (278,432) |
| Pupil transportation | 873,720 | 817,562 | 0 | 0 | 873,720 | 817,562 | 56,158 |
| Student activities | 592,980 | 542,277 | 0 | 0 | 592,980 | 542,277 | 50,703 |
| Community services | 1,400 | 1,600 | 0 | 0 | 1,400 | 1,600 | (200) |
| Interest on long-term debt | 261,312 | 272,280 | 0 | 0 | 261,312 | 272,280 | (10,968) |
| Food service | 0 | 0 | 896,964 | 826,551 | 896,964 | 826,551 | 70,413 |
| Total Expenses | <u>15,240,895</u> | <u>15,036,141</u> | <u>896,964</u> | <u>826,551</u> | <u>16,137,859</u> | <u>15,862,692</u> | <u>275,167</u> |
| Increase (Decrease) in net position | <u>\$1,481,734</u> | <u>\$ 420,520</u> | <u>\$ 12,026</u> | <u>\$ 573,565</u> | <u>\$1,493,760</u> | <u>\$ 994,085</u> | <u>\$ 499,675</u> |

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

The Change in Net Position across funds in 2022-2023 was an increase of \$1,493,760.

Revenues of the governmental activities increased over \$1,265,968 in 2022-23 compared to the previous year, primarily due increased utilization of federal funding (ESSER and ARP awards). The District's food service revenue, excluding transfers, decreased \$491,126 compared to prior year, while expenses increased \$70,413. A significant portion of the increase in food service revenue over prior year reflects \$40,500 in capital contributions in 2022-23 compared to \$342,811 in the previous year as a result of food service equipment purchased by the capital projects fund.

The previous table shows the cost of program services and the charges for services and grants offsetting those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues and unrestricted state entitlements.

Table 3
Net Revenue/Expenses

| | Total Cost of Services <u>2023</u> | Net Cost of Services <u>2023</u> | Total Cost of Services <u>2022</u> | Net Cost of Services <u>2022</u> |
|---------------------------------------|--|--|--|--|
| Program Expenses | | | | |
| Governmental Activities: | | | | |
| Instruction | \$ 8,875,291 | \$5,724,542 | \$ 8,658,839 | \$5,465,199 |
| Instructional student support | 1,038,376 | 997,578 | 983,819 | 860,749 |
| Administration | 2,180,776 | 2,154,606 | 2,064,292 | 2,029,978 |
| Maintenance | 1,417,040 | 1,020 | 1,695,472 | 1,591,541 |
| Pupil transportation | 873,720 | 313,703 | 817,562 | 247,450 |
| Student activities | 592,980 | 545,592 | 542,277 | 457,519 |
| Community services | 1,400 | 990 | 1,600 | (23) |
| Interest and fiscal charges | <u>261,312</u> | <u>261,312</u> | <u>272,280</u> | <u>272,280</u> |
| Net program expenses | <u>\$15,240,895</u> | <u>\$9,999,343</u> | <u>\$15,036,141</u> | 10,924,693 |
| Less: Unrestricted state entitlements | | <u>(7,295,326)</u> | | <u>(7,175,678)</u> |
| Total governmental activities | | <u>\$2,704,017</u> | | <u>\$3,749,015</u> |
| Business-type activities: | | | | |
| Food service | <u>\$ 896,964</u> | <u>\$ (646)</u> | <u>\$ 826,551</u> | <u>\$ (572,486)</u> |

Governmental Activities

Total net cost of services decreased over 1,000,000 from 2021-2022 to 2022-2023.

Business-Type Activities

The negative net cost of service for the Food Service Fund in 2021-2022 and 2022-2023 reflects the surplus of grant revenue, capital contributions and charges for service over expenses.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

FUND FINANCIAL ANALYSIS

General Fund Revenues

The Conemaugh Township Area School District derived its revenue from three main sources; local effort, state subsidy and reimbursements, and federal funding. State funding continued to be the largest revenue source for Conemaugh Township Area School District in 2022-2023. State subsidies and/or reimbursements accounted for 63% of the total revenue received in 2022-2023 (\$10,644,806); 27% (\$4,496,251) was local effort, consisting largely of real estate tax collections; 10% (\$1,623,744) represented the federal share which was primarily Title grants, Elementary and Secondary School Emergency Relief (ESSER) and American Rescue Plan (ARP) funds, and Medical ACCESS reimbursements. The remainder (<0.3%) was "other revenues", representing the District's lease arrangements.

2022-2023

| Function/Description | Budgeted | Actual | Variance |
|-----------------------|---------------|---------------|------------|
| 6000-Local Revenues | \$ 4,243,020 | \$ 4,496,251 | \$ 253,231 |
| 7000-State Revenues | 10,706,013 | 10,644,806 | (61,207) |
| 8000-Federal Revenues | 1,006,500 | 1,623,744 | 617,244 |
| 9000-Other Revenues | 0 | 52,332 | 52,332 |
| Totals | \$ 15,955,533 | \$ 16,817,133 | \$ 861,600 |

2022-2023 Differences from Budgeted to Actual

Local

- Local revenues remain stable from the prior year; an increase of \$137,000 was reported.

State

- State revenue is only slightly lower than budgeted.

Federal

- The receipt of COVID funds was anticipated, but revenue is recognized as funds are expended.

Other

- The District incurred offsetting expenses charged to the 1100 function for leased equipment. (Object 736).

General Fund Expenditures

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

CTASD expenditures during 2022-2023 totaled \$17,793,641. A breakdown of expenditures is illustrated in the table below.

| Function/Description | Budgeted | Actual | Variance |
|---------------------------------|---------------|---------------|----------------|
| 1100-Regular Education | \$ 6,435,660 | \$ 6,533,842 | \$ (98,182) |
| 1200-Special Education | 2,002,959 | 1,665,692 | 337,267 |
| 1300-Vocational Education | 498,750 | 656,098 | (157,348) |
| 1400-Other Education | 86,440 | 68,120 | 18,320 |
| 1500-Nonpublic School Programs | 0 | 7,687 | (7,687) |
| 2100-Pupil Services | 668,366 | 631,601 | 36,765 |
| 2200-Media Services | 440,720 | 402,966 | 37,754 |
| 2300-Administration | 1,227,857 | 1,206,968 | 20,889 |
| 2400-Health Services | 353,822 | 336,474 | 17,348 |
| 2500-Business Office | 488,110 | 471,520 | 16,590 |
| 2600-Maintenance | 1,290,716 | 1,306,774 | (16,058) |
| 2700-Transportation | 986,107 | 812,750 | 173,357 |
| 2800/2900-IU Programs | 120,250 | 154,950 | (34,700) |
| 3000-Extracurricular Activities | 635,612 | 589,771 | 45,841 |
| 4000-Construction | 582,000 | 1,238,392 | (656,392) |
| 5000-Financing / Transfers | 869,535 | 1,710,036 | (840,501) |
| Totals - rounded | \$ 16,686,904 | \$ 17,793,641 | \$ (1,106,737) |

2022-2023 Differences from Budgeted to Actual

- Regular education costs were slightly higher than budgeted, while special education were much lower due to fewer students enrolled in outside placements. The Vocational Education costs were increased due to an increase in student interest along with a construction project at GJCTC. Construction, using ESSER/ARP funds, were started in 2022-23 at the Elementary School and a transfer to Capital Reserve for ongoing building needs was made during the year.

General Fund Expenditure Comparative Data 2021-2022 vs. 2022-2023

An illustrative comparative chart below shows the overall expenditures from 2021-2022 vs. 2022-2023.

| Fiscal Year | Category-1000 | Category-2000 | Category-3000 | Category-4000 | Category-5000 |
|-------------|---------------|---------------|---------------|---------------|---------------|
| 2021-2022 | \$ 8,800,345 | \$ 5,096,662 | \$ 541,516 | \$ 0 | \$ 699,071 |
| 2022-2023 | \$ 8,931,439 | \$ 5,324,003 | \$ 589,771 | \$ 1,238,392 | \$ 1,710,036 |
| Difference | \$ 131,094 | \$ 227,341 | \$ 48,255 | \$ 1,238,392 | \$ 1,010,965 |

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Fund Financials Comparative Data 2022-2023

By maintaining a significant fund balance, the District is able to cover all payrolls and bills for several months when a state budget stalemate or an emergency exists. The District was able to earn over \$200,000 in interest by investing the fund balance money throughout the school year which equates to over a mil worth of taxes.

During the 22-23 school year, the District's fund balance decreased by approximately \$975,000 due to a Capital Reserve transfer approved of \$1,000,000.

Capital Assets

The following table illustrates changes in capital assets, net of depreciation, by asset type.

Capital Assets - Net of Depreciation

| | Governmental Activities | | Business-type Activities | | Total School District | | Percentage Change 2022-23 |
|-----------------------------|----------------------------|---------------------|-----------------------------|------------------|--------------------------|---------------------|---------------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Land | \$ 46,560 | \$ 46,560 | \$ 0 | \$ 0 | \$ 46,560 | \$ 46,560 | 0.0% |
| Site improvements | 1,197,946 | 1,355,215 | 0 | 0 | 1,197,946 | 1,355,215 | -11.6% |
| Buildings | 13,161,920 | 13,483,486 | 0 | 0 | 13,161,920 | 13,483,486 | -2.4% |
| Construction in progress | 1,265,363 | 106,114 | 65,194 | 24,694 | 1,330,557 | 130,808 | 917.2% |
| Equipment and furniture | 836,172 | 885,204 | 433,888 | 469,568 | 1,270,060 | 1,354,772 | -6.3% |
| Right-of-use assets | <u>45,608</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>45,608</u> | <u>0</u> | 100.0% |
| Total | <u>\$16,553,569</u> | <u>\$15,876,579</u> | <u>\$499,082</u> | <u>\$494,262</u> | <u>\$17,052,651</u> | <u>\$16,370,841</u> | 4.2% |

The decrease in capital assets of the governmental activities reflects depreciation expense exceeding capital outlays in fiscal year 2023. Capital assets of the business-type activities increased in fiscal year 2022, reflecting capital outlays exceeding depreciation expense.

Debt

The following table illustrates a condensed summary of outstanding long-term debt, including percentage change.

Outstanding Long-Term Debt

| | Total School District | | Total Percentage Change 2022-2023 |
|-------------------------------|--------------------------|--------------------|---|
| | 2023 | 2022 | |
| Other general obligation debt | \$9,010,000 | \$9,450,000 | -4.7% |
| Lease Obligations | <u>45,608</u> | <u>0</u> | 100.0% |
| Total | <u>\$9,055,608</u> | <u>\$9,450,000</u> | -4.2% |

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Outstanding long-term debt includes funding the Elementary School renovations and additions as well as debt to fund a High School renovation project and retire previous energy saving project debt. Additional funds were used for the ADA and security upgrades, including a secured entrance, to the High School building. The District refinanced bonds during 2019. Debt further includes lease obligations pertaining to the District's copier agreements and the recognition of right-of-use assets.

Act 72/Act 1 of 2006

The Board of Directors took no action on Act 72 which signified that the District opted out of Act 72. Act 1 of 2006, a revamped Act 72, with many of the same provisions was approved by the State in June 2006.

Final Notes:

The Board and Administration of the Conemaugh Township Area School District encourages the citizens and taxpayers of the District to review this document in conjunction with other financial resources that are available, including the Pennsylvania Department of Education's website at www.pde.state.pa.us and the CTASD website at www.ctasd.org. The District's website contains a wealth of information about the District, its staff, students, Board, and financial status.

Lastly, when reviewing this data included in this report, it is important to note that the financial condition of the District, while very important, is not the only indicator of a successful school district and must be considered only as one piece of the complex picture that makes up the Conemaugh Township Area School District.

The District will continue to strive to provide the best working environment it can for its staff and best learning environment it can for its students. Any additional information needed can be requested from the District Business Office.

BASIC FINANCIAL STATEMENTS

Conemaugh Township Area School District
Statement of Net Position
June 30, 2023

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------|
| Assets | | | |
| Current assets: | | | |
| Cash and equivalents | \$ 7,576,397 | \$ 340,064 | \$ 7,916,461 |
| Taxes receivable | 1,361,961 | 0 | 1,361,961 |
| Intergovernmental receivables | 642,394 | 0 | 642,394 |
| Inventories | 50,000 | 49,401 | 99,401 |
| Prepaid expenses | 38,737 | 0 | 38,737 |
| Total current assets | 9,669,489 | 389,465 | 10,058,954 |
| Noncurrent assets: | | | |
| Land | 46,560 | 0 | 46,560 |
| Construction in progress | 1,265,363 | 65,194 | 1,330,557 |
| Depreciable capital assets, net | 15,196,038 | 433,888 | 15,629,926 |
| Right-of-use assets, net | 45,608 | 0 | 45,608 |
| Total noncurrent assets | 16,553,569 | 499,082 | 17,052,651 |
| Total assets | 26,223,058 | 888,547 | 27,111,605 |
| Deferred Outflows of Resources | | | |
| Defined benefit pension plan | 2,818,300 | 0 | 2,818,300 |
| Other post-employment benefits (OPEB) | 374,677 | 0 | 374,677 |
| Deferred loss on refunding of debt | 56,249 | 0 | 56,249 |
| Total deferred outflows of resources | 3,249,226 | 0 | 3,249,226 |
| Total assets and deferred outflows of resources | \$ 29,472,284 | \$ 888,547 | \$ 30,360,831 |

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Net Position
June 30, 2023

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------|
| Liabilities | | | |
| Current liabilities: | | | |
| Internal balances | \$ 58,783 | \$ (58,783) | \$ 0 |
| Intergovernmental payables | 11,010 | 0 | 11,010 |
| Accounts payable | 93,413 | 300 | 93,713 |
| Accrued salaries and benefits | 946,074 | 0 | 946,074 |
| Payroll deductions and withholdings | 582,795 | 0 | 582,795 |
| Accrued interest payable | 21,424 | 0 | 21,424 |
| Current portion of long-term obligations | 530,919 | 3,555 | 534,474 |
| Unearned revenues | 20,855 | 44,539 | 65,394 |
| Other current liabilities | 0 | 50 | 50 |
| Total current liabilities | 2,265,273 | (10,339) | 2,254,934 |
| Noncurrent liabilities: | | | |
| Bonds payable, net | 8,502,798 | 0 | 8,502,798 |
| Long-term portion of compensated absences | 235,040 | 34,163 | 269,203 |
| Long-term portion of lease obligation | 31,549 | 0 | 31,549 |
| Net other post-employment benefits (OPEB) | 2,469,000 | 0 | 2,469,000 |
| Net pension liability | 18,939,000 | 0 | 18,939,000 |
| Total noncurrent liabilities | 30,177,387 | 34,163 | 30,211,550 |
| Total liabilities | 32,442,660 | 23,824 | 32,466,484 |
| Deferred Inflows of Resources | | | |
| Defined benefit pension plan | 520,000 | 0 | 520,000 |
| Other post-employment benefits (OPEB) | 485,000 | 0 | 485,000 |
| Total deferred inflows of resources | 1,005,000 | 0 | 1,005,000 |
| Net Position | | | |
| Invested in capital assets, net of debt | 7,571,412 | 499,082 | 8,070,494 |
| Restricted for capital projects | 1,815,525 | 0 | 1,815,525 |
| Unrestricted | (13,362,313) | 365,641 | (12,996,672) |
| Total net position | (3,975,376) | 864,723 | (3,110,653) |
| Total liabilities, deferred inflows of resources and net position | \$ 29,472,284 | \$ 888,547 | \$ 30,360,831 |

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Statement of Activities
For the Year Ended June 30, 2023**

| | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | |
|---|----------------------|-------------------------|---------------------------------------|-------------------------------------|--|-----------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 8,875,291 | \$ 13,687 | \$ 3,137,062 | \$ 0 | \$ (5,724,542) | \$ 0 | \$ (5,724,542) |
| Instructional student support | 1,038,376 | 0 | 40,798 | 0 | (997,578) | 0 | (997,578) |
| Administration and financial support services | 2,180,776 | 0 | 26,170 | 0 | (2,154,606) | 0 | (2,154,606) |
| Operations and maintenance of plant services | 1,417,040 | 0 | 99,017 | 1,317,003 | (1,020) | 0 | (1,020) |
| Pupil transportation | 873,720 | 0 | 560,017 | 0 | (313,703) | 0 | (313,703) |
| Student activities | 592,980 | 37,449 | 9,939 | 0 | (545,592) | 0 | (545,592) |
| Community services | 1,400 | 410 | 0 | 0 | (990) | 0 | (990) |
| Interest on long-term obligations | 261,312 | 0 | 0 | 0 | (261,312) | 0 | (261,312) |
| Total governmental activities | 15,240,895 | 51,546 | 3,873,003 | 1,317,003 | (9,999,343) | 0 | (9,999,343) |
| Business-Type Activities: | | | | | | | |
| Food service | 896,964 | 230,714 | 626,396 | 40,500 | 0 | 646 | 646 |
| Total primary government | <u>\$ 16,137,859</u> | <u>\$ 282,260</u> | <u>\$ 4,499,399</u> | <u>\$ 1,357,503</u> | <u>(9,999,343)</u> | <u>646</u> | <u>(9,998,697)</u> |
| General Revenues: | | | | | | | |
| Taxes levied | | | | | 3,930,854 | 0 | 3,930,854 |
| Grants, subsidies and contributions, not restricted | | | | | 7,295,326 | 0 | 7,295,326 |
| Investment earnings | | | | | 248,388 | 11,380 | 259,768 |
| Miscellaneous | | | | | 6,509 | 0 | 6,509 |
| Total general revenues | | | | | <u>11,481,077</u> | <u>11,380</u> | <u>11,492,457</u> |
| Change in net position | | | | | 1,481,734 | 12,026 | 1,493,760 |
| Net position, beginning of year | | | | | <u>(5,457,110)</u> | <u>852,697</u> | <u>(4,604,413)</u> |
| Net position, end of year | | | | | <u>\$ (3,975,376)</u> | <u>\$ 864,723</u> | <u>\$ (3,110,653)</u> |

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Balance Sheet
Governmental Funds
June 30, 2023

| | General Fund | Major Fund Capital Projects Fund | Total Governmental Funds |
|---|---------------------|--|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Assets | | | |
| Cash and cash equivalents | \$ 5,760,872 | \$ 1,815,525 | \$ 7,576,397 |
| Taxes receivable | 1,361,961 | 0 | 1,361,961 |
| Due from other governments | 642,394 | 0 | 642,394 |
| Inventories | 50,000 | 0 | 50,000 |
| Prepaid expenses | <u>38,737</u> | <u>0</u> | <u>38,737</u> |
| Total assets | 7,853,964 | 1,815,525 | 9,669,489 |
| Deferred Outflows of Resources | <u>0</u> | <u>0</u> | <u>0</u> |
| Total assets and deferred outflows of resources | <u>\$ 7,853,964</u> | <u>\$ 1,815,525</u> | <u>\$ 9,669,489</u> |
| Liabilities | | | |
| Due to other funds | \$ 58,783 | \$ 0 | \$ 58,783 |
| Due to other governments | 11,010 | 0 | 11,010 |
| Accounts payable | 93,413 | 0 | 93,413 |
| Accrued salaries and benefits | 946,074 | 0 | 946,074 |
| Payroll deductions and withholdings | 582,795 | 0 | 582,795 |
| Unearned revenue | <u>20,855</u> | <u>0</u> | <u>20,855</u> |
| Total liabilities | <u>1,712,930</u> | <u>0</u> | <u>1,712,930</u> |
| Deferred Inflows of Resources | | | |
| Delinquent taxes receivable | <u>1,199,039</u> | <u>0</u> | <u>1,199,039</u> |
| Total deferred inflows of resources | <u>1,199,039</u> | <u>0</u> | <u>1,199,039</u> |
| Fund Balance | | | |
| Nonspendable | 88,737 | 0 | 88,737 |
| Restricted | 0 | 1,815,525 | 1,815,525 |
| Assigned | 2,300,000 | 0 | 2,300,000 |
| Unassigned | <u>2,553,258</u> | <u>0</u> | <u>2,553,258</u> |
| Total fund balance | <u>4,941,995</u> | <u>1,815,525</u> | <u>6,757,520</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 7,853,964</u> | <u>\$ 1,815,525</u> | <u>\$ 9,669,489</u> |

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2023**

Total fund balance – governmental funds \$6,757,520

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of assets is \$38,129,382 and the accumulated depreciation is \$21,621,421. 16,507,961

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore, are recorded as deferred inflows of resources in the funds. 1,199,039

Right-of-use assets (leases) used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds. The present value of the right-of-use assets is \$52,332 and the accumulated amortization is \$6,724. 45,608

Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

| | | |
|----------------------------|-----------------|--------------|
| Bonds payable | \$ (9,010,000) | |
| Unamortized bond discounts | 17,202 | |
| Accrued interest payable | (21,424) | |
| Compensated absences | (261,900) | |
| OPEB obligation | (2,469,000) | |
| Net pension liability | (18,939,000) | |
| Lease obligations | <u>(45,608)</u> | (30,729,730) |

The loss from the refunding of debt is recognized as interest expense at the time of the refunding for the fund financial statements. The loss on the refunding of debt is reported as a deferred outflow of resources in the government-wide statements. 56,249

Deferred inflows and outflows of resources related to pensions and other post-employment benefit plans (OPEB) are applicable to future periods and, therefore, are not reported in the funds.

| | | |
|---------------------------------------|------------------|------------------|
| Deferred outflows related to pensions | \$2,818,300 | |
| Deferred inflows related to pensions | (520,000) | |
| Deferred outflows related to OPEB | 374,677 | |
| Deferred inflows related to OPEB | <u>(485,000)</u> | <u>2,187,977</u> |

Total net position of governmental activities \$ (3,975,376)

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

| | General Fund | Major Fund Capital Projects Fund | Total Governmental Funds |
|--|---------------------|--|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues | | | |
| Local sources | \$ 4,496,251 | \$ 46,049 | \$ 4,542,300 |
| State sources | 10,644,806 | 0 | 10,644,806 |
| Federal sources | <u>1,623,744</u> | <u>0</u> | <u>1,623,744</u> |
| Total revenues | <u>16,764,801</u> | <u>46,049</u> | <u>16,810,850</u> |
| Expenditures | | | |
| Instruction | 8,931,439 | 0 | 8,931,439 |
| Support services | 5,324,003 | 0 | 5,324,003 |
| Non-instructional services | 589,771 | 0 | 589,771 |
| Capital outlay | 1,238,392 | 461,331 | 1,699,723 |
| Debt service (principal and interest) | 702,646 | 0 | 702,646 |
| Leases (principal and interest) | <u>7,390</u> | <u>0</u> | <u>7,390</u> |
| Total expenditures | <u>16,793,641</u> | <u>461,331</u> | <u>17,254,972</u> |
| Excess of revenues over (under) expenditures | <u>(28,840)</u> | <u>(415,282)</u> | <u>(444,122)</u> |
| Other financing sources (uses) | | | |
| Proceeds from lease financing | 52,332 | 0 | 52,332 |
| Interfund transfers | <u>(1,000,000)</u> | <u>1,000,000</u> | <u>0</u> |
| Total other financing sources (uses) | <u>(947,668)</u> | <u>1,000,000</u> | <u>52,332</u> |
| Net change in fund balance | (976,508) | 584,718 | (391,790) |
| Fund balance, beginning of year | <u>5,918,503</u> | <u>1,230,807</u> | <u>7,149,310</u> |
| Fund balance, end of year | <u>\$ 4,941,995</u> | <u>\$ 1,815,525</u> | <u>\$ 6,757,520</u> |

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
To the Statement of Activities
For the Year Ended June 30, 2023**

Total net change in fund balance – governmental funds \$ (391,790)

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

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

| | | |
|----------------------|--------------------|---------|
| Capital outlay | \$1,664,767 | |
| Depreciation expense | <u>(1,033,385)</u> | 631,382 |

While right-of-use assets (leases) are not reported in the governmental funds, these intangible assets are reported in the governmental activities at their present value and amortized over the lease term.

| | | |
|---------------------------|----------------|--------|
| Right-of-use assets | \$52,332 | |
| Current year amortization | <u>(6,724)</u> | 45,608 |

Because some property 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. Deferred inflows of resources from tax revenues decreased by this amount this year. (83,698)

Interest on long-term debt is recognized in the governmental funds when it is due. In the statement of activities, interest expense is recognized as interest accrues. The liability for accrued interest expense decreased by this amount this year. 2,000

In the governmental funds, compensated absences are measured by the amounts used. The statement of activities measures by the amounts earned. The liability for compensated absences increased by this amount this year. (11,883)

Governmental funds report district pension contributions as expenditures in the year required to be made. However, pension expense, which is the change in net pension liability, adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

| | | |
|--------------------------------|--------------------|---------|
| District pension contributions | \$2,135,300 | |
| Pension expense | <u>(1,205,270)</u> | 930,030 |

Conemaugh Township Area School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
To the Statement of Activities
For the Year Ended June 30, 2023

Governmental funds report District payments for other post-employment benefits (OPEB) in the year such benefits are used. However, OPEB expense, which is the change in the net OPEB liability, adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the statement of activities.

| | | |
|--------------------------------|------------------|----------|
| District OPEB benefit payments | \$128,677 | |
| OPEB expense | <u>(157,786)</u> | (29,109) |

The proceeds from lease financing provide current financial resources of governmental funds. However, they increase long-term liabilities on the statement of net position. (52,332)

The principal payments on long-term debt consume current financial resources of governmental funds. However, they reduce long-term liabilities on the statement of net position. Further, the effect of bond discounts and premiums are reported in the funds in the year of issue but are deferred and amortized in the statement of activities. The effect is shown below:

| | | |
|-------------------------------------|----------------|---------|
| Bond principal payments | \$440,000 | |
| Amortization of bond discounts | (1,296) | |
| Lease obligation principal payments | <u>(6,724)</u> | 445,428 |

Governmental funds report gains and losses on the refunding of debt as an adjustment to interest in the year the refunding occurs. However, in the statement of activities, the gains and losses are deferred and amortized over the term of the new bond issue or the remaining term of the refunded issue. This amount represents current year amortization of the deferred outflow. (3,902)

Change in net position of governmental activities \$1,481,734

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Statement of Net Position
Proprietary Fund
June 30, 2023**

| | <u>Food Service</u> |
|---|---------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 340,064 |
| Due from other funds | 58,783 |
| Inventory | 49,401 |
| Total current assets | 448,248 |
| Noncurrent assets: | |
| Construction in progress | 65,194 |
| Furniture and equipment, net | 433,888 |
| Total noncurrent assets | 499,082 |
| Total assets | 947,330 |
| Deferred Outflows of Resources | |
| | 0 |
| Total assets and deferred outflows of resources | \$ 947,330 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | \$ 300 |
| Unearned revenue | 44,539 |
| Current portion of compensated absences | 3,555 |
| Other current liabilities | 50 |
| Total current liabilities | 48,444 |
| Noncurrent liabilities: | |
| Long-term portion of compensated absences | 34,163 |
| Total noncurrent liabilities | 34,163 |
| Total liabilities | 82,607 |
| Deferred Inflows of Resources | |
| | 0 |
| Net Position | |
| Invested in capital assets | 499,082 |
| Unrestricted | 365,641 |
| Total net position | 864,723 |
| Total liabilities, deferred inflows of resources and net position | \$ 947,330 |

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2023

| | <u>Food Service</u> |
|--|---------------------|
| Operating revenues | |
| Food service revenue | \$ 230,714 |
| Total operating revenues | 230,714 |
| Operating expenses | |
| Salaries | 234,428 |
| Employee benefits | 201,068 |
| Purchased property services | 4,684 |
| Supplies | 409,908 |
| Depreciation | 52,525 |
| Dues and fees | 1,695 |
| Total operating expenses | 904,308 |
| Operating income (loss) | (673,594) |
| Nonoperating revenues (expenses) | |
| Earnings on investments | 11,380 |
| State sources | 127,687 |
| Federal sources | 506,053 |
| Total nonoperating revenues (expenses) | 645,120 |
| Income (loss) before contributions and transfers | (28,474) |
| Contributions and transfers | |
| Capital contributions | 40,500 |
| Change in net position | 12,026 |
| Total net position, beginning of year | 852,697 |
| Total net position, end of year | \$ 864,723 |

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

| | Food Service |
|---|--------------|
| Cash flows from operating activities | |
| Cash received from users | \$ 227,543 |
| Cash payments to employees for services | (235,986) |
| Cash payments to suppliers for goods and services | (612,222) |
| Net cash provided by (used for) operating activities | (620,665) |
| Cash flows from non-capital financing activities | |
| State sources | 117,263 |
| Federal sources | 436,878 |
| Net cash provided by (used for) non-capital financing activities | 554,141 |
| Cash flows from capital and related financing activities | |
| Capital outlay | (16,845) |
| Net cash provided by (used for) capital and related financing activities | (16,845) |
| Cash flows from investing activities | |
| Earnings on investments | 11,380 |
| Net cash provided by (used for) investing activities | 11,380 |
| Net increase (decrease) in cash and cash equivalents | (71,989) |
| Cash and cash equivalents, beginning of year | 412,053 |
| Cash and cash equivalents, end of year | \$ 340,064 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ (673,594) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation | 52,525 |
| (Increase) decrease in inventories | 4,833 |
| Increase (decrease) in accounts payable | 300 |
| Increase (decrease) in accrued salaries/benefits | (1,558) |
| Increase (decrease) in unearned revenue | (3,171) |
| Total adjustments | 52,929 |
| Net cash provided by (used for) operating activities | \$ (620,665) |
| Non-cash Transactions | |
| Capital assets financed by capital projects fund | \$ 40,500 |

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023**

| | <u>Custodial Fund</u> |
|--|-----------------------|
| Assets | |
| Cash and cash equivalents | \$ 82,920 |
| Total assets | 82,920 |
| Deferred Outflows of Resources | 0 |
| Total assets and deferred outflows of resources | \$ 82,920 |
| Liabilities | \$ 0 |
| Total liabilities | 0 |
| Deferred Inflows of Resources | 0 |
| Net Position | |
| Restricted for student organizations | 82,920 |
| Total net position | 82,920 |
| Total liabilities, deferred inflows of resources, and net position | \$ 82,920 |

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023**

| | <u>Custodial Fund</u> |
|---------------------------------|-----------------------|
| Additions: | |
| Gifts and contributions | \$ 4,535 |
| Interest income | 2,440 |
| Fundraising | 124,290 |
| Total additions | 131,265 |
| Deductions: | |
| Events and supplies | 108,726 |
| Total deductions | 108,726 |
| Change in net position | 22,539 |
| Net position, beginning of year | 60,381 |
| Net position, end of year | \$ 82,920 |

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

1. Description of School District and Reporting Entity

The Conemaugh Township Area School District is a Local Education Agency of the third class, governed by a nine-member publicly elected board, located in the Commonwealth of Pennsylvania. The District has approximately 1,020 enrolled students and operates two school buildings, including an elementary school (grades K-5) and a middle/senior high school (grades 6-12). The District also participates in a local area vocational/technical school with various other districts.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Conemaugh Township Area School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable or other organizations whose nature and significant relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (1) either the School District's ability to impose its will on the organization; or (2) there is potential for the organization to provide a financial benefit to or impose a financial burden on the School District. The School District has no component units.

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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 statement of net position presents the financial condition of the governmental and business-type activities of the School District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type 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 goods and 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. 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.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

Fund Financial Statements

Fund financial statements are also provided in the report for all governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial record during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the School District's major governmental funds:

General Fund – The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – Accounts for financial resources restricted for the acquisition, construction, renovation, and deferred maintenance of major capital facilities or equipment, and for debt service.

Proprietary Funds

Proprietary funds focus on the determination of net position, changes in net position and cash flows and are classified as either internal service or enterprise funds. Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. There are no internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following is the School District's major enterprise fund:

Food Service Fund – This fund accounts for the financial transactions related to the food service operation of the School District.

Fiduciary Fund

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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. The custodial funds are used to report fiduciary activities that are not required to be reported as another fiduciary fund type. The School District's custodial fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

C. Measurement Focus

Government-wide Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements

Fund financial statements are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary Fund types distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Food Service fund are charges for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures. Unearned revenues are addressed in Note 2N, and deferred inflows/outflows of resources in Note 2O.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

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

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

The School District is required to adopt a proposed budget at least thirty (30) days prior to adoption of the annual budget. The proposed budget shall be printed or otherwise made available for public inspection to all persons and shall be made available for duplication to any person, on request, at least twenty (20) days prior to the date set for the adoption of the budget. Final action shall not be taken on the proposed budget until after ten (10) days of public notice.

The Board of 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 amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2023.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

Fund balances in Budgetary Funds may be appropriated based on resolutions passed by the Board of Education, which authorized the School District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order contract, or other form of commitment, an encumbrance is recorded.

Included in the General Fund budget are program budgets as prescribed by the State and Federal agencies funding the program. These budgets are approved on a program by program basis by the State or Federal funding agency.

An Enterprise fund budget is not adopted; however, a formal budget is prepared and approved by management and expenditures are controlled on the basis of this budget.

F. Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The District's prepaid expense at June 30, 2023 is for curriculum.

H. Inventory

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

Inventories in governmental funds are stated at cost by the first-in, first-out method and consist of supplies held for consumption. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories (\$50,000) is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. The General Fund is the only governmental fund that has material inventory balances as of June 30, 2023.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2023. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2023 are reported as unearned revenue.

I. Capital Assets

General capital assets 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 used by the proprietary fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund financial statements.

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of fifteen hundred dollars (\$1,500). 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 not capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. 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:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 15 - 40 years |
| Furniture and Equipment | 5 - 20 years |
| Site Improvements | 15 - 30 years |

J. Leases

The District is a lessee for a noncancellable lease of office equipment. The District recognizes a lease liability and an intangible right-of-use asset in the government-wide financial statements.

At the commencement of a lease, the 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 District uses the interest rate charged by the lessor as the discount rate. When this rate is not provided, the District uses its estimated incremental borrowing rate as the discount rate for leases.

The right-of-use 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 right-of-use asset is amortized on a straight-line basis over the term of the lease.

K. Original Issue Discounts

Bond discounts are reported as direct adjustments to the face amount of the bond and are deferred and amortized over the life of the bond using the straight-line method of amortization.

L. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are determined to be collectible, and no allowance has been established.

Conemaugh Township Area School District
Notes to Financial Statements
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Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

N. Unearned Revenues

The District reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

O. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year’s financial statements include those related to the District’s cost-sharing, multi-employer defined benefit pension plan, as well as those related to the District’s other post-employment benefits (OPEB). Depending on the nature of the deferred outflow, they may be amortized to expense over 5 years, or over the average remaining service lives of employees. See further detail on deferred outflows of resources related to the pension plan at Note 10, and to OPEB at Notes 11 and 12.

The District also reports deferred loss on the refunding of debt as a deferred outflow of resources in the government-wide statement of net position. The loss is recognized as a component of interest expense on a straight-line basis over the term of the corresponding debt (25 years). Accordingly, at June 30, 2023, the District reports a deferred outflow of resources of \$97,542, net of accumulated amortization of \$41,293.

No deferred outflows of resources affect the fund financial statements in the current year.

Deferred Inflows of Resources

The District’s statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The deferred inflows of resources reported on the District’s statement of

Conemaugh Township Area School District
Notes to Financial Statements
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net position include those related to the District’s cost-sharing, multi-employer defined benefit pension plan, as well as those related to the District’s other post-employment benefits (OPEB). Depending on the nature of the deferred inflow, they may be amortized to expense over 5 years, or over the average remaining service lives of employees. See further detail on deferred inflows of resources related to the pension plan at Note 10, and to OPEB at Notes 11 and 12.

In the District’s governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District’s fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as a deferred inflow of resources (\$1,199,039).

P. Fund Balance Classification

GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** – amounts that are in nonspendable form (such as inventory or prepaid items) or are legally or contractually required to be maintained intact.
- **Restricted Fund Balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** – amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- **Unassigned Fund Balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of June 30, 2023, fund balance components, other than unassigned, consist of the following:

| | Nonspendable | Restricted | Assigned |
|---|--------------|--------------|--------------|
| General Fund: | | | |
| Inventory | \$ 50,000 | \$ 0 | \$ 0 |
| Prepaid expense | 38,737 | 0 | 0 |
| Future debt service payments (Greater Johnstown CTC building project) | 0 | 0 | 2,300,000 |
| Capital Projects Fund | 0 | 1,815,525 | 0 |
| Total | \$ 88,737 | \$ 1,815,525 | \$ 2,300,000 |

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The School Board establishes (and modifies or rescinds) fund balance commitments by resolution of the board. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance may be established by the Business Manager and/or Superintendent, as delegated by the School Board.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Q. Net Position

Net position represents the assets and deferred outflows of resources, net of liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide statement of net position reports \$1,815,525 of restricted net position, which is restricted by enabling legislation for capital projects.

R. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. Multi-Employer Benefit Plans

Pension Plan

Substantially all full-time and part-time employees of the District participate in a cost-sharing, multi-employer defined benefit pension plan. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net pension liability. The standard further requires the District to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate share of collective pension expense and collective deferred outflows and inflows of resources related to pensions.

Other Post-Employment Benefits (OPEB)

The Public School Employees Retirement System (PSERS) provides a health insurance premium assistance program, which is a governmental cost-sharing, multiple employer OPEB plan for all eligible District retirees who qualify and elect to participate. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net OPEB liability. The Standard further requires the District to recognize OPEB expense and report deferred outflows of resources and deferred

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inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows and inflows of resources related to OPEB.

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

3. Cash and Cash Equivalents

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation 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 is pledged by the depository.

Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided certain requirements are met.

Repurchase agreements with respect to U. S. Treasury bills or obligations.

Local Government Investment Pools (LGIPs) which include, but are not limited to, the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT).

Under Pennsylvania Act 10 of 2016, effective May 24, 2016, all Pennsylvania local governments, including school districts, have additional investment options including commercial paper, bankers' acceptances, and negotiable certificates of deposit. These additional investments are subject to maturity terms and credit rating requirements, as defined in the Act. However, due to the collateralization requirements of the Code and because negotiable certificates of deposit do not exist in the current investment market in a collateralized form to satisfy the requirements, they are not an investment lawfully available to school districts at this time.

The deposit and investment policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents include demand deposits at local financial institutions, in addition to cash on hand of \$200. The market values of deposits are equal to the cost of the deposits.

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Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk, however the District’s deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of June 30, 2023, \$7,776,654 of the District’s bank balance of \$8,026,654 was exposed to custodial risk as:

| | |
|---|--------------|
| Collateralized with securities held by the pledging financial institution | \$ 0 |
| Collateralized with securities held by the pledging financial institution | 0 |
| Uninsured and collateral held by the pledging bank's trust department not in the District's name | 7,776,654 |
| Total | \$ 7,776,654 |

Reconciliation to Financial Statements

| | |
|-------------------------------------|--------------|
| Uninsured amount above | \$ 7,776,654 |
| Plus: Insured amount | 250,000 |
| Deposits in transit | 3,422 |
| Less: Outstanding checks | (30,895) |
| Carrying amount - bank balances | 7,999,181 |
| Plus: Petty cash | 200 |
| Total cash per financial statements | \$ 7,999,381 |

4. Real Estate Taxes

Real estate taxes for the School District are collected from the Borough of Benson and the Townships of Conemaugh and West Paint. The tax on real estate for public school purposes for fiscal 2023 was 27.96 mills (\$27.96 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property (\$103,777,641) are determined by Somerset County, and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

| | |
|--------------------------|-----------------------|
| July 1 | - Levy Date |
| July 1 - September 30 | - 2% Discount Period |
| October 1 - November 30 | - Face Payment Period |
| December 1 - December 31 | - 10% Penalty Period |
| January 15 | - Lien Date |

5. Taxes Receivable

The elected tax collectors are required to return any uncollected taxes to the county’s tax claim bureau by January 15. It has been determined the amount of outstanding taxes as of June 30, 2023 is \$1,361,961. The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. An allowance for uncollectible taxes was not established by the administration. A portion of the amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance recorded as a deferred inflow of resources in the fund financial statements.

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Notes to Financial Statements
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Uncollected taxes for the year ended June 30, 2023:

| | |
|--|----------------------------|
| Realty Transfer Tax | \$ 4,243 |
| Delinquent Real Estate | 148,239 |
| Earned Income Taxes | 9,701 |
| Occupation Taxes | <u>739</u> |
| Uncollected Taxes Recognized as Revenue (received within 60 days) | 162,922 |
| Real Estate Taxes - Deferred Inflow of Resources | <u>1,199,039</u> |
| Total Taxes Receivable | <u><u>\$ 1,361,961</u></u> |

6. Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenues of \$20,855 in the General Fund represent unexpended grant funds (\$5,282) and other funds received and held for future purchase of sports equipment (\$15,573). Unearned revenues of \$44,539 in the Proprietary Fund represent credits on student cafeteria accounts (\$5,374), and donated commodities inventory on hand (\$39,165) at June 30, 2023.

7. Due From Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by another governmental unit on behalf of the School District. At June 30, 2023, the following amounts are due from other governmental units:

| <u>Due From</u> | <u>General Fund</u> | <u>Proprietary Fund</u> |
|-----------------|--------------------------|-------------------------|
| Federal | \$ 22,523 | \$ 0 |
| State | 619,871 | 0 |
| Local | <u>0</u> | <u>0</u> |
| | <u><u>\$ 642,394</u></u> | <u><u>\$ 0</u></u> |

Conemaugh Township Area School District
Notes to Financial Statements
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8. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

| | Beginning Balance | Additions | Transfers/ Deductions | Ending Balance |
|--|----------------------|-------------------|--------------------------|----------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 46,560 | \$ 0 | \$ 0 | \$ 46,560 |
| Construction in progress | 106,114 | 1,225,853 | (66,604) | 1,265,363 |
| Total capital assets, not being depreciated | <u>152,674</u> | <u>1,225,853</u> | <u>(66,604)</u> | <u>1,311,923</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 27,256,373 | 333,992 | 66,604 | 27,656,969 |
| Furniture and equipment | 4,772,777 | 104,922 | 0 | 4,877,699 |
| Site improvements | 4,282,791 | 0 | 0 | 4,282,791 |
| Total capital assets, being depreciated | <u>36,311,941</u> | <u>438,914</u> | <u>66,604</u> | <u>36,817,459</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 13,772,887 | 722,162 | 0 | 14,495,049 |
| Furniture and equipment | 3,887,573 | 153,954 | 0 | 4,041,527 |
| Site improvements | 2,927,576 | 157,269 | 0 | 3,084,845 |
| Total accumulated depreciation | <u>20,588,036</u> | <u>1,033,385</u> | <u>0</u> | <u>21,621,421</u> |
| Total capital assets, being depreciated, net | <u>15,723,905</u> | <u>(594,471)</u> | <u>66,604</u> | <u>15,196,038</u> |
| Governmental activities capital assets, net | <u>\$ 15,876,579</u> | <u>\$ 631,382</u> | <u>\$ 0</u> | <u>\$ 16,507,961</u> |
| Right-of-use assets | \$ 0 | \$ 52,332 | \$ 0 | \$ 52,332 |
| Less: accumulated amortization | 0 | 6,724 | 0 | 6,724 |
| Governmental activities | | | | |
| Right-of-use assets, net | <u>\$ 0</u> | <u>\$ 45,608</u> | <u>\$ 0</u> | <u>\$ 45,608</u> |
| Business-Type Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 24,694 | \$ 40,500 | \$ 0 | \$ 65,194 |
| Total capital assets, not being depreciated | <u>24,694</u> | <u>40,500</u> | <u>0</u> | <u>65,194</u> |
| Capital assets, being depreciated: | | | | |
| Equipment | 906,583 | 16,845 | (5,608) | \$ 917,820 |
| Total capital assets, being depreciated | <u>906,583</u> | <u>16,845</u> | <u>(5,608)</u> | <u>917,820</u> |
| Less accumulated depreciation: | | | | |
| Equipment | 437,015 | 52,525 | (5,608) | 483,932 |
| Total accumulated depreciation | <u>437,015</u> | <u>52,525</u> | <u>(5,608)</u> | <u>483,932</u> |
| Total capital assets, being depreciated, net | <u>469,568</u> | <u>(35,680)</u> | <u>0</u> | <u>433,888</u> |
| Business-type activities capital assets, net | <u>\$ 494,262</u> | <u>\$ 4,820</u> | <u>\$ 0</u> | <u>\$ 499,082</u> |

**Conemaugh Township Area School District
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

| | |
|--|---------------------|
| Instruction | \$ 616,930 |
| Instruction support | 72,337 |
| Administration and finance | 151,908 |
| Operation and maintenance of plant | 98,172 |
| Pupil transportation | 60,970 |
| Student activities | <u>33,068</u> |
| Total depreciation expense - governmental activities | <u>\$ 1,033,385</u> |

Amortization expense of \$6,724 for right-of-use assets was charged to instruction.

9. Defined Benefit Pension Plan

Plan Description

The District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employee’s Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees’ Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member’s accumulated contribution upon termination of a member’s employment in the public school sector. The members eligible to participate in the plan include all full-time employees, part-time hourly employees who render at least 500 hours of service in the school year, and part-time per diem employees who render at least 80 days of service in the school year. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained at www.pasers.pa.gov.

Funding Policy

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 became 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 three 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.

Conemaugh Township Area School District
Notes to Financial Statements
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Benefits are generally equal to 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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 who 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 by the Code) multiplied by the number of years of credited service. A member's right to a defined benefit is vested in 10 years.

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.

Contributions

Member Contributions:

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

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

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for new members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

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Members who joined PSERS after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% base rate) of the member’s qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%.

Employer Contributions:

The contribution required of participating employers is based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. Before July 1, 1995, the school district and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, the school districts are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth in an amount equal to the Commonwealth’s share as determined by the market value/personal income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate.

The District’s contractually required contribution rate, 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. For the fiscal year ended June 30, 2023, the rate of the employer’s contribution was 35.26 percent of covered payroll. The 35.26 percent rate is composed of a pension contribution rate of 34.31 percent for pension defined benefits, 0.75 percent for healthcare insurance premium assistance, and 0.20 percent for the Act 5 defined contribution plan. Conemaugh Township Area School District’s contributions to PSERS for the year ending June 30, 2023 were \$2,194,424. These contributions include \$12,447 to the defined contribution plan for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$18,939,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS’ total pension liability as of June 30, 2021 to June 30, 2022. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District’s proportion was 0.0426%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$1,205,270. At June 30, 2023, the 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 | \$ 9,000 | \$ 164,000 |
| Changes in assumptions | 566,000 | 0 |
| Net difference between projected and actual investment earnings | 0 | 321,000 |
| Changes in proportions | 108,000 | 35,000 |
| Difference between employer contributions and proportionate share of total contributions | 0 | 0 |
| Contributions subsequent to the measurement date | 2,135,300 | 0 |
| | \$ 2,818,300 | \$ 520,000 |

Conemaugh Township Area School District
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\$2,135,300, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts, reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in the pension expense as follows:

| Year Ended June 30: | |
|------------------------|-------------------|
| 2024 | \$ 127,000 |
| 2025 | 92,000 |
| 2026 | (505,000) |
| 2027 | 449,000 |
| 2028 | 0 |
| Thereafter | 0 |
| | <u>\$ 163,000</u> |

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- The Investment Rate of Return was 7.00%.
- The inflation assumption was 2.75%.
- Salary growth at an 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 based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2022 and 2021.

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

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

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

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023**

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|------------------------------|---|
| Global public equity | 28.0% | 5.3% |
| Private equity | 12.0% | 8.0% |
| Fixed income | 33.0% | 2.3% |
| Commodities | 9.0% | 2.3% |
| Absolute return | 6.0% | 3.5% |
| Infrastructure/MLPs | 9.0% | 5.4% |
| Real Estate | 11.0% | 4.6% |
| Cash | 3.0% | 0.5% |
| Leverage | <u>-11.0%</u> | 0.5% |
| | <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, 2022.

Discount Rate

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

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

The following 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 one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | <u>1% Decrease 6.00%</u> | <u>Current Discount Rate 7.00%</u> | <u>1% Increase 8.00%</u> |
|--|------------------------------|--|------------------------------|
| District's proportionate share of the net pension liability | \$ 24,497,000 | \$ 18,939,000 | \$ 14,254,000 |

Pension Plan Fiduciary Net Position

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

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

11. Post-employment Benefit Plans – PSERS Health Insurance Premium Assistance Program

Plan Description

PSERS provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB), for all eligible retirees who qualify and elect to participate. 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 increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the PSERS system can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree; or
- Have 15 or more years of service and retired after reaching superannuation age.

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

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Employer Contributions

The school district's contractually required rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$46,677 for the year ended June 30, 2023.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

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

At June 30, 2023 the District reported a liability of \$782,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0425%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$17,786. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 7,000 | \$ 4,000 |
| Changes in assumptions | 87,000 | 185,000 |
| Net difference between projected and actual investment earnings | 2,000 | 0 |
| Changes in proportions | 9,000 | 23,000 |
| Difference between employer contributions and proportionate share of total contributions | 0 | 0 |
| Contributions subsequent to the measurement date | 46,677 | 0 |
| | \$ 151,677 | \$ 212,000 |

\$46,677 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | | |
|------------------------|----|-----------|
| 2024 | \$ | (24,000) |
| 2025 | | (21,000) |
| 2026 | | (20,000) |
| 2027 | | (19,000) |
| 2028 | | (23,000) |
| Thereafter | | 0 |
| | \$ | (107,000) |

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023**

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - S&P 20-Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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.

| <u>OPEB - Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|--------------------------------|---|
| Cash | <u>100.0%</u> <u>100.0%</u> | 0.50% |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023**

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the 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 plan’s 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 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current rate:

| | 1% Decrease 3.09% | Current Discount Rate 4.09% | 1% Increase 5.09% |
|---|----------------------|--------------------------------------|----------------------|
| District's proportionate share of the net OPEB liability | \$ 885,000 | \$ 782,000 | \$ 697,000 |

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

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. As of June 30, 2022, 93,293 retirees from the PSERS system were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 PSERS members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

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

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| District's proportionate share of the net OPEB liability | \$ 782,000 | \$ 782,000 | \$ 782,000 |

OPEB Plan Fiduciary Net Position

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

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

12. Post-employment Benefit Plan – District Specific Plan

Plan Description

The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the “Plan”) that is used to provide continuation of medical and pharmacy benefits to employees who retire from the District, in addition to a retirement cash bonus (\$1,500 plus \$50 for each year of service). Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

Eligibility

- A. Teachers and Administrators:
 - a) Healthcare
 - i) District incentive – 30 years of PSERS service, including at least 15 years with the District, and PSERS retirement eligibility
 - ii) Act 110/43 – if employee does not meet District incentive requirements
 - b) Cash bonus – 15 years of District service and PSERS retirement eligibility
- B. Support Staff:
 - a) Healthcare – Eligibility for Act 110/43
 - b) Cash Bonus – 15 years of District service and PSERS retirement eligibility

Duration of Healthcare Benefits

Teachers and Administrators eligible for District incentive:

Retirees receive coverage until age 65 or qualification for Medicare if earlier. Spousal coverage can also be purchased. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse’s attainment of age 65 or qualification for Medicare if earlier.

Teachers and Administrators eligible for Act 110/43:

Retirees can purchase coverage until the earlier of age 65 or qualification for Medicare. Spousal coverage can also be purchased. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse’s attainment of age 65 or qualification for Medicare if earlier.

Support Staff:

Retirees can purchase coverage until the earlier of age 65 or qualification for Medicare. Spousal coverage can also be purchased. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse’s attainment of age 65 or qualification for Medicare if earlier.

Participant Contributions

- A. Teachers and Administrators:
 - a) Eligible for District Incentive
 - i) Retiree contributes the amount of increases in premium rate post-retirement, subject to the District portion being capped at a maximum
 - ii) Spouse – premium rate
 - b) Eligible under Act 110/43 – premium rate

Conemaugh Township Area School District
Notes to Financial Statements
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B. Support Staff – premium rate

The number of participants as of July 1, 2021, the effective date of the most recent OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

| | District |
|------------------------------|-------------------|
| Active employees | 106 |
| Retired employees | 11 |
| Spouses of retired employees | <u>1</u> |
| Total | <u><u>118</u></u> |

Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund.

Net OPEB Liability

The District’s net OPEB liability of \$1,687,000 was measured as of June 30, 2022 and was rolled forward using actuarial assumptions to the valuation date of June 30, 2023.

Actuarial Assumptions and Other Inputs

- Discount Rate – 3.65% as of June 30, 2023.
- Healthcare Cost Trend Rates - 5.40% for 2024, decreasing to an ultimate rate of 3.70% by 2075.
- The discount rate was based on the Bond Buyer 20-year Bond GO Index.
- Mortality rates are assumed using the PubG-H2010 Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2021 from 2010 base year and projected forward on a generational basis with Scale MP-2021.

Changes in the District’s net OPEB liability for the plan for the fiscal year ended June 30, 2023 was as follows:

| | |
|--------------------------|----------------------------|
| Balance at July 1, 2022 | \$ <u>1,652,000</u> |
| Service cost | 72,000 |
| Interest | 57,000 |
| Plan changes | 0 |
| Liability gains/losses | 0 |
| Changes in assumptions | (12,000) |
| Benefit payments | <u>(82,000)</u> |
| Net changes | <u>35,000</u> |
| Balance at June 30, 2023 | <u><u>\$ 1,687,000</u></u> |

Conemaugh Township Area School District
Notes to Financial Statements
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Sensitivity of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.65%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current discount rate.

| | 1% Decrease 2.65% | Current Rate 3.65% | 1% Increase 4.65% |
|-------------------------------|----------------------|--------------------------|----------------------|
| District's net OPEB liability | \$ 1,831,000 | \$ 1,687,000 | \$ 1,550,000 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current trend rate.

| | 1% Decrease | Current Rate | 1% Increase |
|-------------------------------|--------------|-----------------|--------------|
| District's net OPEB liability | \$ 1,556,000 | \$ 1,687,000 | \$ 1,841,000 |

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$140,000. At June 30, 2023, the District reported deferred outflows and inflows related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 178,000 | \$ 0 |
| Changes in assumptions | 45,000 | 273,000 |
| | \$ 223,000 | \$ 273,000 |

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | | |
|------------------------|----|----------|
| 2024 | \$ | 13,000 |
| 2025 | | 4,000 |
| 2026 | | (11,000) |
| 2027 | | (13,000) |
| 2028 | | (9,000) |
| Thereafter | | (34,000) |
| | \$ | (50,000) |

Economic/demographic (gains)/losses and assumption changes are recognized over the average remaining service life for all active and inactive members.

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023**

13. Long-Term Obligations

During the fiscal year ended June 30, 2023, general long-term obligations changed as follows:

| | Bonds Payable | Lease Obligations | Compensated Absences | Total General Long-term Obligations |
|------------------------------------|---------------------|----------------------|-------------------------|---|
| Beginning of year | \$ 9,450,000 | \$ 0 | \$ 289,293 | \$ 9,739,293 |
| Additions | 0 | 52,332 | 0 | 52,332 |
| Principal retirement | (440,000) | (6,724) | 0 | (446,724) |
| Changes in compensated absences | 0 | 0 | 10,325 | 10,325 |
| End of year | 9,010,000 | 45,608 | 299,618 | 9,355,226 |
| Less: current portion | (490,000) | (14,059) | (30,415) | (534,474) |
| Less: Original issue discount, net | (17,202) | 0 | 0 | (17,202) |
| Long-term liabilities | <u>\$ 8,502,798</u> | <u>\$ 31,549</u> | <u>\$ 269,203</u> | <u>\$ 8,803,550</u> |

The future annual payments required to amortize all outstanding debt and obligations, except for the compensated absences, as of June 30, 2023, including total interest payments are as follows:

| Year Ended June 30, | General Obligation Bonds | | | Lease Obligations | | |
|------------------------|--------------------------|---------------------|----------------------|-------------------|------------------|------------------|
| | Interest | Principal | Total | Interest | Principal | Total |
| 2024 | \$ 246,962 | \$ 490,000 | \$ 736,962 | \$ 1,519 | \$ 14,059 | \$ 15,578 |
| 2025 | 230,765 | 515,000 | 745,765 | 1,426 | 12,758 | 14,184 |
| 2026 | 217,765 | 525,000 | 742,765 | 1,333 | 11,456 | 12,789 |
| 2027 | 205,184 | 535,000 | 740,184 | 854 | 7,335 | 8,189 |
| 2028 | 192,693 | 545,000 | 737,693 | 0 | 0 | 0 |
| 2029-2033 | 731,278 | 2,965,000 | 3,696,278 | 0 | 0 | 0 |
| 2034-2038 | 276,855 | 3,210,000 | 3,486,855 | 0 | 0 | 0 |
| 2039 | 3,487 | 225,000 | 228,487 | 0 | 0 | 0 |
| | <u>\$ 2,104,989</u> | <u>\$ 9,010,000</u> | <u>\$ 11,114,989</u> | <u>\$ 5,132</u> | <u>\$ 45,608</u> | <u>\$ 50,740</u> |

General Obligation Bonds, Series of 2019

The District issued General Obligation Bonds, Series of 2019, dated June 4, 2019, in the principal amount of \$10,000,000. The proceeds of the bonds were used to refund the District's General Obligation Bonds, Series of 2012 (\$6,425,000) and a portion of the District's General Obligation Bonds, Series of 2014 (\$2,620,000); fund various capital projects within the District; and to pay all costs incidental to the issuance of these bonds. The present value of the net economic gain the School District realized as a result of the refunding of the Series of 2012 bonds and the portion of the Series of 2014 bonds is \$259,485. The bonds bear interest rates ranging from 1.80% to 3.10% with annual principal maturities from December 2019 through December 2038. The balance outstanding at June 30, 2023 was \$9,005,000.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

General Obligation Bonds, Series of 2014

The District issued General Obligation Bonds, Series of 2014, dated June 17, 2014, in the principal amount of \$4,095,000. The proceeds of the bonds were used to fund various capital improvements to the facilities of the School District, refund the District's 2006 lease agreement with the Banc of America, and to pay all costs and expenses incurred by the District in connection with the issuance and sale of these bonds. The bonds bear interest rates ranging from 0.37% to 4.00% with annual principal maturities from March 2015 through September 2035. Due to the aforementioned refunding of a portion of the Series of 2014 bonds, the final maturity is September 2023. The balance outstanding at June 30, 2023 was \$5,000.

Butler County General Authority School Lease Revenue Note: Greater Johnstown Career and Technology Center (GJCTC)

On April 28, 2022, the Butler County General Authority (the Authority) issued a School Lease Revenue Note (GJCTC Project), Series of 2022 in the amount of \$16,500,000. The proceeds of the Note were used to finance upgrades to the GJCTC facility via a guaranteed energy savings project. The Note is a special, limited recourse obligation of the Authority secured under a loan agreement, with debt service payable solely from payments by the GJCTC and the participating school districts under a sublease. On April 28, 2022, the property on which the GJCTC's facilities are located was leased by the GJCTC and the participating school districts to the Authority in exchange for the proceeds of the Note. On April 28, 2022, the property was then subleased by the Authority to the GJCTC and participating school districts sufficient to pay all debt service due on the Note. The rights of the Authority to receive sublease rental payments under the sublease have been assigned to the Bank. The sublease rentals, which were assigned to the Bank pursuant to the loan agreement, are payable by the GJCTC and the participating school districts from their general revenues, and constitute operating expenses, not debt, of the GJCTC and participating school districts.

The GJCTC's participating member districts, including Conemaugh Township Area School District, are required to pay their proportionate shares of incurred debt under the Articles of Agreement for the Establishment and Operation of the GJCTC, dated January 1966, as later amended. Pursuant to this agreement, the member districts have agreed to a formula for the allocations of each district's share of the debt service payments.

The GJCTC's financing translates into an ongoing obligation of the participating districts for credit purposes; however, for the purposes of the Local Governmental Unit Debt Act, this borrowing is not considered general obligation debt of the school districts. Therefore, the future obligations of debt service are not recorded as a liability on Conemaugh Township Area School District's financial statements. The District's share of the outstanding balance of the GJCTC debt at June 30, 2023 is \$1,908,788.

Lease Obligations

The District entered into multiple lease agreements with various terms from January 2021 through April 2027 as a lessee for the use of copiers. The noncancelable lease term for each agreement is 48 months. The initial lease obligation and right-of-use assets were recorded at the present value of the payments expected to be made during the lease term, using a discount rate of 5.75%, representing the District's estimated incremental borrowing rate.

The value of the right-of-use assets as of June 30, 2023 was \$52,332, less accumulated amortization of \$6,724 and is disclosed with capital assets at Note 8.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

Accumulated Compensated Absences

In accordance with accounting principles generally accepted in the United States of America, the District accrues liabilities for compensated absences. Compensated absences reflect the potential cost of sick leave earned by employees as of June 30, 2023. The School District allows all employees to accumulate their unused sick leave. Upon retirement, eligible employees shall receive separation benefits based upon the total days of unused sick leave accumulated while in the employ of Conemaugh Township Area School District at the rate of \$40 per day for the first 100 days, \$50 per day for days 101-200 and \$60 per day for accumulated unused days in excess of 200. The School District has computed a total liability of \$299,618 at June 30, 2023 with \$261,900 reflected in the general fund and \$37,718 reflected in the proprietary fund. Due to the nature of the obligation for accrued separation benefits, annual requirements to amortize such obligations are not determinable and have not been presented.

General obligation bonds and lease obligations issued for governmental activity purposes are liquidated by the general fund. Compensated absence liabilities for governmental activities will be paid by the general fund, whereas those for business-type activities will be paid by the food service proprietary fund.

14. Interfund Transactions

The following is a summary of interfund receivables and payables at June 30, 2023:

| | <u>Receivables</u> | <u>Payables</u> |
|--------------------------------|--------------------|-----------------|
| General Fund (Major Fund) | \$ 0 | \$58,783 |
| Food Service Fund (Major Fund) | <u>58,783</u> | <u>0</u> |
| | <u>\$58,783</u> | <u>\$58,783</u> |

The interfund balances between General Fund and Food Service Fund represent food service subsidy revenue received by the General Fund and not transferred to Food Service as of June 30, 2023.

Interfund transfers during the year end June 30, 2023 consisted of the following:

| | <u>Transfer in</u> | <u>Transfer out</u> |
|------------------------------------|--------------------|---------------------|
| General Fund (Major Fund) | \$ 0 | \$1,000,000 |
| Capital Projects Fund (Major Fund) | <u>1,000,000</u> | <u>0</u> |
| | <u>\$1,000,000</u> | <u>\$1,000,000</u> |

In fiscal year 2023, the District transferred funds to the Capital Projects Fund to assist with capital expenditures.

15. Contingent Liabilities

Grant Programs

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the term of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

16. Self Insurance - Medical Insurance

The School District is participating in the insurance consortium with the Greater Johnstown Area Consortium to provide for the medical care for eligible employees and their dependents. The consortium, which administers the plan, monitors the school's deposits into the school district trust account to be held for the benefits described above and Highmark Services, the plan administrator, processes and pays the claims. The consortium limits its liability by purchasing stop-loss insurance coverage. Conemaugh Township Area School District's liability at June 30, 2023 for unpaid claims incurred prior to the fiscal year end is not readily determinable. No liability has been recorded for these claims at June 30, 2023 as the District recognizes medical claim expense as claims are paid.

17. Risk Management

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2023 and the two previous fiscal years, no settlements exceeded insurance coverage.

18. Related Party Transactions

Intermediate Unit Participation

The District is a member of Appalachia Intermediate Unit 8. The District avails itself of various services provided by this membership including special education, curriculum development, and certain internal service functions. The total of services provided to Conemaugh Township Area School District for the year ended June 30, 2023 for IU8 programs amounted to \$59,997. At June 30, 2023, the District had a balance due to Appalachia IU8 of \$6,126 for services.

Joint Venture

The School District is a participating member of the Greater Johnstown Career and Technology Center (GJCTC). The GJCTC is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the GJCTC's annual operating budget. Each participating district pays a pro-rata share of the GJCTC's operating costs based on the number of students attending the GJCTC for each district. Conemaugh Township Area School District's share of the GJCTC's operating costs for 2022-23 was \$655,257.

Upon dissolution of the GJCTC, the net position will be shared on a pro-rata basis of each participating district's current market value of taxable real property, as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in the GJCTC, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, except a residual interest in the net position upon dissolution that should not be reflected in the financial statements. Complete financial statements for the GJCTC can be obtained from the GJCTC administrative office at 445 Schoolhouse Road, Johnstown, PA.

The District's tuition expense for its students attending the GJCTC for fiscal 2023 was \$655,257. The District had no balance due to or from GJCTC at June 30, 2023. (See Note 13 for additional information on Butler County General Authority Debt for the GJCTC).

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2023

19. Economic Dependency

Conemaugh Township Area School District receives approximately 63% of its revenue from the State of Pennsylvania in the form of state subsidies. Changes in funding levels by the State could have a material effect on future operations of the District.

20. Nonmonetary Transactions

The District receives one of its federal program subsidies by means of noncash transfer. The U.S. Department of Agriculture, through the Pennsylvania Department of Agriculture, provides food commodities under the National School Lunch Program. These nonmonetary commodity items are valued at market values and recorded as revenue as utilized. The total food commodities donated by the federal government for the fiscal year 2023 totaled \$66,590.

21. Change in Accounting Principle

For the year ended June 30, 2023, the District adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The standard defines a SBITA as a contract that conveys control of the right to use another party's (vendor) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange transaction. It establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability and requires note disclosures regarding SBITAs. The implementation of GASB Statement No. 96 had no impact on the financial statements of the District for the year ended June 30, 2023.

**Conemaugh Township Area School District
Required Supplementary Information – Pension Schedules
June 30, 2023**

Schedule of Proportionate Share of the Net Pension Liability

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of net pension liability | 0.0426% | 0.0427% | 0.0424% | 0.0421% | 0.0436% | 0.0449% | 0.0440% | 0.0449% | 0.0445% | 0.0428% |
| District's proportionate share of net pension liability | \$ 18,939,000 | \$ 17,531,000 | \$ 20,877,000 | \$ 19,695,000 | \$ 20,930,000 | \$ 22,175,000 | \$ 21,805,000 | \$ 19,448,000 | \$ 17,614,000 | \$ 17,520,000 |
| District's covered-employee payroll* | \$ 6,255,441 | \$ 6,045,474 | \$ 5,950,273 | \$ 5,800,291 | \$ 5,874,285 | \$ 5,976,834 | \$ 5,698,286 | \$ 5,781,388 | \$ 5,678,784 | \$ 5,498,078 |
| District's proportionate share of net pension liability as a percentage of its covered-employee payroll | 302.76% | 289.99% | 350.86% | 339.55% | 356.30% | 371.02% | 382.66% | 336.39% | 310.17% | 318.66% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.34% | 63.67% | 54.32% | 55.66% | 54.00% | 51.84% | 50.14% | 54.36% | 57.24% | 54.49% |

*The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2022 and prior).

Schedule of District Contributions

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| Contractually required contributions | \$ 2,135,300 | \$ 2,115,270 | \$ 2,020,528 | \$ 1,975,916 | \$ 1,881,569 | \$ 1,848,113 | \$ 1,714,136 | \$ 1,390,531 | \$ 1,149,570 | \$ 869,154 |
| Contributions in relation to the contractually required contributions | <u>(2,135,300)</u> | <u>(2,115,270)</u> | <u>(2,020,528)</u> | <u>(1,975,916)</u> | <u>(1,881,569)</u> | <u>(1,848,113)</u> | <u>(1,714,136)</u> | <u>(1,390,531)</u> | <u>(1,149,570)</u> | <u>(869,154)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Covered-employee payroll | \$ 6,223,551 | \$ 6,255,441 | \$ 6,045,474 | \$ 5,950,273 | \$ 5,800,291 | \$ 5,874,285 | \$ 5,976,834 | \$ 5,698,286 | \$ 5,781,388 | \$ 5,678,784 |
| Contributions as a percentage of covered-employee payroll | 34.31% | 33.81% | 33.42% | 33.21% | 32.44% | 31.46% | 28.68% | 24.40% | 19.88% | 15.31% |

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Required Supplementary Information-OPEB Schedules
PSERS Health Insurance Premium Assistance Program
June 30, 2023**

Schedule of Proportionate Share of the Net OPEB Liability

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of net OPEB liability | 0.0425% | 0.0426% | 0.0424% | 0.0421% | 0.0436% | 0.0449% | 0.0440% |
| District's proportionate share of net OPEB liability | \$ 782,000 | \$ 1,011,000 | \$ 916,000 | \$ 895,000 | \$ 909,000 | \$ 915,000 | \$ 948,000 |
| District's covered-employee payroll* | \$ 6,255,441 | \$ 6,045,474 | \$ 5,950,273 | \$ 5,800,291 | \$ 5,874,285 | \$ 5,976,834 | \$ 5,698,286 |
| District's proportionate share of net OPEB liability as percentage of its covered-employee payroll | 12.50% | 16.72% | 15.39% | 15.43% | 15.47% | 15.31% | 16.64% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 6.86% | 5.30% | 5.69% | 5.56% | 5.56% | 5.73% | 5.47% |

*The District's covered employee payroll noted above is as of the measurement date of the net OPEB liability (June 30, 2022 and prior).

Schedule of District Contributions

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contributions | \$ 46,677 | \$ 49,786 | \$ 49,443 | \$ 49,753 | \$ 47,905 | \$ 48,328 | \$ 48,724 |
| Contributions in relation to the contractually required contributions | <u>(46,677)</u> | <u>(49,786)</u> | <u>(49,443)</u> | <u>(49,753)</u> | <u>(47,905)</u> | <u>(48,328)</u> | <u>(48,724)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Covered-employee payroll | \$ 6,223,551 | \$ 6,255,441 | \$ 6,045,474 | \$ 5,950,273 | \$ 5,800,291 | \$ 5,874,285 | \$ 5,976,834 |
| Contributions as a percentage of covered-employee payroll | 0.75% | 0.80% | 0.82% | 0.84% | 0.83% | 0.82% | 0.82% |

Note: These schedules are intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Required Supplementary Information-OPEB Schedules
District Specific Plan
June 30, 2023**

Schedule of Changes in District's OPEB liability:

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service cost | \$ 72,000 | \$ 91,000 | \$ 88,000 | \$ 86,000 | \$ 83,000 | \$ 92,000 |
| Interest | 57,000 | 35,000 | 36,000 | 63,000 | 67,000 | 61,000 |
| Plan changes | 0 | 55,000 | 0 | (136,000) | 0 | 0 |
| Liability gains/losses | 0 | 199,000 | 0 | 39,000 | 0 | 0 |
| Changes of assumptions | (12,000) | (297,000) | 9,000 | (49,000) | 87,000 | 72,000 |
| Benefit payments | (82,000) | (133,000) | (146,000) | (156,000) | (182,000) | (232,000) |
| Net change in total OPEB liability | 35,000 | (50,000) | (13,000) | (153,000) | 55,000 | (7,000) |
| Total OPEB liability - beginning | <u>1,652,000</u> | <u>1,702,000</u> | <u>1,715,000</u> | <u>1,868,000</u> | <u>1,813,000</u> | <u>1,820,000</u> |
| Total OPEB liability - ending | <u>\$ 1,687,000</u> | <u>\$ 1,652,000</u> | <u>\$ 1,702,000</u> | <u>\$ 1,715,000</u> | <u>\$ 1,868,000</u> | <u>\$ 1,813,000</u> |
| Covered payroll | \$ 5,215,837 | \$ 5,111,413 | \$ 5,063,109 | \$ 4,928,252 | \$ 4,641,140 | \$ 4,822,021 |
| District's net OPEB liability as a percentage of its covered-employee payroll | 32.34% | 32.32% | 33.62% | 34.80% | 40.25% | 37.60% |

Note: This schedule is intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to the basic financial statements

**Conemaugh Township Area School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2023**

| | Budgeted Amounts Original | Final | Actual (Budgetary Basis) | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------------------|-------------------|--------------------------------|--|
| Revenues | | | | |
| Local sources | \$ 4,243,020 | \$ 4,243,020 | \$ 4,496,251 | \$ 253,231 |
| State sources | 10,706,013 | 10,706,013 | 10,644,806 | (61,207) |
| Federal sources | <u>1,006,500</u> | <u>1,006,500</u> | <u>1,623,744</u> | <u>617,244</u> |
| Total revenues | <u>15,955,533</u> | <u>15,955,533</u> | <u>16,764,801</u> | <u>809,268</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Regular programs | 6,435,660 | 6,435,660 | 6,533,842 | (98,182) |
| Special programs | 2,002,959 | 2,002,959 | 1,665,692 | 337,267 |
| Vocational education programs | 498,750 | 498,750 | 656,098 | (157,348) |
| Other instructional programs | 86,440 | 86,440 | 68,120 | 18,320 |
| Nonpublic school programs | 0 | 0 | 7,687 | (7,687) |
| Support services: | | | | |
| Pupil personnel | 668,366 | 668,366 | 631,601 | 36,765 |
| Instructional staff | 440,720 | 440,720 | 402,966 | 37,754 |
| Administration | 1,227,857 | 1,227,857 | 1,206,968 | 20,889 |
| Pupil health | 353,822 | 353,822 | 336,474 | 17,348 |
| Business | 488,110 | 488,110 | 471,520 | 16,590 |
| Operation and maintenance of plant | 1,290,716 | 1,290,716 | 1,306,774 | (16,058) |
| Student transportation | 986,107 | 986,107 | 812,750 | 173,357 |
| Central | 116,750 | 116,750 | 152,185 | (35,435) |
| Other support services | 3,500 | 3,500 | 2,765 | 735 |
| Operation of noninstructional services: | | | | |
| Student activities | 635,612 | 635,612 | 588,371 | 47,241 |
| Community services | 0 | 0 | 1,400 | (1,400) |
| Capital outlay | 582,000 | 582,000 | 1,238,392 | (656,392) |
| Debt service | 869,535 | 869,535 | 702,646 | 166,889 |
| Leases | <u>0</u> | <u>0</u> | <u>7,390</u> | <u>(7,390)</u> |
| Total expenditures | <u>16,686,904</u> | <u>16,686,904</u> | <u>16,793,641</u> | <u>(106,737)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(731,371)</u> | <u>(731,371)</u> | <u>(28,840)</u> | <u>702,531</u> |

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2023**

| | Budgeted Amounts | | Actual | Variance with Final |
|---------------------------------------|---------------------|---------------------|----------------------|-----------------------------------|
| | Original | Final | (Budgetary Basis) | Budget Favorable (Unfavorable) |
| Other financing sources (uses) | | | | |
| Proceeds from lease financing | 0 | 0 | 52,332 | 52,332 |
| Interfund transfers | <u>0</u> | <u>0</u> | <u>(1,000,000)</u> | <u>(1,000,000)</u> |
| Total other financing sources (uses) | <u>0</u> | <u>0</u> | <u>(947,668)</u> | <u>(947,668)</u> |
| Net change in fund balance | (731,371) | (731,371) | (976,508) | (245,137) |
| Fund balance, beginning of year | <u>6,196,463</u> | <u>6,196,463</u> | <u>5,918,503</u> | <u>(277,960)</u> |
| Fund balance, end of year | <u>\$ 5,465,092</u> | <u>\$ 5,465,092</u> | <u>\$ 4,941,995</u> | <u>\$ (523,097)</u> |

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2023

| Federal/Grant Project Title | Source Code | Federal C.F.D.A. Number | Pass Through Grantors Number | Grant Period Beginning/End Date | Program Or Award Amount | Total Received For the Year | Accrued (Unearned) Revenue at July 1, 2022 | Adjustment | Revenue Recognized | Expenditures | Passed Through to Subrecipients | Accrued (Unearned) Revenue June 30, 2023 |
|--|----------------|-------------------------------|---------------------------------------|------------------------------------|----------------------------------|--------------------------------------|---|------------|-----------------------|--------------|---------------------------------------|---|
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | | | | | |
| Passed through the Pennsylvania Department of Education: | | | | | | | | | | | | |
| ECIA Title I - Low Income | I | 84.010 | 013-230094 | 07/01/22-09/30/23 | \$ 144,782 | \$ 134,261 | \$ 0 | \$ 0 | \$ 144,782 | \$ 144,782 | \$ 0 | \$ 10,521 |
| ECIA Title I - Low Income | I | 84.010 | 013-220094 | 07/01/21-09/30/22 | 153,456 | 36,553 | 18,970 | 0 | 17,583 | 17,583 | 0 | 0 |
| ECIA Title II Improving Teacher Quality | I | 84.367 | 020-230094 | 07/01/22-09/30/23 | 21,249 | 20,704 | 0 | 0 | 21,249 | 21,249 | 0 | 545 |
| ECIA Title II Improving Teacher Quality | I | 84.367 | 020-220094 | 07/01/21-09/30/22 | 25,957 | 1,098 | 709 | 0 | 389 | 389 | 0 | 0 |
| ECIA Title IV Student Support and Academic Enrichment | I | 84.424 | 144-230094 | 07/01/22-09/30/23 | 12,035 | 11,464 | 0 | 0 | 12,035 | 12,035 | 0 | 571 |
| ECIA Title IV Student Support and Academic Enrichment | I | 84.424 | 144-220094 | 07/01/21-09/30/22 | 11,004 | 7,862 | 7,288 | 0 | 574 | 574 | 0 | 0 |
| Subtotal ECIA Programs passed through Pennsylvania Department of Education | | | | | 368,483 | 211,942 | 26,967 | 0 | 196,612 | 196,612 | 0 | 11,637 |
| Passed through the Pennsylvania Department of Education: | | | | | | | | | | | | |
| Elementary and Secondary School Emergency Relief Fund (ESSER II) | | | | | | | | | | | | |
| American Rescue Plan - ESSER III | I | 84.425U | 200-210094 | 03/13/20-09/30/23 | 540,354 | 464,984 | (36,601) | 0 | 501,585 | 501,585 | 0 | 0 |
| American Rescue Plan - ESSER 7% Learning Loss | I | 84.425U | 223-210094 | 03/13/20-09/30/24 | 1,092,981 | 894,257 | 28,395 | 0 | 860,580 | 860,580 | 0 | (5,282) |
| American Rescue Plan - ESSER 7% Summer Programs | I | 84.425U | 225-210094 | 03/13/20-09/30/24 | 60,678 | 29,787 | 3,365 | 0 | 26,422 | 26,422 | 0 | 0 |
| American Rescue Plan - ESSER 7% After School Programs | I | 84.425U | 225-210094 | 03/13/20-09/30/24 | 12,136 | 5,958 | (5,368) | 0 | 11,326 | 11,326 | 0 | 0 |
| Subtotal Education Stabilization Fund | | | | | 1,718,285 | 1,400,944 | (8,138) | 0 | 1,403,800 | 1,403,800 | 0 | (5,282) |
| Passed through Appalachia Intermediate Unit #08: | | | | | | | | | | | | |
| IDEA Part B - Section 611 | I | 84.027 | 062-230008 | 07/01/22-09/30/23 | 205,684 | 205,684 | 0 | 0 | 205,684 | 205,684 | 0 | 0 |
| IDEA Part B - Section 611 | I | 84.027 | 062-220008 | 07/01/21-09/30/22 | 205,546 | 64,292 | 64,292 | 0 | 0 | 0 | 0 | 0 |
| IDEA Part B - Section 619 | I | 84.173 | 131-220008B | 07/01/22-06/30/23 | 1,158 | 1,158 | 0 | 0 | 1,158 | 1,158 | 0 | 0 |
| IDEA Part B - Section 619 | I | 84.173 | 131-210008B | 07/01/21-06/30/22 | 2,760 | 1,276 | 1,276 | 0 | 0 | 0 | 0 | 0 |
| Subtotal Special Education Cluster | | | | | 415,148 | 272,410 | 65,568 | 0 | 206,842 | 206,842 | 0 | 0 |
| Total U.S. Department of Education | | | | | 2,501,916 | 1,885,296 | 84,397 | 0 | 1,807,254 | 1,807,254 | 0 | 6,355 |

See accompanying notes.

Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2023

| Federal/Grant Project Title | Source Code | Federal C.F.D.A. Number | Pass Through Grantors Number | Grant Period Beginning/End Date | Program Or Award Amount | Total Received For the Year | Accrued (Unearned) Revenue at July 1, 2022 | Adjustment | Revenue Recognized | Expenditures | Passed Through to Subrecipients | Accrued (Unearned) Revenue June 30, 2023 |
|---|----------------|-------------------------------|---------------------------------------|------------------------------------|----------------------------------|--------------------------------------|---|------------|-----------------------|---------------|---------------------------------------|---|
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY - FEDERAL EMERGENCY MANAGEMENT AGENCY</u> | | | | | | | | | | | | |
| Passed through the Pennsylvania Emergency Management Agency: | | | | | | | | | | | | |
| COVID-19 Emergency Protection Measures | I | 97.036 | 140840 | 01/20/20-09/30/21 | 26,190 | 6,548 | 6,548 | 0 | 0 | 0 | 0 | 0 |
| Total U.S Department of Homeland Security | | | | | 26,190 | 6,548 | 6,548 | 0 | 0 | 0 | 0 | 0 |
| <u>U.S FEDERAL COMMUNICATIONS COMMISSION</u> | | | | | | | | | | | | |
| Passed through the Universal Service Administrative Company: | | | | | | | | | | | | |
| COVID-19 Emergency Connectivity Fund | I | 32.009 | N/A | 07/01/21-06/30/23 | 205,358 | 7,992 | 14,220 | 870 | 4,108 | 4,108 | 0 | 9,466 |
| Total U.S Federal Communications Commission | | | | | 205,358 | 7,992 | 14,220 | 870 | 4,108 | 4,108 | 0 | 9,466 |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | | | | | | | | | |
| Passed through the Pennsylvania Department of Human Services: | | | | | | | | | | | | |
| Medical Assistance Program - Reimbursement | | | | | | | | | | | | |
| SBAP Administration Reimbursement | I | 93.778 | N/A | 07/01/22-06/30/23 | N/A | 1,715 | 0 | 0 | 3,135 | 3,135 | 0 | 1,420 |
| SBAP Administration Reimbursement | I | 93.778 | N/A | 07/01/21-06/30/22 | N/A | 2,196 | 2,196 | 0 | 0 | 0 | 0 | 0 |
| Total U.S. Department of Health and Human Services | | | | | | 3,911 | 2,196 | 0 | 3,135 | 3,135 | 0 | 1,420 |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | | | | | | | |
| Passed through the Pennsylvania Department of Agriculture: | | | | | | | | | | | | |
| National School Lunch - (USDA Commodities) | I | 10.555 | N/A | 07/01/22-06/30/23 | N/A | (a) 66,590 | (b) (42,837) | 0 | 70,262 | (c) 70,262 | 0 | (d) (39,165) |
| Passed through the Pennsylvania Department of Education: | | | | | | | | | | | | |
| National School Lunch Federal | I | 10.555 | N/A | 07/01/22-06/30/23 | N/A | 291,398 | 2,774 | 0 | 288,624 | 288,624 | 0 | 0 |
| Supply Chain Assistance | I | 10.555 | N/A | 12/29/22-06/30/24 | N/A | 32,164 | 0 | 0 | 32,164 | 32,164 | 0 | 0 |
| Supply Chain Assistance | I | 10.555 | N/A | 05/13/22-06/30/23 | N/A | 0 | (21,962) | 0 | 21,962 | 21,962 | 0 | 0 |
| School Breakfast Program | I | 10.553 | N/A | 07/01/22-06/30/23 | N/A | 94,299 | 1,886 | 0 | 92,413 | 92,413 | 0 | 0 |
| Subtotal Child Nutrition Cluster | | | | | | 484,451 | (60,139) | 0 | 505,425 | 505,425 | 0 | (39,165) |
| Pandemic-EBT Local Admin Funds | I | 10.649 | N/A | 10/01/21-09/30/22 | N/A | 628 | 0 | 0 | 628 | 628 | 0 | 0 |
| State Matching Funds | S | N/A | N/A | 07/01/22-06/30/23 | N/A | 69,061 | 158 | 0 | 68,903 | 68,903 | 0 | 0 |
| Total U.S. Department of Agriculture | | | | | | 554,140 | (59,981) | 0 | 574,956 | 574,956 | 0 | (39,165) |
| TOTAL FINANCIAL ASSISTANCE | | | | | | \$ 2,733,464 | \$ 2,451,339 | \$ 40,832 | \$ 870 | \$ 2,389,453 | \$ 2,389,453 | \$ (21,924) |

See accompanying notes.

Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2023

Notes to Schedule of Expenditures of Federal Awards and Certain State Grants

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards and certain state grants (the Schedule) includes the federal award activity of Conemaugh Township Area School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Conemaugh Township Area School District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Conemaugh Township Area School District.

Note B - Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Conemaugh Township Area School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

Note C - Donated Commodities

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District had food commodities totaling \$39,165 in inventory.

- (a) Total amount of commodities received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2022.
- (c) Total amount of commodities used.
- (d) Ending inventory at June 30, 2023.

Note D - Direct/Indirect Funding

The following source codes reflect program funding:

- D = Direct Funding
- I = Indirect Funding
- F = Federal Share
- S = State Share

**Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2023**

Notes to Schedule of Expenditures of Federal Awards and Certain State Grants

Note E – Reconciliation to Financial Statements

| | |
|---|-------------------------------|
| Total Federal Sources reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | \$1,623,744 |
| Less: School Based Access Medical Reimbursement Program | (16,089) |
| Add: IDEA-B Section 611 passed through, recorded as Local Sources | 205,684 |
| Add: IDEA – Section 619 passed through, recorded as Local Sources | <u>1,158</u> |
| Total Federal Expenditures – Governmental Funds | <u>1,814,497</u> |
| Total Federal Sources reported on Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds | <u>506,053</u> |
| Total Federal Expenditures – Proprietary Fund | <u>506,053</u> |
| Total Federal Expenditures | <u><u>\$2,320,550</u></u> |

Note F - Test of 20% Rule (Low-Risk)

| | |
|--|----------------------------|
| Total Expenditures | \$2,389,453 |
| Less: State’s Share of National School Lunch Program and School Breakfast Program | <u>(68,903)</u> |
| Total Federal Expenditures | <u>\$2,320,550</u> |
| Education Stabilization Fund | <u>\$1,403,800</u> |
| Tested | <u>\$1,403,800</u> |
| Total Federal Expenditures | <u>\$2,320,550</u> = 60.5% |



**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***

Independent Auditors' Report

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

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 Conemaugh Township Area School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Conemaugh Township Area School District's basic financial statements, and have issued our report thereon dated January 4, 2024.

Report on Internal Control Over Financial Reporting

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

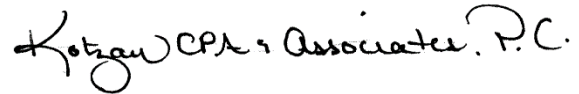
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Conemaugh Township Area 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.



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
January 4, 2024

**Report on Compliance for Each Major Federal Program and on
Internal Control Over Compliance Required by The Uniform Guidance**

Independent Auditors' Report

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Conemaugh Township Area 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 Conemaugh Township Area School District's major federal programs for the year ended June 30, 2023. Conemaugh Township Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Conemaugh Township Area 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 Conemaugh Township Area 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 Conemaugh Township Area School District's federal programs.

Auditors' 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 Conemaugh Township Area 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 Conemaugh Township Area 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 Conemaugh Township Area 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 Conemaugh Township Area 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 Conemaugh Township Area 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.

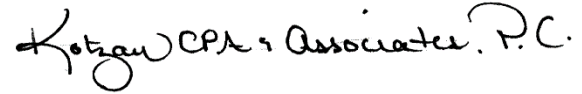
Report on Internal Control over Compliance

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 *Auditors' 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.

A handwritten signature in black ink that reads "Kotzan CPA & Associates, P.C." The signature is written in a cursive, flowing style.

Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
January 4, 2024

**Conemaugh Township Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

| | | |
|---|-----------|-----------------------------|
| Material weakness(es) identified? | _____ Yes | _____ X _____ No |
| Significant deficiency identified not considered to be material weaknesses? | _____ Yes | _____ X _____ None reported |
| Noncompliance material to financial statements noted? | _____ Yes | _____ X _____ No |

Federal Awards

Internal control over major programs:

| | | |
|---|-----------|-----------------------------|
| Material weakness(es) identified? | _____ Yes | _____ X _____ No |
| Significant deficiency identified not considered to be material weakness(es)? | _____ Yes | _____ X _____ None reported |

Type of auditors' report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

| | | |
|--|-----------|------------------|
| | _____ Yes | _____ X _____ No |
|--|-----------|------------------|

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.425 | Education Stabilization Fund |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II – Financial Statement Findings No Findings

Section III – Federal Award Findings and Questioned Costs No Findings or Questioned Costs

APPENDIX F
BOND AMORTIZATION SCHEDULE

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN