

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 17, 2025

NEW ISSUE—BOOK-ENTRY ONLY

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

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

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

The Bonds are “qualified tax-exempt obligations,” for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

For further information concerning federal and state tax matters relating to the Bonds, see “TAX EXEMPTION AND OTHER TAX MATTERS” herein.

\$9,995,000*

**South Middleton School District
Cumberland County, Pennsylvania
General Obligation Bonds, Series of 2025**

Dated: Date of Delivery

Interest Due: March 1 and September 1

Principal Due: September 1, as shown on inside cover

First Interest Payment: September 1, 2025

The General Obligation Bonds, Series of 2025 (the “Bonds”) in the aggregate principal amount of \$9,995,000* will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the South Middleton School District, Cumberland County, Pennsylvania (the “School District”) payable from its tax and other general revenues. The School District has covenanted, subject to statutory restrictions and limitations, that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable real property within the School District, within the limitations provided by law. (See “Security” and “Taxing Powers of the School District” *infra*).

Interest on each of the Bonds is payable on September 1, 2025, and thereafter, semiannually on March 1 and September 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. The School District has appointed Manufacturers and Traders Trust Company (the “Paying Agent”), as paying agent and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry Only System for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its specified corporate trust office located in Harrisburg, Pennsylvania or Buffalo, New York (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check made out and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See “THE BONDS,” *infra*).

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

Proceeds of the Bonds will be used towards: (1) funds for undertaking various capital projects of the school district including renovations, additions and improvements to various facilities in the School District and other ongoing or proposed capital projects as determined by the School District; and (2) paying the costs of issuing the Bonds.

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

**MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS
[As Shown on Inside Front Cover]**

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Saxton & Stump, LLC, of Lancaster, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Saxton & Stump, LLC, of Lancaster, Pennsylvania, School District Solicitor and Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania, will pass upon certain legal matters for the Underwriter as Limited Scope Underwriter’s Counsel. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, will act as Financial Advisor to the School District. It is expected that the Bonds will be available for delivery through DTC or its agent, on or about July __, 2025.

RAYMOND JAMES®

Dated:

*Estimated, subject to change

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

\$9,995,000*
South Middleton School District
Cumberland County, Pennsylvania
General Obligation Bonds, Series of 2025

Dated: Date of Delivery
Interest Due: March 1 and September 1

Principal Due: September 1, as shown below
First Interest Payment: September 1, 2025

PRINCIPAL MATURITIES AND AMOUNTS, INTEREST RATES AND PRICES/YIELDS

Year of Maturity (September 1)	Principal Amounts	Interest Rates	Yields	Prices	CUSIP Numbers⁽¹⁾
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					

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

*Estimated, subject to change

South Middleton School District

Cumberland County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Brad L. Group
Robin Scherer
Eric Berry
Jim Decker
Devin Flickinger
Brandon Hall
Rick Rovegno
Shannon Snyder
Rodney Wagner
Cristeen Beck
Tina L. Darchicourt

President
Vice President
Member
Member
Member
Member
Member
Member
Member
Secretary*
Treasurer*

*Non-member

SUPERINTENDENT OF SCHOOLS

KEVIN J. O'DONNELL, JR. D.Ed.

DIRECTOR OF BUSINESS AND OPERATIONS

TINA L. DARCHICOURT

SOLICITOR

SAXTON & STUMP, LLC
Lancaster, Pennsylvania

BOND COUNSEL

SAXTON & STUMP, LLC
Lancaster, Pennsylvania

FINANCIAL ADVISOR

PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

UNDERWRITER

RAYMOND JAMES & ASSOCIATES, INC.
Lancaster, Pennsylvania

LIMITED SCOPE UNDERWRITER'S COUNSEL

ECKERT SEAMANS CHERIN & MELLOTT, LLC
Harrisburg, Pennsylvania

PAYING AGENT

MANUFACTURERS AND TRADERS TRUST COMPANY
Harrisburg, Pennsylvania

SCHOOL DISTRICT ADDRESS

4 Academy Street, Suite 100
Boiling Springs, Pennsylvania 17007

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

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.

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PRELIMINARY OFFICIAL STATEMENT

\$9,995,000*

South Middleton School District Cumberland County, Pennsylvania General Obligation Bonds, Series of 2025

INTRODUCTION

This Preliminary Official Statement, including the cover page and inside cover page hereof and Appendices hereto, is furnished by South Middleton School District, Cumberland County, Pennsylvania (the "School District"), in connection with the offering of its \$9,995,000* aggregate principal amount of General Obligation Bonds, Series of 2025, dated as of July __, 2025 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on June 2, 2025 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, 53 Pa. C.S. Chs. 80-82 (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used towards: (1) funds for undertaking various capital projects of the school district including renovations, additions and improvements to various facilities in the School District and other ongoing or proposed capital projects as determined by the School District; and (2) paying the costs of issuing the Bonds.

Sources and Uses of Bond Proceeds

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

Source of Funds

Bond Proceeds	
Net Original Issue Premium/(Discount).....	_____
Total Source of Funds	=====

Use of Funds

Construction Fund Deposit	
Costs of Issuance ⁽¹⁾	_____
Total Use of Funds	=====

⁽¹⁾Includes legal, solicitor, financial advisor, printing, rating, total bond discount, CUSIP, paying agent, and miscellaneous costs.

*Estimated, subject to change.

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$9,995,000*, will be dated as of July __, 2025, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Preliminary Official Statement. Interest on the Bonds will be payable initially on September 1, 2025, and thereafter, semiannually on March 1 and September 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 nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “BOOK – ENTRY ONLY SYSTEM” herein.

Payment of Principal and Interest

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

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

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to Manufacturers and Traders Trust Company (the “Paying Agent”), acting as paying agent and sinking fund depository for the Bonds, at its specified corporate trust office in Harrisburg, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest on the Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding September 1, 2025, in which event such Bond shall bear interest from July __, 2025, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) calendar day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania 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.

*Estimated, subject to change.

Transfer, Exchange and Registration of Bonds

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

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

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 154 of 1998 (the “Public School Code”), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance, however, that any payments pursuant to this withholding provision will be made by the date on which such payments are due to the Bondholders.

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

Pennsylvania Budget Adoption

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

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

After a week’s delay, a \$45.2 billion budget for the state’s 2022-2023 fiscal year was signed by Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement those school districts with a higher at-risk student population. The total amount was a \$767.8 million (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 includes \$8.4 billion for the basic education funding appropriation. The total amount is a \$796.6 million (10.45%) increase over the 2022-2023 fiscal year appropriation. The budget also provides \$50 million in additional aid to school districts for special education services for a total of \$1.3 billion. Certain funds authorized within the 2023-2024 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023 multiple code bills were passed finalizing the 2023-24 Budget for education.

Governor Josh Shapiro signed the state's budget for the 2024-25 fiscal year 11 days late on July 11, 2024. The \$47.6 billion budget included \$8.097 billion for the basic education funding appropriation. The total amount was a \$225 million increase over the 2023-2024 fiscal year appropriation. The budget also provided \$100 million in additional aid to school districts for special education services for a total of \$1.487 billion and \$100 million for cyber charter school tuition reimbursement. 348 school districts (including the School District) will receive additional funding totaling \$493.8 million under a new Adequacy Supplement. 182 school districts will receive an additional \$60 million in total of Hold Harmless Relief Supplement as a component of their basic education funding.

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

Act 85 of 2016

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

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

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

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

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

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

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

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

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District, subject to statutory restrictions and limitations, has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting,

appropriation and payment the School District, subject to statutory restrictions and limitation, irrevocably has pledged its full faith, credit and taxing power, within the limits provided by law. (See "SCHOOL DISTRICT FINANCES" herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein), and the Pennsylvania Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "Commonwealth Enforcement of Debt Service Payments" below).

Sinking Fund

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

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

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

BOOK-ENTRY ONLY SYSTEM

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to

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

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

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

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 Issuer or 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, 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 on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to 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.

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

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

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

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

REDEMPTION OF BONDS

Mandatory Redemption

The Bonds stated to mature on September 1, ___, are subject to redemption prior to maturity as required by the Resolution, in the amounts and on September 1 of the years shown below, from moneys in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount thereof together with interest accrued to the date fixed for redemption.

Bonds stated to mature September 1, 20__ :

*Final Maturity

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

In the case of any prior, optional redemption in part of a Bond that is subject to future mandatory redemption, the School District shall be entitled to designate whether the principal amount of such Bond redeemed upon optional redemption shall be credited against the principal amount of such Bond to be paid by the School District at the stated maturity of such Bond or credited against the principal amount of such Bond scheduled to be called for mandatory sinking fund redemption on any particular date or dates, in each case in an integral multiple of \$5,000 principal amount.

Optional Redemption

The Bonds stated to mature on and after September 1, _____, are subject to redemption prior to maturity, at the option of the School District, as a whole or, from time to time, in part, on _____, or on any date thereafter, or from time to time in part, in each case upon payment of a redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all Bonds of any maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Paying Agent.

Notice of Redemption

Notice of any redemption shall be given by mailing a copy of the redemption notice not less than 30 days nor more than 45 days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part at the addresses shown on the registration books; 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 any Bonds called for redemption.

On the date designated for redemption, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds and portions thereof so called for redemption shall cease to accrue and such Bonds and 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 to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

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

Manner of Redemption

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 that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bonds being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

THE SCHOOL DISTRICT

Introduction

The School District is located in Cumberland County in Central Pennsylvania, approximately 18 miles west of Harrisburg, Pennsylvania. The School District covers 51 square miles. The 2023 census reported that the total population served by the School District was 16,406.

Administration

The present South Middleton School District became effective July 1, 1965 by changing the jointure-type organization to a single operative unit with a nine-member board of directors. The geographical area remains the same, and is comprised of one township located in Cumberland County. The Superintendent of Schools is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Assistant Superintendent is responsible for overseeing the daily curriculum and instructional process. The Director of Business and Operations is responsible for budget and financial operations. Administration officials are approved by the Board of School Directors.

School Facilities

The School District presently operates two elementary schools, a middle school and a high school, all as described on the following table. Students in grades 10, 11 and 12 may attend the Cumberland-Perry Area Vocational Technical School for additional vocational-technical training.

**TABLE 1
SOUTH MIDDLETON SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date(s)	Grades	Rated Pupil Capacity	2024-25 Enrollment
<i>Elementary:</i>					
William G. Rice Elementary	1961	1968/1995	K-3	750	463
Iron Forge Elementary	1953	1988/1994/2017	4-5	450	481
<i>Secondary:</i>					
Yellow Breeches Middle School	2000	---	6-8	694	508
Boiling Springs High School	1975	2006	9-12	856	677

Source: School District Officials.

Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollment for over the next 5 years, as prepared by the Pennsylvania Department of Education.

**TABLE 2
SOUTH MIDDLETON SCHOOL DISTRICT
ENROLLMENT TRENDS**

Actual Enrollments				Projected Enrollments			
School Year	Elementary	Secondary	Total	School Year	Elementary	Secondary	Total
2020-21	1,008	1,021	2,029	2025-26	1,133	1,110	2,243
2021-22	922	1,250	2,172	2026-27	1,160	1,066	2,226
2022-23	948	1,223	2,171	2027-28	1,131	1,293	2,424
2023-24	1,104	1,088	2,192	2028-29	1,226	1,333	2,559
2024-25	944	1,185	2,129	2029-30	1,289	1,384	2,673

Source: School District Officials and PDE projections.

SCHOOL DISTRICT FINANCES

Introduction

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

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District will be in compliance with GASB in future years. The School District's reporting entity will apply all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The School District keeps its records and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll, taxes and pension fund contributions payable, taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited annually by an independent certified public accountant, as required by Commonwealth Law. The firm of Boyer & Ritter, Certified Public Accountants, Camp Hill, Pennsylvania serves as the School District's auditor.

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

Budgeting Process in School Districts under the Taxpayer Relief Act

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

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

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

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

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

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

Summary and Discussion of Financial Results

A summary of the General Fund Balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 which follows shows revenues and expenditures for the past five years and the budget for 2024-25. The budget for 2024-25, as adopted June 17, 2024, projected revenues of \$47,943,665 and expenditures of \$47,943,655.

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

ASSETS	2020	2021	2022	2023	2024
Cash and Cash Equivalents	\$6,348,179	\$5,237,749	\$5,120,483	\$3,036,138	\$2,298,985
Investments	3,206,506	3,428,050	4,364,970	8,070,012	11,146,558
Taxes Receivable	1,288,551	1,133,154	1,328,471	1,408,901	1,328,705
Due from other funds	90,429	13,969	9,595	877	0
Intergovernmental Receivables	0	1,508,878	1,597,832	1,332,258	1,721,843
State Revenue Receivable	1,129,817	0	0	0	0
Federal Revenue Receivable	302,595	0	0	0	0
Other Receivables	19,866	222,833	505,114	243,082	370,518
Prepaid Expenses (Expenditures)	0	0	0	8,282	8,246
Inventories	20,592	0	0	0	0
TOTAL ASSETS	\$12,406,535	\$11,544,633	\$12,926,465	\$14,099,550	\$16,874,855
LIABILITIES					
Due to Other Funds	\$0	\$0	\$0	\$87,812	\$0
Due to Other Governments	92,872	579,762	254,529	220,042	276,258
Accounts Payable	63,866	529,600	366,447	368,841	694,517
Accrued Salaries & Benefits	3,299,079	830,583	3,609,403	3,673,457	4,014,270
Payroll Deducts & Withholdings	206,681	2,317,708	181,372	184,265	189,454
Unearned Revenues	0	0	328,730	83,909	277,954
Other Current Liabilities	0	0	0	0	0
TOTAL LIABILITIES	\$3,662,498	\$4,257,653	\$4,740,481	\$4,618,326	\$5,452,453
<i>Deferred Inflows of Resources</i>	\$196,194	\$293,692	\$482,401	\$285,329	\$265,902
FUND EQUITIES					
Nonspendable Fund Balance	\$0	\$0	\$2,095	\$8,282	\$8,246
Committed Fund Balance	5,750,000	5,750,000	5,750,000	4,986,576	3,000,000
Assigned Fund Balance	0	0	0	759,924	4,741,114
Unassigned Fund Balance	2,797,843	1,243,288	1,951,488	3,441,113	3,407,140
TOTAL FUND EQUITIES	\$8,547,843	\$6,993,288	\$7,703,583	\$9,195,895	\$11,156,500
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITIES	\$12,406,535	\$11,544,633	\$12,926,465	\$14,099,550	\$16,874,855

Source: School District Annual Financial Reports.

TABLE 4
SOUTH MIDDLETON SCHOOL DISTRICT GENERAL FUND
CHANGES IN FUND BALANCE

	<u>Actual</u>					Budget
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025⁽¹⁾</u>
Beginning Fund Balance	\$6,926,101	\$8,547,842	\$6,993,285	\$7,703,580	\$9,195,891	\$11,156,495
Revenues over (under) Expenditure	1,621,741	(1,554,556)	710,295	1,492,312	1,960,603	0
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u>\$8,547,842</u>	<u>\$6,993,285</u>	<u>\$7,703,580</u>	<u>\$9,195,891</u>	<u>\$11,156,495</u>	<u>\$11,156,495</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 17, 2024.

Revenue

The School District received \$46,791,599 in revenue in 2023-24 and has budgeted revenue of \$47,943,665 in 2024-25. Local sources increased as a share of revenue in the past five years, from 71.1 percent in 2019-20 to 71.3 percent in 2023-24. Revenue from Commonwealth sources decreased as a share of the total from 28.2 percent to 26.1 percent over this period. Federal and other sources contributed an increasing share from 0.7 percent to 2.7 percent over this period.

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TABLE 5
SOUTH MIDDLETON SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(For years ending June 30)

REVENUE:	Actual					Budgeted
	2020	2021	2022	2023	2024	2025⁽¹⁾
Local Sources:						
Real Estate Taxes (Current)	\$19,746,540	\$20,682,332	\$21,529,275	\$22,677,653	\$24,031,675	\$25,482,588
Interim Real Estate Taxes	189,447	95,774	78,510	118,956	98,533	100,000
Payments in Lieu of Taxes	401,914	226,914	226,914	226,109	226,109	226,109
Total Act 511 Taxes	5,667,810	5,589,736	6,411,191	6,735,411	6,906,917	6,835,519
Public Utility Realty Tax	23,013	24,360	26,024	25,943	25,363	25,000
Delinquent Taxes	477,893	320,357	334,851	482,462	273,425	445,708
Earnings on Investments	184,870	51,701	47,770	531,365	940,299	967,779
Revenue From Student Activities	64,728	359	63,567	61,715	67,075	65,000
Federal IDEA Pass Through Revenue	345,701	351,394	427,886	373,676	396,451	416,274
Other Revenue from Intermediate Sources	0	0	0	0	0	0
Rentals	52,863	7,288	12,926	11,916	15,750	10,000
Contributions & Donations from Private Sources	24,500	12,500	5,000	0	0	0
Receipts from other LEAS in PA - Education	157,498	140,451	217,739	156,497	237,445	0
Refund of Prior Years' Expenditures	0	8,480	69,105	31,666	62,394	20,000
Tuition from Patrons	20,490	29,800	23,493	26,556	23,223	288,500
Other	22,102	27,515	25,042	33,179	41,180	0
Total Local Sources	\$27,379,367	\$27,568,959	\$29,499,294	\$31,493,103	\$33,345,841	\$34,882,477
State Sources:						
Instructional Subsidy	\$4,565,315	\$4,565,310	\$4,752,119	\$5,055,049	\$5,590,881	\$5,758,811
Tuition for Orphans and Children	20,877	75,902	0	0	45,233	0
Vocational Education	45,369	51,613	50,381	60,014	84,025	59,000
Special Education	1,192,886	1,043,660	1,215,438	1,144,422	1,190,996	1,226,703
Transportation	679,812	601,989	419,455	611,250	508,598	477,438
Rentals and Sinking Fund Payments	764,680	743,387	617,289	231,607	229,761	229,806
Health Services	47,055	47,122	35,547	48,168	48,078	48,000
State Property Tax Reduction Allocation	539,019	540,123	538,507	678,640	683,058	816,065
Ready to Learn Block Grant	208,431	208,431	208,431	208,431	208,431	208,431
Revenue for Social Security Payments	485,999	560,502	544,549	567,359	583,580	674,718
Revenue for Retirement Contributions	2,304,920	2,460,740	2,571,339	2,695,277	2,717,582	2,986,179
Safe Schools	0	0	0	0	242,630	166,868
Mental Health and Safety Grants	0	0	0	22,094	0	0
Other Sources	16,097	30,464	0	0	67,018	0
Total State Sources	\$10,870,461	\$10,929,243	\$10,953,055	\$11,322,310	\$12,199,871	\$12,652,019
Federal Sources:						
Total Federal Sources	\$275,327	\$797,081	\$674,754	\$1,491,954	\$1,236,071	\$409,169
Other Sources:						
Total Other Sources	\$0	\$0	\$251,503	\$0	\$9,817	\$0
TOTAL REVENUE	\$38,525,155	\$39,295,283	\$41,378,606	\$44,307,367	\$46,791,599	\$47,943,665
EXPENDITURES:						
Instruction	\$20,068,467	\$24,338,306	\$23,848,053	\$25,128,779	\$26,628,065	\$28,823,510
Pupil Personnel	1,537,365	1,392,659	1,396,486	1,553,154	1,579,392	1,726,553
Instructional Staff	2,099,000	2,199,289	2,070,348	1,743,896	1,719,755	2,240,048
Administration	2,499,253	2,659,110	2,862,763	2,680,873	2,572,368	2,816,981
Pupil Health	520,828	633,293	695,690	748,426	500,576	644,635
Business	659,160	679,460	702,934	709,618	765,622	824,942
Operation and Maintenance	2,743,246	2,865,799	3,038,905	3,369,321	3,630,632	3,947,462
Student Transportation	1,679,290	1,729,952	1,699,082	1,827,387	2,068,018	1,919,188
Central	31,319	18,847	23,812	204,744	209,663	240,561
Other Support Services	31,824	30,756	30,981	30,693	30,660	31,700
Operation of Noninstructional Services	841,262	750,006	882,857	965,499	1,038,053	1,091,310
Facilities, Acquisition, Construction & Improv.	0	0	0	0	415,944	40,000
Debt Service	3,325,011	3,302,362	2,816,400	2,277,404	2,652,212	2,640,808
Fund Transfers	867,389	250,000	600,000	1,575,261	1,020,036	955,967
Budgetary Reserve	0	0	0	0	0	0
TOTAL EXPENDITURES	\$36,903,414	\$40,849,839	\$40,668,311	\$42,815,055	\$44,830,995	\$47,943,665
SURPLUS (DEFICIT) OF REVENUES						
OVER EXPENDITURES	\$1,621,741	(\$1,554,556)	\$710,295	\$1,492,312	\$1,960,603	\$0

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 17, 2024.

Source: School District Annual Financial Reports and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

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

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. *to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and*
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not less than \$1.00 and not more than \$10.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

Limitations on Local Taxes – Taxpayer Relief Act (Act 1)

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

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

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

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau

of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

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

<u>Fiscal Year</u>	<u>Index</u>
2021-22	3.0%
2022-23	3.4%
2023-24	4.1%
2024-25	5.3%
2025-26	4.7%

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

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

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

Status of the Bonds Under Act 1

The Bonds were not incurred prior to the effective date of Act 1 and therefore no exceptions to the Act 1 taxing limits are expected to apply to the Bonds.

Act 48 of 2003

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

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

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is 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.

Tax Levy Trends

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

TABLE 6
SOUTH MIDDLETON SCHOOL DISTRICT
TAX RATES

	Real Estate (mills)	Wage & Income (%)	Real Estate Transfer (%)	Local Services Tax (\$)
2020-21	11.0966	1.1	0.5	5.00
2021-22	11.4292	1.1	0.5	5.00
2022-23	11.8177	1.1	0.5	5.00
2023-24	12.3022	1.1	0.5	5.00
2024-25	12.9542	1.1	0.5	5.00

Source: Department of Community and Economic Development- Municipal Statistics

TABLE 7
SOUTH MIDDLETON SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
<i>School District</i>	11.0966	11.4292	11.8177	12.3022	12.9542
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
South Middleton Township	0.6000	0.6000	0.9000	1.2000	1.2000
<i>Cumberland County</i>	2.3610	2.3610	2.3610	2.524	2.625

Source: Department of Community and Economic Development- Municipal Statistics

Real Property Tax

The real property tax (excluding delinquent collections) produced \$24,913,168 in 2024-25, approximately 53.2 percent of revenues. The real property tax is levied on July 1 of each year. The tax bills are dated July 1 and taxpayers who remit within 60 days receive a 2 percent discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty. Beginning in 2007-08 fiscal year, eligible taxpayers could opt into the installment method of payment for their school taxes. Installment payments are based upon three (3) one-third payments of the base tax amount. The due date for installment payments is August 31, September 30, and October 31.

The last countywide reassessment in Cumberland County was in 2010 which became effective in fiscal year 2011-12.

TABLE 8

**SOUTH MIDDLETON SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Year	Market Value	Assessed Value	Ratio
2019-20	\$1,674,116,853	\$1,926,419,500	115.07%
2020-21	1,734,719,082	1,952,380,300	112.55%
2021-22	1,754,143,807	1,973,297,700	112.49%
2022-23	1,844,582,420	2,005,369,200	108.72%
2023-24	1,959,920,710	2,036,155,400	103.89%

Source: Pennsylvania State Tax Equalization Board.

TABLE 9

**SOUTH MIDDLETON SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2022	2022	2023	2023
	Market Value	Assessed Value	Market Value	Assessed Value
South Middleton School District	\$1,844,582,420	\$2,005,369,200	\$1,959,920,710	\$2,036,155,400
Cumberland County	\$24,473,043,093	\$25,900,669,200	\$25,836,988,017	\$26,299,945,000

Source: Pennsylvania State Tax Equalization Board.

TABLE 10

**SOUTH MIDDLETON SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2019	2020	2021	2022	2023
Residential	\$1,185,030,800	\$1,200,554,800	\$1,219,704,300	\$1,250,698,800	\$1,284,727,800
Trailers	18,132,100	18,186,800	18,306,600	18,162,900	18,359,800
Seasonal	301,200	301,200	301,200	301,200	301,200
Lots	16,516,300	20,360,900	17,308,200	16,058,600	13,385,100
Industrial	29,720,600	29,720,600	29,720,600	29,740,700	29,740,700
Commercial	586,853,100	592,367,800	594,332,200	596,350,000	596,041,500
Agriculture	83,452,500	83,730,400	86,630,300	87,082,600	86,029,300
Land	6,412,900	7,157,800	6,994,300	6,974,400	7,570,000
Total	\$1,926,419,500	\$1,952,380,300	\$1,973,297,700	\$2,005,369,200	\$2,036,155,400

Source: Pennsylvania State Tax Equalization Board.

TABLE 11

**SOUTH MIDDLETON SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

<u>Year</u>	<u>Total Flat Billing</u>	<u>Current Year Collections (July-June)</u>	<u>Current Year Collections as Percent of Total Adjusted Flat Billing</u>	<u>Total Current Plus Delinquent Collections</u>	<u>Total Collections as Percent of Total Adjusted Flat Billing</u>
2021-22	\$22,145,743	\$21,529,275	97.22%	\$21,529,275	97.22%
2022-23	22,148,210	21,020,050	95.67%	23,160,115	97.70%
2023-24	23,947,920	23,570,073	98.42%	23,628,642	98.67%
2023-24	23,947,920	23,570,073	98.42%	23,628,642	98.67%
2024-25	26,066,040	24,913,168	95.58%	24,922,567	95.61%

Source: School District Officials.

The ten largest real property taxpayers, together with 2024-25 assessed values, are shown on Table 12. The aggregate assessed value of these ten taxpayers totals approximately 13.5 percent of total assessed value.

TABLE 12

**SOUTH MIDDLETON SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

<u>Owner</u>	<u>2024-25 Assessed Value</u>
Allen Distribution	\$53,968,100
Prologis-Macquarie Penn Trust	39,200,400
Liberty Property LP	38,654,400
US Industrial Reit II	33,075,300
Summerbridge At Rockledge II LP	24,560,000
LIT Industrial LP	21,667,000
Harvest B Carlisle LLC	21,300,000
ARG CCCARPA001 LLC	16,197,300
Goodman Carlisle LLC	14,250,000
Vitro Flat Glass LLC	12,000,000
Total	\$274,872,500

Source: School District officials.

Other Taxes

Under Act 511, the School District collected \$6,906,917 in other taxes in 2023-24. Its limit under Act 511, equal to 12 mills on the market value of real property, was \$23,519,048. Among the Act 511 taxes collected are:

Real Estate Transfer. The School District levies a tax of 0.5% of the value of real estate transfers. In 2023-24 the collected portion of this tax yielded \$720,806 or 1.5 percent of total revenue.

Earned Income. The School District levies a tax of 1.1% levied on the earned income of residents. In 2023-24 the collected portion of this tax yielded \$6,135,808 or 13.1 percent of total revenue. The South Middleton Township continues to levy an earned income tax at a rate 0.5% for township purposes.

Local Services Tax formerly Emergency and Municipal Services Tax. A tax of \$10.00 is placed on each person working within the School District. The collected portion of this tax yielded \$50,302 in 2023-24 or less than one percent.

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

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (50.50%) or the wealth based Market Value Aid Ratio ("MVAR") currently (35.16%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

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

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

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

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

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

DEBT AND DEBT LIMITS

Debt Statement

Table 13 shows the debt of the South Middleton School District as of June 4, 2025 including the issuance of the Bonds.

**TABLE 13
SOUTH MIDDLETON SCHOOL DISTRICT
DEBT STATEMENT*
(As of June 4, 2025)**

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2025 (last maturity 2044)	\$9,995,000
General Obligation Bonds, Series of 2023 (last maturity 2043)	9,990,000
General Obligation Bonds, Series of 2021 (last maturity 2039)	9,175,000
General Obligation Bonds, Series of 2020 (last maturity 2034)	8,110,000
General Obligation Bonds, Series of 2019 (last maturity 2034)	8,240,000
TOTAL NONELECTORAL DEBT	<u>\$45,510,000</u>
LEASE RENTAL DEBT	<u>\$0</u>
TOTAL PRINCIPAL OF DIRECT DEBT	<u><u>\$45,510,000</u></u>

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

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Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$45,510,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$42,410,417.

TABLE 14
SOUTH MIDDLETON SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of June 4, 2025)

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾
<u>DIRECT DEBT</u>		
Nonelectoral Debt	\$45,510,000	\$42,410,417
Lease Rental Debt	0	0
<i>TOTAL DIRECT DEBT</i>	\$45,510,000	\$42,410,417
<u>OVERLAPPING DEBT</u>		
Cumberland County, General Obligation ⁽²⁾	\$3,064,630	\$3,064,630
Municipal Debt	6,651,162	6,651,162
<i>TOTAL OVERLAPPING DEBT</i>	\$9,715,791	\$9,715,791
 <i>TOTAL DIRECT AND OVERLAPPING DEBT</i>	\$55,225,791	\$52,126,209
 <u>DEBT RATIOS</u>		
Per Capita	\$3,366.19	\$3,177.26
Percent 2023-24 Assessed Value	2.71%	2.56%
Percent 2023-24 Market Value	2.82%	2.66%

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

⁽¹⁾Gives effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current Aid Ratio. See “Commonwealth Aid to School Districts”. The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount estimated to be reimbursed by the Commonwealth.

⁽²⁾Pro rata 7.6 percent share of \$40,400,000 principal amount outstanding.

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Debt Limit and Remaining Borrowing Capacity

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

Total Revenues for 2021-22.....	\$40,084,701
Total Revenues for 2022-23.....	42,967,239
Total Revenues for 2023-24.....	<u>45,702,230</u>
Total Revenues, Past Three Years.....	<u>\$128,754,171</u>
Annual Arithmetic Average (Borrowing Base).....	<u>\$42,918,057</u>

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

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$96,565,628	\$45,510,000	\$51,055,628

*Includes the estimated Bonds described herein, includes the School District Obligation; does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

Debt Service Requirements

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

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

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

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TABLE 15

SOUTH MIDDLETON SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS*

<u>Year</u>	<u>Other General Obligation Debt</u>	<u>Series of 2025</u>		<u>Subtotal</u>	<u>Total Requirements</u>
		<u>Principal</u>	<u>Interest</u>		
2024-25	\$2,545,964				
2025-26	2,544,539				
2026-27	2,545,014				
2027-28	2,544,889				
2028-29	2,549,364				
2029-30	2,548,464				
2030-31	2,545,099				
2031-32	2,545,337				
2032-33	2,543,984				
2033-34	2,540,878				
2034-35	2,545,726				
2035-36	2,576,900				
2036-37	2,579,650				
2037-38	2,580,325				
2038-39	2,578,950				
2039-40	2,580,425				
2040-41	2,271,100				
2041-42	2,270,500				
2042-43	2,266,700				
2043-44	2,269,500				
Total	\$49,973,308				

*Totals may not add due to rounding.

TABLE 16

SOUTH MIDDLETON SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY COMMONWEALTH AID*

2023-24 Commonwealth Aid Received	\$12,199,871
2023-24 Debt Service Requirements	\$2,652,212
Maximum Future Debt Service Requirements after Issuance of Bonds.....	
Coverage of 2023-24 Debt Service Requirements	4.60 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	

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

Future Financing

The School District is evaluating its capital needs over the next 2-3 years that may require the issuance of long term debt but an amount has not been determined.

LABOR RELATIONS

School District Employees

There are presently 264 employees of the School District, including 189 teachers, 19 administrators and 56 support personnel (including secretaries, maintenance staff, custodian staff, cafeteria employees and teacher aides).

The School District's teachers are represented by the South Middleton Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract which expires June 30, 2029. Secretaries, custodians, maintenance staff, cafeteria staff and teacher aides are not represented by any union organization. The School District teachers union has had only one strike, which was on September 8, 1981.

Pension Program

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

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 34.00% for the fiscal year 2025-26.

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

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

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

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

Annual School District contributions have been as follows:

2020-21	\$2,435,247
2021-22	\$2,589,658
2022-23	\$2,772,883
2023-24	\$2,716,087
2024-25 (budgeted)	\$2,986,178

At June 30, 2024, the School District reported a liability of \$44,575,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2022 to June 30, 2023. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2024, the School District's proportion as 0.1002% which was an increase of 0.0004% from its proportion measured as of June 30, 2023.

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

Source: School District Administrative Officials and PSERS.

Other Post-Employment Benefits

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

For further information on the effects of GASB Statement No. 75, the School District's OPEB and other vested employee benefits, including valuation and sick pay, see "Appendix C- Audited Financial Statement, Note 11".

LITIGATION

As a condition of settlement for the Bonds, the School District and its Solicitor will deliver a certificate stating that there is no litigation, of any nature, pending or threatened against the School District to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or if any such litigation is pending or threatened, an opinion of counsel satisfactory to the Underwriter that any such litigation is without merit.

DEFAULTS AND REMEDIES

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

TAX EXEMPTION AND OTHER TAX MATTERS

Federal Tax Matters

In the opinion of Bond Counsel, assuming continuing compliance by the School District with certain covenants to comply with provisions of the Internal Revenue Code of 1986, as amended (the "Code") in order to preserve the Federal income tax exemption of the interest on the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and, as to applicable corporations (as defined in Section 59(k) of the Internal Revenue Code, as amended (the "Code")); however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for tax years beginning after December 31, 2022, under existing statutes, regulations, rulings and court decisions.

The School District will issue its certificate to the effect that on the basis of the facts, estimate and circumstances in existence on the date of delivery of the Bonds it will make no use of the proceeds of the Bonds if such use on the date of issuance reasonably had been expected to cause the Bonds to be "arbitrage bonds" under Section 148 of the Code or the United States Treasury regulations relating to "arbitrage bonds" or corresponding provisions of any Federal tax laws or regulations from time to time proposed or enacted and at the time applicable or proposed to be applicable to the Bonds.

Failure of the School District to comply with certain provisions of the Code, including the requirements to pay certain arbitrage profits to the United States Treasury (unless the School District qualifies for exemption from such requirement) may result in the interest on the Bonds becoming includable in the gross income of the Bondholders. In certain circumstances, such taxability of the interest on the Bonds may be retroactive to the date of the original issuance. It is not anticipated that it will be necessary to rebate any arbitrage profits under the Code.

Deductions for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

Under the Internal Revenue Code of 1986, as amended (the "Code"), financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the disallowance, is provided for certain tax-exempt obligations that are designated or "deemed designated" by the issuer as "qualified tax-exempt obligations" under Section 265 of the Code.

The Bonds have been designated as qualified tax-exempt obligations for purposes of Section 265 of the Code (relating to expenses and interest rating to tax-exempt income of certain financial institutions.)

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

Other Federal Tax Matters

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

Changes in Law

From time to time, certain legislative proposals may be introduced, or may now be pending, in the Congress of the United States, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters described above or affect the market value of the Bonds. No prediction can be made whether or in what form any such proposal or proposals might be enacted into law or whether, if enacted, the same would apply to bonds issued prior to enactment.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent any beneficial owner of a Bond from realizing the full current benefit of the tax status of the interest on the Bonds. Prospective purchasers of the Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

The Inflation Reduction Act, H.R. 5376 (the "IRA"), was signed into law by President Biden on August 16, 2022. The IRA includes a 15 percent alternative minimum tax to be imposed on the "adjusted financial statement income", as defined in the IRA, of certain corporations for tax years beginning after December 31, 2022. Under the IRA, interest on the Bonds is included in the "adjusted financial statement income" of such corporations for purposes of computing such alternative minimum tax.

Pennsylvania Tax Matters

On the Date of Delivery of the Bonds, Bond Counsel will issue an opinion to the effect that under existing laws of the Commonwealth, the Bonds are exempt from personal property taxes in the Commonwealth and the interest thereon is exempt from the Commonwealth's personal income tax and the Commonwealth's corporate net income tax; however, any profits, gains, or income derived from the sale, exchange, or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth. Bond Counsel will express no opinion regarding other state consequences arising with respect to the Bonds.

Original Issue Discount

The Bonds stated to mature on September 1, ____ are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at their maturity (the "Discount Bonds"). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than the bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of the accrual will be based upon a single rate of interest, compounded semiannual (the "yield of maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns such Bond is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludible from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Original Issue Premium

The Bonds maturing September 1, _____ through and including September 1, _____ have been sold at an original issue premium (the "Premium Bonds"). Under the Code, the premium on the Premium Bonds is an adjustment to basis and must be amortized. No deduction is allowable on account of such premium. The method of amortization may be the method regularly employed by the taxpayer if such method is reasonable, or, in all other cases, must be the method prescribed by applicable Treasury Regulations, which provide that the amortizable bond premium is an amount which bears the same ratio to the premium on the Premium Bonds as the number of months in the taxable year during which the bond or note was held by the taxpayer bears to the number of months from the beginning of the taxable year (or, if the bond or note was acquired in the taxable year, from the date of acquisition) to the date of maturity. The basis of the Premium Bonds is reduced by the amount of the amortizable premium.

Holders of Premium Bonds purchased with an original issue premium (the “Acquisition Premium”) should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation as to the treatment of Acquisition Premium for state tax purposes.

Information Reporting

Under 2006 amendments to the Internal Revenue Code, payments of interest on the Bonds will be reported to the Internal Revenue Service by the payor on Form 1099 unless the bondholder is an “exempt person” under Section 6049 of the Code. A Bondholder who is not an exempt person may be subject to “backup withholding” at a specified rate prescribed in the code if the Bondholder does not file Form W-9 with the payor advising the payor of the Bondholder’s taxpayer identification number. Bondholders should consult with their brokers regarding this matter.

The Paying Agent will report to the Bondholders and to the Internal Revenue Service for each calendar year the amount of any “reportable payments” during such year and the amount of tax, if any, with respect to payments made on the Bonds.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (“SEC”), and the Resolution, to be adopted June 2, 2025 authorizing issuance of the Bonds, the School District will execute and deliver a written continuing disclosure obligation with respect to the Bonds. See the form of the Continuing Disclosure Certificate (the “Certificate”) at Appendix D to this Preliminary Official Statement.

Under the terms of the Certificate, the School District will undertake to file with the MSRB financial and other information concerning the School District (annual audited financial statements and annual budget (as and when available) and notice of certain events affecting the School District). The School District’s obligations with respect to continuing disclosure shall terminate upon the prior redemption or payment in full of all of the Bonds.

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

The School District has adopted policies and procedures to maintain future compliance with its continuing disclosure undertakings. In addition, the School District has implemented the MSRB’s internal notification system to receive timely email reminders in advance of the School District’s annual disclosure filing deadlines.

Fiscal Year	Filing	Filing Date:	
<u>Ending</u>	<u>Due Date</u>	<u>Audit</u>	<u>Operating Data/Budget</u>
6/30/2024	3/27/2025	12/11/2024	12/11/2024
6/30/2023	3/26/2024	12/05/2023	12/05/2023
6/30/2022	3/27/2023	12/01/2022	12/01/2022
6/30/2021	12/27/2021	12/20/2021	12/21/2021 & 12/20/2021
6/30/2020	12/27/2020	12/21/2020	12/21/2020

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

RATING

S&P Global Ratings has assigned its municipal bond rating of “AA” (Stable Outlook) to this issue of Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor’s Ratings Group, 55 Water Street, 38th Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc. (the “Underwriter”) has agreed, subject to certain conditions, to purchase the Bonds from the School District at an aggregate price of \$ _____, which includes an underwriting discount of \$ _____ and an original issue premium of \$ _____. The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter. The Underwriter has provided the following information for inclusion in this Preliminary Official Statement: The Underwriter and their respective affiliates are full service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriter and their respective affiliates may actively trade debt and if applicable equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for its own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer and/or Borrower. The Underwriter and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer and/or Borrower. The Underwriter does not make a market in credit default swaps with respect to municipal securities at this time but may do so in the future.

LEGAL OPINION

The issuance and delivery of the Bonds is subject to the unqualified approving legal opinion of Saxton & Stump, LLC, of Lancaster, Pennsylvania, Bond Counsel for the School District, and to the delivery at settlement of a certificate that there is no litigation pending affecting the validity of the issue. Certain legal matters of a local nature have been passed upon by Saxton & Stump, LLC, Lancaster, Pennsylvania, Solicitor to the School District. Saxton & Stump, LLC, in its letter of engagement as Bond Counsel addressed to the School District, has indicated that, in any negotiations concerning the terms of the financing, it will advocate the interests of the School District, but that it does not believe there is any conflict of interest, nor will this alter its responsibility to render an objective opinion as Bond Counsel. Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania, will pass upon certain legal matters for the Underwriter as Limited Scope Underwriter’s Counsel.

FINANCIAL ADVISOR

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

MISCELLANEOUS

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

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

SOUTH MIDDLETON SCHOOL DISTRICT
Cumberland County, Pennsylvania

By: _____
President, Board of School Directors

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**Appendix A - Demographic and Economic
Information Relating to the
South Middleton School District**

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Population

Table A-1 which follows shows population trends for the School District, Cumberland County and the Commonwealth. Table A-2 shows 2020 age composition in Cumberland County and for the Commonwealth.

**TABLE A-1
POPULATION TRENDS**

<u>Area</u>	<u>2010</u>	<u>2020</u>	Compound Average Annual Percentage Change <u>2010-2020</u>
School District.....	14,667	16,135	0.96%
Cumberland County	235,406	259,469	0.98%
Pennsylvania	12,702,379	13,002,700	0.23%

Source: U.S. Bureau of the Census, and the Pennsylvania State Data Center-2010 & 2020 General Housing Characteristics: Pennsylvania.

**TABLE A-2
AGE COMPOSITION**

	Under <u>18</u>	18-64 <u>Years</u>	65 & <u>Over</u>
Cumberland County.....	20.3%	61.2%	18.5
Pennsylvania.....	20.7	61.0	18.3

Source: 2020 American Community Survey, 5 year estimates.

Employment

Overall employment data are not compiled for the School District or municipalities, but such data are compiled for the Harrisburg-Cumberland-Perry Metropolitan Statistical Area ("MSA"). Table A-3 shows the Nonfarm Jobs for the MSA for March 2025.

TABLE A-3
HARRISBURG-CARLISLE METROPOLITAN STATISTICAL AREA
(Cumberland, Dauphin, and Perry counties)
November 2024
NONFARM JOBS

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	Mar 2025	Feb 2025	Jan 2025	Mar 2024	Feb 2025	Mar 2024
Total Nonfarm	366,000	364,000	363,800	360,300	2,000	5,700
Total Private	306,800	305,000	305,300	302,000	1,800	4,800
Goods Producing	33,900	33,900	33,800	33,800	0	100
Mining, Logging, and Construction	12,300	12,200	12,300	12,100	100	200
Manufacturing	21,600	21,700	21,500	21,700	-100	-100
Durable Goods	9,900	9,900	9,900	9,900	0	0
Non-Durable Goods	11,700	11,800	11,600	11,800	-100	-100
Food mfg.	6,600	6,600	6,500	6,700	0	-100
Service-Producing	332,100	330,100	330,000	326,500	2,000	5,600
Private Service-Providing	272,900	271,100	271,500	268,200	1,800	4,700
Trade, Transportation, and Utilities	79,200	79,300	80,000	78,200	-100	1,000
Wholesale Trade	12,500	12,600	12,700	12,600	-100	-100
Retail Trade	31,200	31,000	31,200	30,900	200	300
General merchandise stores	5,500	5,500	5,600	5,500	0	0
Transportation, Warehousing, and Utilities	35,500	35,700	36,100	34,700	-200	800
Transportation and Warehousing	35,000	35,200	35,600	34,200	-200	800
Truck Transportation	7,400	7,400	7,500	7,500	0	-100
Warehousing and Storage	16,700	16,800	17,200	16,700	-100	0
Information	3,200	3,100	3,200	3,400	100	-200
Financial Activities	19,800	19,800	19,800	19,900	0	-100
Finance and Insurance	16,600	16,600	16,600	16,700	0	-100
Professional and Business Services	50,900	50,600	50,600	50,700	300	200
Professional and Technical Services	21,900	21,800	21,700	21,200	100	700
Management of Companies and Enterprises	10,400	10,300	10,300	10,200	100	200
Administrative and Waste Services	18,600	18,500	18,600	19,300	100	-700
Education and Health Services	73,700	73,600	72,700	71,400	100	2,300
Educational Services	9,700	9,700	8,700	9,300	0	400
Health Care and Social Assistance	64,000	63,900	64,000	62,100	100	1,900
Hospitals	20,700	20,600	20,500	19,900	100	800
Leisure and Hospitality	29,500	28,400	28,800	29,400	1,100	100
Accommodation and Food Services	22,500	21,900	22,200	22,800	600	-300
Food Services and Drinking Places	18,700	18,200	18,500	19,000	500	-300
Other Services	16,600	16,300	16,400	15,200	300	1,400
Government	59,200	59,000	58,500	58,300	200	900
Federal Government	7,400	7,400	7,400	7,500	0	-100
State Government	31,200	31,000	30,900	30,500	200	700
Local Government	20,600	20,600	20,200	20,300	0	300
Local Government Educational Services	14,000	14,000	13,500	13,800	0	200
Local Government Excluding Educational Services	6,600	6,600	6,700	6,500	0	100
Data benchmarked to March 2024	***Data changes of 100 may be due to rounding***					

Source: Pennsylvania State Employment Service.

Table A-4 shows recent trends in employment and unemployment for Cumberland County and the Commonwealth. The unemployment rate for the County has been lower than the Commonwealth average for the past five years.

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

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025⁽¹⁾</u>	Compound Average Annual % Rate
<i>Cumberland County</i>						
Civilian Labor Force (000).....	133.8	136.4	136.7	140.9	135.6	0.00%
Employment (000).....	128.0	132.3	133.0	136.7	132.1	0.63%
Unemployment (000).....	5.8	4.1	3.7	4.2	3.5	-9.61%
Unemployment Rate.....	4.30%	3.00%	2.70%	3.00%	2.60%	
<i>Pennsylvania</i>						
Civilian Labor Force (000).....	6,425.0	6,479.0	6,518.0	6,577.0	6559.0	0.41%
Employment (000).....	6,048.0	6,196.0	6,296.0	6,337.0	6303.0	0.83%
Unemployment (000).....	377.0	283.0	223.0	239.0	255.0	-7.52%
Unemployment Rate.....	5.90%	4.40%	3.40%	3.60%	3.90%	

⁽¹⁾As of March 2025.

Source: Labor Market Analysis, Pennsylvania Office of Employment Security.

Major employers located within the County include:

Cumberland County

- Federal Government
- Amazon.com Services LLC
- Giant Food Stores LLC
- State Government
- Select Employment Services Inc
- Exel Inc
- Wal-Mart Associates Inc.
- Holy Spirit Hospital
- Cumberland Valley School District
- UPMC Pinnacle Hospitals

Source: Quarterly Census of Employment and Wages – Center for Workforce Information and Analysis 3rd Quarter of 2024.

Income

The data on Table A-5 shows trends in per capita income for Cumberland County and the Commonwealth over the 2010-2020 period.

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

	<u>2010</u>	<u>2020</u>	<u>Percentage Change 2010-2020</u>
Cumberland County	30,119	38,153	4.84%
Pennsylvania	27,049	35,518	5.60%

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

Source: 2010 and 2020 Census, Pennsylvania State Data Center.

Manufacturing

While there are no major manufacturing industries located within the School District, residents are within commuting distance of several larger industrial areas located within the MSA.

Table A-6 presents total retail sales over the past five years for Cumberland County, the MSA and for the Commonwealth.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cumberland County.....	6,834,413	7,706,265	7,430,486	7,847,375	8,512,426
MSA	12,641,560	13,051,533	12,845,289	13,628,273	14,842,523
Pennsylvania.....	244,709,540	251,185,116	274,685,600	297,770,327	310,912,244

Source: The Nielson Company.

Transportation Facilities

State Routes 74 and 174 provide access to Boiling Springs, and a major interchange of the Pennsylvania Turnpike is located about ten miles away. Interstate 81, a major highway from northern New York State to New Orleans passes through the School District. Rail service is provided by Conrail and the Reading System (freight only). Bus Service to many major urban areas such as Philadelphia, New York, etc. is provided by Eastern Greyhound lines. Capital Area Transit Authority Co. operates local area bus service in Cumberland County. Wolf’s bus lines offer charter and tour services.

The nearest commercial Airport is at Harrisburg, 18 miles to the east. The combination of a good network of highways and a large number of trucking firms makes motor freight service available.

Medical Facilities

The County and the School District are serviced by several medical facilities, including UPMC Pinnacle Health Systems which consists of four facilities within the system in the area; UPMC Pinnacle Community Osteopathic Hospital, UPMC Pinnacle Harrisburg Hospital, UPMC Pinnacle West Shore and UPMC Pinnacle Carlisle. Also serving residents of the School District are Penn State Milton S. Hershey Medical and Geisinger Holy Spirit Hospital.

Educational Institutions

There are no higher education facilities located within the School District; however, the following are located within commuting distance: Dickinson College and Dickinson School of Law of Pennsylvania State University, in Carlisle; Shippensburg University, Shippensburg; Harrisburg Area Community College, Harrisburg; Widener School of Law, Harrisburg; Pennsylvania State University, Middletown; Messiah College, Grantham; Wilson College, Chambersburg; Gettysburg College, Gettysburg; Lebanon Valley College, Annville and Elizabethtown College, Elizabethtown.

Appendix B – Opinion of Bond Counsel

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SAXTON & STUMP

LAWYERS AND CONSULTANTS

280 Granite Run Drive, Suite 300 • Lancaster, PA 17601
P: (717) 556-1000 • F: (717) 441-3810

DRAFT

**SOUTH MIDDLETON SCHOOL DISTRICT
CUMBERLAND COUNTY, PENNSYLVANIA**
\$ _____ **GENERAL OBLIGATION BONDS, SERIES OF 2025**

OPINION

We have acted as Bond Counsel in connection with the issuance by the South Middleton School District, Cumberland County, Pennsylvania (the "School District"), of the \$ _____ General Obligation Bonds, Series of 2025 (the "Bonds").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are issued in accordance and in compliance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82), ("the Act"), without the assent of the electors, and pursuant to two resolutions adopted by the Board of School Directors of the School District on June 2, 2025.
2. The Bonds are a valid and binding obligation of the School District.
3. The School District has established with the Paying Agent, as Sinking Fund Depository, a sinking fund in which it has covenanted to deposit amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and, to the extent required, to apply such amounts to such purposes.
4. The School District has further covenanted that, subject to statutory restrictions and limitations, it will include in its budget for each fiscal year in which the Bonds are outstanding, and will appropriate in each such fiscal year, the amount of the debt service on the Bonds for such year, that it will duly and punctually pay or cause to be paid, the principal of and interest on the Bonds at the dates and place and in the manner stated on the Bonds; and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power. For purposes of such payments, the School District has covenanted that it will exercise its ad valorem taxing power, within limitations provided by law, upon all taxable property within the School District. The Bonds are additionally secured by the "state aid intercept" provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are “qualified tax-exempt obligations” as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”) and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent of the portion of such financial institutions’ interest expense allocable to interest on the Bonds. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Code, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that the Bonds continue to constitute qualified tax exempt obligations for purposes of Section 265(b)(3) of the Code. Failure to comply with such requirements may cause the Bonds to cease to constitute qualified tax exempt obligations, with the result that the Bonds would have to be taken into account by financial institutions (as defined in Section 265(b)(5) of the Code) for purposes of determining the allocation of interest expense to tax-exempt interest under Sections 265(b)(1) and (2) of the Code retroactive to the date of issuance of the Bonds.

7. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds and the interest thereon will be free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Very truly yours,

SAXTON & STUMP, LLC

_____, 2025

Appendix C – Audited Financial Statements

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SOUTH MIDDLETON SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2024

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INDEPENDENT AUDITOR’S REPORT

Board of School Directors
South Middleton Area School District
Boiling Springs, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the South Middleton School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 and the required supplementary information as listed in the Contents, 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 the District’s basic financial statements. The supplementary information listed in the Contents and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the Contents and the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2024, on our consideration of the 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 the 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 the District’s internal control over financial reporting and compliance.



Camp Hill, Pennsylvania
November 14, 2024

**SOUTH MIDDLETON SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ended June 30, 2024**

The Management of the South Middleton School District presents the following discussion and analysis of the District's financial activities for the fiscal year ended June 30, 2024. Comparative financial information for fiscal year ended June 30, 2024, is also presented in this report to show changes in the financial position of the District from the prior to current year. The purpose of this discussion is to provide a narrative summary of the financial position and activities of the District in order to enhance the reader's understanding of the District's basic financial statements.

Financial Highlights

For fiscal year 2023-2024, the School Board adopted a General Fund Budget with a real estate tax millage rate of 12.3022 mills which represented a 4.1% increase from the 2022-2023 year. In 2022-2023 the District approved a 3.4% tax increase which represents a real estate tax millage rate of 11.8177.

On June 5, 2023, the District passed a balanced budget for the 2023-2024 general fund.

Overview of the Financial Statements

These financial statements consist of three sections: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The first two statements of the basic financial statements are government-wide financial statements. These statements consist of the Statement of Net Position and the Statement of Activities. The government-wide financial statements provide both short-term and long-term information about the District's overall financial status.

The remaining basic financial statements consist of fund financial statements. These statements focus on the individual funds of the District and provide a more detailed presentation of the District's operations. The governmental fund statements present how general District services are financed in the short-term as well as what remains for future spending. Following the governmental funds statements, are the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. Reconciliation Statements provide explanations to the financial statements and budgetary comparisons. The Proprietary Fund statements present both short-term and long-term information about the activities that the District operates similar to a business. The only Proprietary Fund that the District has is the Food Service Operation. The Fiduciary Fund statements present information on Trust Funds held by the District as Trustee or agent for other organizations.

Notes to the basic financial statements provide a more detailed explanation of the District's financial statements.

Government-wide Statements Report the District as a Whole

The government-wide statements report financial information about the District as a whole using accounting methods similar to the accounting methods used by private-sector companies. The Statement of Net Position includes all the District's assets and liabilities utilizing the full accrual basis of accounting. The Statement of Activities accounts are for all the District's revenues and expenses regardless of when cash is received or paid. These two government-wide statements report on the District's net position and changes in them. The District's net position represents the difference between the District's assets and liabilities. The District's net position is one way to measure the District's financial position, or financial health, over time. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating respectively.

To assess the overall health of the District, non-financial factors must also be considered, such as changes in the District's property tax base and county-wide employment. The government-wide financial statements of the District are divided into two categories:

Governmental activities - All the District's basic services are included here, such as instruction, administration and community services. Real estate and earned income taxes, state and federal subsidies, and grants finance most of these activities.

Business-type activities - The District has hired Chartwells, to manage the district-wide food service operation. Students, staff, and visitors are charged fees to help cover the costs of the food service operation. Also, during the 2023-2024 school year, the Commonwealth of Pennsylvania committed to providing free breakfast to school age students. The District receives these revenues as well as any expenditure related to the operation of the food service department.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds, or major funds - not the District as a whole. Some funds are required to be reported as major funds.

Governmental funds - Most of the District's activities are reported in governmental funds, and focus on changes in financial resources, rather than upon net income determination. These funds are reported using the modified accrual basis of accounting, which measures cash and all financial assets that can be readily converted to cash. The governmental funds statements provide a detailed, short-term view of the District's operations and the services it provides.

Proprietary funds - These funds are used to account for the District activities that are similar to business operations in the private sector. When the District charges customers for services it provides, these services are generally reported in proprietary funds. The Food Service Fund is the District's only proprietary fund.

Fiduciary funds - The District is the Trustee or agent for individuals, private organizations, and/or governmental units.

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position and Statement of Activities

Net position equals total assets plus deferred outflows of resources less liabilities and deferred inflows of resources and represents resources that may be used to pay for future operations and capital assets.

The results of this year's operations as a whole are reported in the Statement of Activities. Direct expenses are listed by program, and then offset by program revenues to determine net (expense) revenue and changes in net position. General revenues, such as taxes, state general subsidies, and investment earnings are then applied prior to transfers, and special items, to determine the change in net position. For the 2023-2024 fiscal year, the change in net position for governmental activities was an increase of \$3,501,686 and an increase of \$128,373 for business-type activities, for a net total increase of \$3,630,059. For the 2022-2023 fiscal year, the change in net position for governmental activities was an increase of \$4,215,475 and an increase of \$207,147 for business-type activities for a net total increase of \$4,422,622 as reflected in the chart below.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 21,215,890	\$ 22,106,286	\$ 405,401	\$ 313,829	\$ 21,621,291	\$ 22,420,115
Capital assets	53,113,243	49,408,884	35,526	8,169	53,148,769	49,417,053
Total assets	\$ 74,329,133	\$ 71,515,170	\$ 440,927	\$ 321,998	\$ 74,770,060	\$ 71,837,168
Deferred outflows of resources	\$ 8,926,353	\$ 9,079,649	\$ -	\$ -	\$ 8,926,353	\$ 9,079,649
Current liabilities	\$ 6,241,037	\$ 4,746,800	\$ 41,300	\$ 50,744	\$ 6,282,337	\$ 4,797,544
Long-term liabilities	87,112,850	88,378,997	-	-	87,112,850	88,378,997
Total liabilities	\$ 93,353,887	\$ 93,125,797	\$ 41,300	\$ 50,744	\$ 93,395,187	\$ 93,176,541
Deferred inflows of resources	\$ 1,983,742	\$ 3,052,851	\$ -	\$ -	\$ 1,983,742	\$ 3,052,851
Net Position						
Net investment in capital assets	\$ 18,607,609	\$ 17,669,406	\$ 35,526	\$ 8,169	\$ 18,643,135	\$ 17,677,575
Restricted	234,620	234,650	-	-	234,620	234,650
Unrestricted	(30,924,372)	(33,487,885)	364,101	263,085	(30,560,271)	(33,224,800)
Total net position	\$ (12,082,143)	\$ (15,583,829)	\$ 399,627	\$ 271,254	\$ (11,682,516)	\$ (15,312,575)

Net Position and Statement of Activities (Continued)

	Governmental Activities		Business-Type Activities		Total Activities	
	2024	2023	2024	2023	2024	2023
Program Revenues						
Charges for services	\$ 636,064	\$ 525,953	\$ 479,405	\$ 471,815	\$ 1,115,469	\$ 997,768
Operating grants and contributions	8,241,512	8,101,956	977,503	904,350	9,219,015	9,006,306
Total program revenues	8,877,576	8,627,909	1,456,908	1,376,165	10,334,484	10,004,074
General Revenues						
Taxes	31,542,595	30,069,461	-	-	31,542,595	30,069,461
General subsidies	5,590,881	5,055,049	-	-	5,590,881	5,055,049
Investment earnings	1,237,540	678,547	4,058	1,737	1,241,598	680,284
Rebates	84,884	-	-	-	84,884	-
Other local revenue	50,999	33,180	-	1,883	50,999	35,063
Total general revenues	38,506,899	35,836,237	4,058	3,620	38,510,957	35,839,857
Total Revenues	47,384,475	44,464,146	1,460,966	1,379,785	48,845,441	45,843,931
Total Expenses	43,882,789	40,140,364	1,332,593	1,280,945	45,215,382	41,421,309
Excess (deficiency) before transfers	3,501,686	4,323,782	128,373	98,840	3,630,059	4,422,622
Transfers	-	(108,307)	-	108,307	-	-
Changes in net position	3,501,686	4,215,475	128,373	207,147	3,630,059	4,422,622
Net Position - beginning	(15,583,829)	(19,799,304)	271,254	64,107	(15,312,575)	(19,735,197)
Net Position - ending	\$ (12,082,143)	\$ (15,583,829)	\$ 399,627	\$ 271,254	\$ (11,682,516)	\$ (15,312,575)

Fund Balances

The General Fund end the 2023-2024 fiscal year with a fund balance of \$11,156,500 which was an increase of \$1,960,605. This increase was due to an increase in assessed values which resulted in better than expected real estate tax, real estate transfer tax and earned income tax, as well as an unexpected increase in interest on investments.

The Cafeteria Fund continues to managed by Chartwells, with the 2023-2024 school year being the fifth year the management group oversaw the food service program. The cafeteria fund ended the 2023-2024 fiscal year with a \$128,373 increase in net position. There was no transfer from the general fund in the 2023-2024 fiscal year.

The Capital Projects Fund closed the year with a restricted fund balance of \$3,497,121 which is an decrease of \$4,343,264 from the 2022-2023 fiscal year. In 2022-2023 the district issued bonds in the amount of \$9,995,000 and invested \$5,006,903 in facility upgrades at the Yellow Breeches Middle School and the Boiling Springs High School. In 2023-2024 the district invested an additional \$5,091,903 for facility improvements at Boiling Springs High School.

	2024	2023	Change	% Change
General Fund, including Athletics	\$ 11,156,500	\$ 9,195,895	\$ 1,960,605	21.32%
Capital Projects Fund	3,497,121	7,840,385	(4,343,264)	-55.40%
Total Governmental Fund Balances	\$ 14,653,621	\$ 17,036,280	\$ (2,382,659)	-13.99%
		Budget	Actual	Difference
Total Revenues		\$ 45,388,748	\$ 46,781,783	\$ 1,393,035
Total Expenditures		44,368,712	43,810,958	557,754
Change in Fund Balances excluding Interfund Transfers		1,020,036	2,970,825	1,950,789
Interfund Transfers		(1,020,036)	(1,020,036)	-
Net Changes in Fund Balances		\$ -	\$ 1,950,789	\$ 1,950,789
General Fund Balance - June 30, 2023			<u>9,195,895</u>	
General Fund Balance - June 30, 2024			<u><u>\$ 11,146,684</u></u>	

Capital and Right-To-Use Assets

On June 30, 2024, the District recorded \$53,148,769 in Total Capital Assets, which represents an increase of \$3,731,716 from the previous fiscal year. This increase is a result of an investment in facilities and depreciation.

	2024	2023	Change
Governmental Activities			
Construction-in-progress	\$ 8,832,863	\$ 3,740,960	5,091,903
Land and site improvements	2,762,672	2,632,938	129,734
Buildings and improvements	39,312,150	41,056,926	(1,744,776)
Furniture and equipment	2,018,867	1,700,119	318,748
Right-to-use leased equipment	104,792	155,093	(50,301)
Right-to-use subscription assets	81,899	122,848	(40,949)
Total Governmental Capital Assets - Net	53,113,243	45,667,924	3,704,359
Business-Type Activities			
Total Business Capital Assets	35,526	8,169	27,357
Total Capital Assets - Net	\$ 53,148,769	\$ 45,676,093	\$ 3,731,716

Long-Term Liabilities

Bonds payable at June 30, 2024, were \$36,970,000 compared to \$38,365,000 at June 30, 2023. A total of \$1,395,000 of debt was paid off during the 2023-2024 fiscal year.

General Obligation Debt	2024	2023
Series of 2019	8,955,000	9,645,000
Series of 2020	8,815,000	9,490,000
Series of 2021	9,205,000	9,235,000
Series of 2023	9,995,000	9,995,000
Total Outstanding Debt	\$ 36,970,000	\$ 38,365,000

Reserve for compensated absences is reported under long-term liabilities. Under the terms of the District's employment policies, employees are reimbursed for accrued vacation upon retirement or other termination of employment. The reimbursement rate is established by the employment contracts/agreements and varies by employee classification. In addition, under the Pennsylvania School Code, employees are granted sick days annually, with unused sick days accumulating in subsequent years. Upon retirement from the District, employees are reimbursed based on their accumulated sick days, or a portion thereof, multiplied by an amount pre-established per the employment contracts/agreements. The total liability for accrued vacation and sick leave is reflected in the Statement of Net Position.

Factors Expected to Have an Effect on Future Operations

Pennsylvania's Act 1 of 2006 places limitations on the ability of the District to raise real estate taxes without voter approval. While this has not been a binding constraint to date, it may have long-term effects as the index is linked to a national salary index and a state salary index. Prior to June 30, 2012, the District had ten (10) Pennsylvania Department of Education approved, limited exceptions to increasing its real estate tax rate beyond the index. On June 30, 2011, the Governor of Pennsylvania signed into law legislation eliminating seven of the ten exceptions and further restricting the three remaining exceptions. The Act 1 Index will limit the District, without state approved exceptions, to raise taxes at a maximum of 4.7% for the 2025-2026 fiscal year. The District raised taxes for the 2024-2025 fiscal year by 5.3%, which was the maximum amount allowed by the Act 1 index.

The District's agreement with the bargaining unit (South Middleton Education Association) for District teaching professionals will expire on June 30, 2029. The agreement includes a spousal exclusion to medical and prescription drug benefits clause, which is expected to save the district throughout the duration of the agreement. The agreement began July 1, 2024 through June 30, 2029. The district has continued to offer within the contract was the implementation of a Qualified High Deductible Health Plan (QHDHP), in correlation with a District-funded Health Savings Account, that will help to control rising insurance premium costs.

Factors Expected to Have an Effect on Future Operations

The District Act 93 team and support staff have compensation and benefit plans in place through the June 30, 2027. A new compensation plan was approved by the Board of School Directors in December of 2022. This plan will be in effect from July 1, 2023 through June 30, 2027. Like the SMEA contract, these compensation and benefits plans include the QHDHP, in correlation with a District-funded Health Savings Account, this has helped to contain district expenditures.

In June 2018, the Board approved the use of ESS, a staffing agency that provides custodial and classroom aide services to schools. In February 2019, that contract was awarded to ABM to provide custodial services for the District. This agreement has helped, and will continue to help, control salary and benefit costs for the District in upcoming budgets.

Contacting the District's Financial Management

The District's Financial Report is intended to provide the readers with a general overview of the District's finances and to show the Board's accountability for the funds it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office of the South Middleton School District, at 4 Academy Street, Suite 100, Boiling Springs, PA 17007.

SOUTH MIDDLETON SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,584,075	\$ 365,913	\$ 2,949,988
Investments	15,202,503	-	15,202,503
Internal balances	-	-	-
Receivables	3,421,066	16,177	3,437,243
Inventories	-	23,311	23,311
Prepaid expenditures	8,246	-	8,246
Capital and right-to-use assets			
Construction-in-progress	8,832,863	-	8,832,863
Other capital and right-to-use assets, net of depreciation/amortization	44,280,380	35,526	44,315,906
Total capital assets	53,113,243	35,526	53,148,769
Total assets	\$ 74,329,133	\$ 440,927	\$ 74,770,060
Deferred Outflows of Resources			
Deferred amounts on pension liability	\$ 8,053,000	\$ -	\$ 8,053,000
Deferred amounts on OPEB liabilities	873,353	-	873,353
Total deferred outflows of resources	\$ 8,926,353	\$ -	\$ 8,926,353
Liabilities			
Accounts payable and accrued expenses	\$ 5,963,083	\$ 15,734	\$ 5,978,817
Unearned revenues	277,954	25,566	303,520
Long-term obligations			
Due within one year	1,547,035	-	1,547,035
Due in more than one year	37,117,491	-	37,117,491
Net pension liability	44,575,000	-	44,575,000
OPEB liabilities	3,873,324	-	3,873,324
Total long-term liabilities	87,112,850	-	87,112,850
Total liabilities	\$ 93,353,887	\$ 41,300	\$ 93,395,187
Deferred Inflows of Resources			
Deferred amounts on pension liability	\$ 610,000	\$ -	\$ 610,000
Deferred amounts on OPEB liabilities	1,258,517	-	1,258,517
Deferred amounts on refunding debt	115,225	-	115,225
Total deferred inflows of resources	\$ 1,983,742	\$ -	\$ 1,983,742
Net Position			
Net investment in capital assets	\$ 18,607,609	\$ 35,526	\$ 18,643,135
Restricted	234,620	-	234,620
Unrestricted	(30,924,372)	364,101	(30,560,271)
Total net position	\$ (12,082,143)	\$ 399,627	\$ (11,682,516)

See Notes Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue 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	\$ 27,705,907	\$ 323,063	\$ 6,618,294	\$ -	\$ (20,764,550)	\$ -	\$ (20,764,550)
Instructional student support	3,990,213	-	451,673	-	(3,538,540)	-	(3,538,540)
Administration and financial support	3,766,612	-	389,546	-	(3,377,066)	-	(3,377,066)
Operation and maintenance of plant services	3,947,874	15,750	100,839	-	(3,831,285)	-	(3,831,285)
Pupil transportation	2,086,837	-	545,611	-	(1,541,226)	-	(1,541,226)
Student activities	1,327,725	297,251	135,549	-	(894,925)	-	(894,925)
Interest on long-term debt	1,057,621	-	-	-	(1,057,621)	-	(1,057,621)
Total governmental activities	43,882,789	636,064	8,241,512	-	(35,005,213)	-	(35,005,213)
Business-Type activities:							
Food service	1,332,593	479,405	977,503	-	-	124,315	124,315
Total School District	\$ 45,215,382	\$ 1,115,469	\$ 9,219,015	\$ -	\$ (35,005,213)	\$ 124,315	\$ (34,880,898)
General Revenues and Transfers:							
Property taxes levied for general purposes, net					\$ 24,384,206	\$ -	\$ 24,384,206
Public utility, realty transfer, earned income and other taxes for general purposes, net					7,158,389	-	7,158,389
Grants, subsidies and contributions not restricted					5,590,881	-	5,590,881
Investment earnings					1,237,540	4,058	1,241,598
Miscellaneous income					50,999	-	50,999
Rebates					84,884	-	84,884
Total general revenues and transfers					38,506,899	4,058	38,510,957
Changes in net position					3,501,686	128,373	3,630,059
Net Position - July 1, 2023					(15,583,829)	271,254	(15,312,575)
Net Position - June 30, 2024					\$ (12,082,143)	\$ 399,627	\$ (11,682,516)

See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2024

	General Fund	Capital Projects Fund	Student Sponsored Activity Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,298,985	\$ 46,158	\$ 238,932	\$ 2,584,075
Investments	11,146,558	4,055,945	-	15,202,503
Due from other governments	1,721,843	-	-	1,721,843
Taxes receivable - net	1,328,705	-	-	1,328,705
Other receivables	370,518	-	-	370,518
Prepaid expenditures	8,246	-	-	8,246
Total assets	\$ 16,874,855	\$ 4,102,103	\$ 238,932	\$ 21,215,890
Liabilities				
Accounts payable	\$ 694,517	\$ 604,982	\$ 4,312	\$ 1,303,811
Due to other governments	276,258	-	-	276,258
Accrued salaries and benefits	4,014,270	-	-	4,014,270
Payroll deductions and withholdings	189,454	-	-	189,454
Unearned revenues	277,954	-	-	277,954
Total liabilities	5,452,453	604,982	4,312	6,061,747
Deferred Inflows of Resources				
Delinquent property taxes	265,902	-	-	265,902
Fund Balances				
Non-spendable fund balance for:				
Prepaid expenditures	8,246	-	-	8,246
Restricted fund balance for:				
Capital projects	-	3,497,121	234,620	3,731,741
Assigned fund balance for:				
Future technology, facility and curricular expenses	4,741,114	-	-	4,741,114
Committed fund balance for:				
Future retirement and health care obligations	3,000,000	-	-	3,000,000
Unassigned	3,407,140	-	-	3,407,140
Total fund balances	11,156,500	3,497,121	234,620	14,888,241
Total liabilities, deferred inflows of resources and fund balances	\$ 16,874,855	\$ 4,102,103	\$ 238,932	\$ 21,215,890

See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2024

Total Fund Balances - Governmental Funds \$ 14,888,241

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

Capital and right-to-use assets used in governmental activities are not financial resources, and therefore, they are not reported as assets in governmental funds. The cost of capital assets is \$96,322,104, and the accumulated depreciation/amortization is \$43,208,861. 53,113,243

Property taxes receivable will be collected this year, but they are not available soon enough to pay for the current period's expenditures and, therefore, they are deferred inflow of resources in the funds. 265,902

The difference between the reacquisition price and the net carrying amount of the refunded debt is a deferred inflow of resources, which is not reported in the funds. (115,225)

Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote for detail):

Deferred outflows	8,053,000
Deferred inflows	(610,000)

Deferred inflows and outflows or resources related to OPEB are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote for detail):

Deferred outflows	873,353
Deferred inflows	(1,258,517)

Long-term liabilities, including bonds payable, net pension liability, compensated absences and other post-employment benefit liabilities, are not due and payable in the current period and, therefore, they are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable, net of related discounts and premiums	(37,696,536)	
Accrued interest	(179,290)	
Leases payable	(109,116)	
Subscriptions payable	(81,881)	
Compensated absences	(776,993)	
Net pension liability	(44,575,000)	
OPEB liabilities	(3,873,324)	(87,292,140)

Total net deficit - governmental activities \$ (12,082,143)

See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

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

Year Ended June 30, 2024

	General Fund	Capital Projects Fund	Student Sponsored Activity Fund	Total Governmental Funds
Revenues				
Local sources	\$ 33,345,841	\$ 376,428	\$ 235,873	\$ 33,958,142
State sources	12,199,871	-	-	12,199,871
Federal sources	1,236,071	-	-	1,236,071
Total revenues	46,781,783	376,428	235,873	47,394,084
Expenditures				
Instructional	26,631,244	-	-	26,631,244
Support services	13,073,506	-	-	13,073,506
Operation of noninstructional services	1,038,052	-	235,903	1,273,955
Capital outlay	415,944	5,739,728	-	6,155,672
Debt service				
Principal	1,484,668	-	-	1,484,668
Interest	1,167,544	-	-	1,167,544
Total expenditures	43,810,958	5,739,728	235,903	49,786,589
Excess (deficiency) of revenues over expenditures	2,970,825	(5,363,300)	(30)	(2,392,505)
Other Financing Sources (Uses)				
Interfund transfers in	-	1,020,036	-	1,020,036
Interfund transfers out	(1,020,036)	-	-	(1,020,036)
Proceeds from sale of assets	9,816	-	-	9,816
Total other financing sources (uses)	(1,010,220)	1,020,036	-	9,816
Net changes in fund balances	1,960,605	(4,343,264)	(30)	(2,382,689)
Fund Balances - July 1, 2023	9,195,895	7,840,385	234,650	17,270,930
Fund Balances - June 30, 2024	\$ 11,156,500	\$ 3,497,121	\$ 234,620	\$ 14,888,241

See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

Net change in fund balances - governmental funds	\$ (2,382,689)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation/amortization expense. This is the amount by which capital outlays exceed depreciation/amortization expense in the period.

Capital outlays	5,988,433	
Less depreciation/amortization expense	(2,284,074)	3,704,359

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

(19,427)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the Statement of Activities over the amount due is shown here.

17,482

Governmental funds report District pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.

District pension and OPEB contributions (PSERS)	5,416,000	
Cost of benefits earned net of employee contributions (PSERS)	(4,740,900)	

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, they are not reported as expenditures in the governmental funds.

Change in compensated absences	(33,603)	
Change in other post-employment benefits (District's plan)	(36,645)	

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term debt	1,395,000	
Amortization of charges for bond refundings	8,632	
Amortization of bond premiums and discounts - net	83,809	
Repayment of subscription payable	39,663	
Repayment of lease payable	50,005	1,577,109

Changes in net position of governmental activities	<u>\$ 3,501,686</u>
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See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 32,486,606	\$ 32,486,606	\$ 33,345,841	\$ 859,235
State sources	11,712,035	11,712,035	12,199,871	487,836
Federal sources	1,190,107	1,190,107	1,236,071	45,964
Total revenues	45,388,748	45,388,748	46,781,783	1,393,035
Expenditures				
Instructional	27,353,071	27,381,668	26,631,244	750,424
Support services	13,257,413	13,186,113	13,073,506	112,607
Operation of noninstructional services	1,026,080	1,026,080	1,038,052	(11,972)
Capital Outlay	132,362	132,362	415,944	(283,582)
Debt service	2,599,786	2,642,489	2,652,212	(9,723)
Total expenditures	44,368,712	44,368,712	43,810,958	557,754
Excess of revenues over expenditures	1,020,036	1,020,036	2,970,825	1,950,789
Other Financing Uses				
Interfund transfers out	(1,020,036)	(1,020,036)	(1,020,036)	-
Proceeds from sale of assets	-	-	9,816	-
Total other financing uses	(1,020,036)	(1,020,036)	(1,010,220)	-
Net changes in fund balance	\$ -	\$ -	1,960,605	\$ 1,950,789
Fund Balances - July 1, 2023			9,195,895	
Fund Balances - June 30, 2024			<u>\$ 11,156,500</u>	

See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE

June 30, 2024

Assets	
Cash and cash equivalents	\$ 365,913
Receivables	
Other	16,177
Inventories	23,311
Other capital assets, net of depreciation	35,526
Total assets	<u>\$ 440,927</u>
Liabilities	
Accounts payable	\$ 15,734
Unearned revenues	25,566
Total liabilities	<u>\$ 41,300</u>
Net Position	
Net investment in capital assets	\$ 35,526
Unrestricted	364,101
Total net position	<u>\$ 399,627</u>

See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2024**

<hr/>	
Operating Revenues	
Food service revenue	\$ 479,405
Total operating revenues	<u>479,405</u>
Operating Expenses	
Food service management	1,152,887
Food and supplies	176,862
Depreciation	2,844
Total operating expenses	<u>1,332,593</u>
Operating loss	(853,188)
Nonoperating Revenues	
Investment earnings	4,057
State sources	135,855
Federal sources	841,649
Total nonoperating revenues	<u>981,561</u>
Changes in net position	128,373
Net Position - July 1, 2023	<u>271,254</u>
Net Position - June 30, 2024	<u><u>\$ 399,627</u></u>

See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2024**

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 476,265
Cash payments for goods and services	(1,093,488)
Net cash used in operating activities	<u>(617,223)</u>
Cash Flows From Noncapital Financing Activities	
State sources	138,130
Federal sources	677,261
Net cash provided by noncapital financing activities	<u>815,391</u>
Cash Flows From Capital and Related Financing Activities	
Capital outlay	<u>(30,201)</u>
Cash Flows From Investing Activities	
Investment earnings	<u>4,057</u>
Net increase in cash and cash equivalents	172,024
Cash and Cash Equivalents:	
July 1, 2023	193,889
June 30, 2024	<u>\$ 365,913</u>

(Continued)

SOUTH MIDDLETON SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE (Continued)
Year Ended June 30, 2024**

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (853,188)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,844
Value of donated commodities used	175,343
Changes in assets and liabilities:	
Increase in:	
Other accounts receivable	(12,081)
Inventories	(8,509)
(Decrease) increase in:	
Accounts payable	(6,304)
Internal balances	87,812
Unearned revenues	(3,140)
Net cash used in operating activities	<u><u>\$ (617,223)</u></u>
Supplemental Disclosure	
Noncash noncapital financing activity	
USDA donated commodities	<u><u>\$ 175,343</u></u>

See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2024

	Private-Purpose Trust Fund
<hr/>	
Assets	
Cash and cash equivalents	\$ 257,224
Total assets	<u><u>\$ 257,224</u></u>
Net Position	
Held in trust for private purposes	\$ 257,224
Total net position	<u><u>\$ 257,224</u></u>

See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PRIVATE-PURPOSE TRUST FUND
Year Ended June 30, 2024**

Additions	
Contributions	<u>\$ 14,650</u>
Deductions	
Scholarships and awards	<u>11,583</u>
Changes in net position	3,067
Net Position - July 1, 2023	<u>254,157</u>
Net Position - June 30, 2024	<u><u>\$ 257,224</u></u>

See Notes to Financial Statements.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The South Middleton School District (the District) operates two elementary schools, one middle school and one high school in Boiling Springs, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The District operates under a locally elected, nine member Board form of government.

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

A. Reporting Entity

The South Middleton School District's financial statements include the operations of all entities for which the Board exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The South Middleton School District is the lowest level of government which has oversight responsibility and control over all activities related to public school education in the Commonwealth of Pennsylvania. The District receives funding from local, state and Federal government sources and must comply with the requirements of these source entities. The District is affiliated with the Cumberland/Perry Area Vocational-Technical School and twelve member school districts. The District is also affiliated with the Harrisburg Area Community College (HACC). The member school districts participate in providing oversight responsibility to the Cumberland/Perry Area Vocational-Technical School and HACC through the following:

- Appointment of Board members who are also Board members of the participating schools
- Approval and funding of operating budgets

Despite the foregoing, the overriding issue is that the volume of participating school districts does not permit South Middleton School District to exercise "significant influence" over the operations of the Cumberland/Perry Area Vocational-Technical School and HACC, and the latter entities are not considered "component units of the South Middleton School District in determining the "reporting entity."

B. Joint Ventures

The District is a participant in four joint venture organizations, each of which is a separate legal entity that offers services to the District and its residents. Each entity serves several school districts and/or municipalities and therefore are not included in this reporting entity. These entities do not have taxing power, but are required to adopt an annual budget, which is funded primarily by its member school districts or others that use its services. Complete financial statements for these entities can be obtained from their respective administrative offices.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Joint Ventures (Continued)

Capital Area Intermediate Unit provides special education services and programs. The amount paid for these services during the year ended June 30, 2024, was approximately \$399,896.

Cumberland Perry Area Career & Technical Center provides vocational and technical education services and programs. The amount paid for these services during the year ended June 30, 2024, was approximately \$466,928.

Harrisburg Area Community College provides community college education services and programs. The amounts paid for these services during the year ended June 30, 2024, was approximately \$86,238.

Cumberland County Tax Bureau provides earned income tax collections services. The amount paid for these services during the year ended June 30, 2024, was approximately \$103,954.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been mostly removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided in the report for all of the governmental, proprietary and fiduciary funds of the School District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements. Non-major individual governmental funds are also reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from federal, state and other grants designated for payment of specific expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures are generally recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payments are due.

When both restricted and unrestricted (including committed, assigned and unassigned) resources are available for use, it is the District's policy to use the resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed.

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable, financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be in another fund. Revenues are primarily derived from local property, earned income and state and federal distributions. Many of the more important activities of the District, including instruction, administration of the District and certain non-instructional services are accounted for in this General Fund.

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District operates one enterprise fund, the Food Service Fund. This fund accounts for the activities of the District's food-service program.

The Student Sponsored Activity Fund is set up in accordance with Section 511 of the PA School Code for student sponsored school organizations and publications which do not meet the criteria to be reported as custodial funds per GASB Statement No. 84 Fiduciary Activities.

Proprietary funds 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 the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include food production costs, supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

The District does not attempt to allocate "building-wide costs" to the Food Service Fund. Thus, General Fund expenditures, which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.), are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The District accounts for assets held by the District in a trustee capacity in a private-purpose trust fund. This fund accounts for activities in the various scholarship accounts, the sole purpose of which is to provide annual scholarships to particular students as prescribed by donor stipulations.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budget and Budgetary Accounting

An operating budget is adopted on the modified accrual basis of accounting for the General Fund prior to the beginning of each fiscal year. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates the following specific procedures relative to the adoption of the District's budget and reporting of its financial statements:

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

The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

The District must include in the aforementioned advertisement notification that public hearings will be held on the proposed operating budget; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effects of approved budget amendments.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Cash Equivalents: The District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are carried out at fair value or at amortized cost, depending on the investment type, consistent with generally accepted accounting principles.

Allowances for Estimated Uncollectible Taxes and Unearned Revenues: The allowance for estimated uncollectible taxes is based upon a historical estimate of delinquent taxes that will not be received within one year of the fiscal year end. Delinquent property taxes in the deferred inflows section are based upon a historical estimate of delinquent taxes expected to be received within one year of the fiscal year end.

The portion of taxes receivable which is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of taxes receivable which is expected to be received within one year from June 30 is recorded as delinquent property taxes in the deferred inflows section. All other amounts in taxes receivable are written off as estimated uncollectible taxes.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

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

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2024. The inventory consisted of government donated commodities which were valued at their estimated fair market values, and purchased commodities and supplies, both of which were valued at cost using the FIFO method.

Capital Assets and Depreciation: Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at the discretion of management, unless the assets are acquired by debt proceeds, in which case the assets are required to be capitalized. Management considers various factors in the capitalization of assets, including the asset's estimated useful lives, costs and the extents to which the assets are parts of larger capital projects. The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend assets' useful lives are not capitalized. The District's policy is to capitalize all individual assets with a purchase value of \$5,000 or greater.

Depreciation is provided for fixed assets on the straight-line basis over the estimated useful lives of the assets or groups of assets as determined by management.

Deferred Outflows of Resources - Pension and Other Post-Employment Benefits: The District recognizes deferred outflows of resources, which represent a consumption of net assets that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has identified these items in subsequent notes to the financial statements.

Deferred Outflows of Resources - Deferred Amounts on Refunding Debt: The District recognizes the difference between the reacquisition price and the net carrying amount of the old debt as a deferred outflow and recognizes it as a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Long-Term Obligations: In the government-wide financial statements, and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as “other financing sources” while discounts on debt issuances are reported as “other financing uses.” Issuance costs, whether or not withheld from the debt proceeds received, are reported as debt service expenditures.

Lease and Subscription Based Information Technology Arrangement (SBITA) Liabilities: The District enters into non-cancellable arrangements for the leasing of buildings and equipment and for subscription based information technology. A liability and an intangible right-to-use asset is recognized in the government-wide financial statements. Lease and SBITA that are significant, either individually or in the aggregate, are recognized.

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

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected payments to present value, (2) contract term and (3) contract payments. The District uses the interest rate charged by the lessor as the discount rate for leases, if provided. When the interest rate charged is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases and SBITA liabilities.

The term includes the non-cancellable period of the lease or SBITA. Payments included in the measurement of the liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Right of use assets are reported with other capital assets and lease and SBITA liabilities are reported with long-term debt on the statement of net position.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Compensated Absences: Under the system of financial accounting and reporting for Pennsylvania School Systems, the District accrues certain accumulated employee benefits, such as unpaid vacation and sick pay. The calculation of this amount is determined by the appropriate vacation, sick and retirement lump-sum payments, adjusted for expected employee-turnover, which would be available to employees if they were to leave or retire from the District. Accrued benefit days, multiplied by appropriate salaries, are reflected as a long-term liability unless retirements are likely within the ensuing fiscal year. Costs determined to be current year costs are reflected as a liability of the General Fund.

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

Other Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation, which is funded through the District's contribution to the statewide Public School Employees' Retirement System (PSERS), a governmental, cost sharing, multiple employer defined-benefit pension plan. The District provides access to health and dental care benefits, including prescription drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

The District also participates in a governmental cost sharing, multiple employer other post-employment benefit plan (OPEB) with PSERS for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Other Post-Employment Benefits (Continued):

The balance of the District's OPEB liabilities and related deferred outflows/inflows of resources at June 30, 2024, are as follows:

	Governmental Activities
<hr/>	
OPEB Liabilities	
District's Single Employer Plan	\$ 2,055,324
PSERS Cost Sharing Plan	1,818,000
Total	<u>\$ 3,873,324</u>
Deferred Outflows of Resources	
District's Single Employer Plan	\$ 524,353
PSERS Cost Sharing Plan	349,000
Total	<u>\$ 873,353</u>
Deferred Inflows of Resources	
District's Single Employer Plan	\$ 835,517
PSERS Cost Sharing Plan	423,000
Total	<u>\$ 1,258,517</u>

Additional disclosures related to other post-employment benefits of the District's Single Employer Plan and PSERS Cost Sharing Plan are in Notes 9 and 10, respectively.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

Deferred Inflows of Resources - Pension and Other Post-Employment Benefits: The District recognizes deferred inflows of resources, which represent an acquisition of net assets that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has identified these items in subsequent notes to the financial statements.

Deferred Inflows of Resources - Unearned Revenues: The District recognizes the property tax revenues when they become available. Available includes those property tax receivables expected to be collected within sixty days after the year end. Those property tax receivables expected to be collected after sixty days after year end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Interfund Activity: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various due from and due to accounts. Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are indicated on the Statement of Net Position as internal balances.

Net Position and Fund Balance Classification

Government-Wide Statements - Equity is classified as Net Position and displayed in three components:

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted: Consists restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Net Position is restricted because (1) constraints or limits are externally imposed by creditors, grantors, contributors or laws and regulations by another government, or by (2) constitutional provisions or enabling legislation.

Unrestricted: All other Net Position that does not meet the definition of “Restricted” or “Net investment in capital assets.”

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Fund Balance:

The District's fund balance classifications are defined and described as follows:

Non-spendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board, the District's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purpose through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. Through board policy, the Board has delegated the authority to express intent to the District's Business Manager.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the general fund.

The District has a board policy which prescribes fund balance guidelines. The District will strive to maintain an assigned and unassigned General Fund balance of not less than 5 % and not more than 8 % of the budgeted expenditures for that year.

G. New Accounting Pronouncements

The following list reflects only those pronouncements initially effective in the current or upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

The following are descriptions of significant pronouncements that were considered or initially selected during the year ended June 30, 2024:

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

G. New Accounting Pronouncements (Continued)

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent fiscal years, with modified effective dates as established by GASB Statement No. 95:

GASB Statement No. 101, *Compensated Absences*, will be effective for the District beginning with its year ending June 30, 2025, (fiscal years beginning after December 15, 2023). This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for the District beginning with its year ending June 30, 2025 (fiscal year beginning after June 15, 2024). This Statement establishes financial reporting requirements to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the District beginning with its year ending June 30, 2026 (fiscal years beginning after June 15, 2025). This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement addresses requirements relating to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, major component unit information and budgetary comparison information.

The effects of implementation of these standards have not yet been determined.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Other

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 14, 2024, the date that the financial statements were available to be issued.

Note 2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
 3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are insured, and for any amounts above maximum insurable limits, provided that approved collateral, as provided by law, shall be pledged by the depository.
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policy of the District adheres to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the District.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank default, the District's investments may not be returned to it. A summary of the District's deposits as of June 30, 2024, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	M&T Bank
Insured (FDIC)	250,000	250,000	F&M Trust
Uninsured, collateralized in accordance with Act 72	2,294,891	2,467,488	M&T Bank
Uninsured, collateralized in accordance with Act 72	385,559	1,005,463	F&M Trust
	<u>\$ 3,180,450</u>	<u>\$ 3,972,951</u>	

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

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

Investments	Weighted Avg. Maturities	Credit Rating	Carrying Value
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
PSDMAX	52 days	AAAm	\$ 26,763
Pennsylvania Local Government Investment Trust (PLGIT)			
PLGIT - Class Shares	99 days	AAAm	1,035,432
PLGIT - PRIME	83 days	AAAm	12,103,980
Pennsylvania Treasurer's INVEST Daily Program	39 days	AAAm	2,063,094
			\$ 15,229,269

Portfolio Assets

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDMAX, PLGIT and Pennsylvania Treasurer's INVEST Daily Program, at amortized cost.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

The Pennsylvania Local Government Investment Trust (PLGIT) is a 2a7-like pool. The amortized cost, which approximates the fair value of the pool, is determined by the pool's share price. The District's investments in the PLGIT account are subject to a one-day holding period. The PLGIT Class Shares are a flexible option which requires no minimum balance, no minimum initial investment, and pays dividends monthly. The PLGIT/Reserve-Class Shares is an option which requires a minimum investment of \$50,000 and limits redemptions or exchanges to two per calendar month with dividends being paid monthly. The PLGIT/PRIME investment option is a variable rate investment portfolio which requires no minimum balance and no minimum initial investments with redemptions or exchanges limited to two per calendar month. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP, an independently elected public official.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Portfolio Assets (Continued)

Pennsylvania Treasurer's INVEST Daily Program is administered by the Pennsylvania Treasury Department. The funds are invested by INVEST directly in a portfolio of securities which is held by a third-party custodian. INVEST pools are invested in high-quality, short-term securities denominated in U.S. dollars. These investments generally consist of: (1) direct obligations issued by, or obligations that are fully guaranteed as to principal and interest by, the U.S. government, its agencies or instrumentalities; (2) repurchase agreements backed by such securities; (3) Certificates of Deposit; and (4) other money market funds with AAAM ratings. INVEST is acting in a fiduciary capacity for the District and recognizes the District as the pledgee of the collateral securities, these deposits are considered to be held by the agent in the District's name. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Presently, the investments currently held by the District are valued at amortized cost and are not subject to the fair value categorization disclosures.

Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar-size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Interest-Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Credit Risk

As previously indicated, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments in PLGIT represent 86% of the District's total investments.

Note 3. Taxes Receivable, Estimated Uncollectible Taxes and Deferred Inflows of Resources

A summary of the taxes receivable and related accounts at June 30, 2024, is as follows:

	Amount
Uncollected taxes	\$ 1,329,601
Estimated uncollectible taxes	<u>(896)</u>
Taxes Receivable - Net	<u>\$ 1,328,705</u>
Taxes to be collected within 60 days	\$ 1,062,803
Deferred inflows of resources - delinquent property taxes	<u>265,902</u>
Taxes Receivable - Net	<u>\$ 1,328,705</u>

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 4. Property Taxes

Based upon assessed valuations, the municipal tax collector bills and collects property taxes on behalf of the District. The schedule for property taxes levied for 2023-2024 is as follows:

July 1, 2023	Tax Levy Date
Through August 31, 2023	2% Discount
Through October 31, 2023	Face Payment Period
November 1, 2023	10% Penalty Period
January 1, 2024	Interim Tax Levy Date

The District's tax rate for all purposes in 2023-2024 was 12.3022 mills (\$12.3022 per \$1,000 assessed valuation). Refunds on payments of prior year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania's accounting system. Current tax collections for the District were approximately 99% of the total tax levy.

Note 5. Interfund Accounts

There were no individual fund receivable and payable balances at June 30, 2024.

Operating transfers between funds at June 30, 2024, are as follows:

	Transfers in	Transfers out
Governmental Funds		
General fund	\$ -	\$ 1,020,036
Capital projects fund	1,020,036	-
	<u>\$ 1,020,036</u>	<u>\$ 1,020,036</u>

Transfers and payments within the District are substantially for purposes of subsidizing operating functions or funding capital projects and asset acquisitions. Resources are accumulated in funds to support and simplify the administration of various projects or programs.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital and Right-To-Use Assets

Asset activity for the year ended June 30, 2024, was as follows:

	July 1, 2023	Increases	Decreases	June 30, 2024
Governmental Activities				
Capital assets not being depreciated				
Construction-in-progress	\$ 3,740,960	\$ 5,091,903	\$ -	\$ 8,832,863
Total capital assets not being depreciated	<u>3,740,960</u>	<u>5,091,903</u>	<u>-</u>	<u>8,832,863</u>
Capital and right-to-use assets being depreciated/amortized				
Land and site improvements	5,572,559	266,053	-	5,838,612
Buildings and building improvements	72,850,054	-	-	72,850,054
Furniture and equipment	7,754,798	630,477	-	8,385,275
Right-to-use leased equipment	251,503	-	-	251,503
Right-to-use subscription assets	163,797	-	-	163,797
Total capital and right-to-use assets being depreciated/amortized	<u>86,592,711</u>	<u>896,530</u>	<u>-</u>	<u>87,489,241</u>
Less accumulated depreciation				
Land and site improvements	(2,939,621)	(136,319)	-	(3,075,940)
Buildings and building improvements	(31,793,128)	(1,744,776)	-	(33,537,904)
Furniture and equipment	(6,054,679)	(311,729)	-	(6,366,408)
Less accumulated amortization				
Right-to-use leased equipment	(96,410)	(50,301)	-	(146,711)
Right-to-use subscription assets	(40,949)	(40,949)	-	(81,898)
Total accumulated depreciation and amortization	<u>(40,924,787)</u>	<u>(2,284,074)</u>	<u>-</u>	<u>(43,208,861)</u>
Total capital assets being depreciated/amortized - net	<u>45,667,924</u>	<u>(1,387,544)</u>	<u>-</u>	<u>44,280,380</u>
Total Governmental Activities, Capital Assets - Net	<u>\$ 49,408,884</u>	<u>\$ 3,704,359</u>	<u>\$ -</u>	<u>\$ 53,113,243</u>
Business-Type Activities				
Furniture and equipment	\$ 516,229	\$ 30,201	\$ -	\$ 546,430
Less accumulated depreciation				
Furniture and equipment	(508,060)	(2,844)	-	(510,904)
Business-Type Activities, Capital Assets - Net	<u>\$ 8,169</u>	<u>\$ 27,357</u>	<u>\$ -</u>	<u>\$ 35,526</u>

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital and Right-To-Use Assets (Continued)

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

	Amount
Governmental Activities	
Instruction	\$ 1,593,902
Instructional student support	261,279
Administration and financial support	252,388
Operation and maintenance of plant services	87,482
Student activities	68,302
Transportation	20,721
Total Governmental Activities	<u>2,284,074</u>
Business-Type Activities	
Food service	2,844
Total School District	<u>\$ 2,286,918</u>

Note 7. Long-Term Obligations

During the fiscal year ended June 30, 2024, long-term obligations changed as follows:

	July 1, 2023	Increases	Decreases	June 30, 2024	Due within one year
General Obligation Bonds					
Series of 2019	\$ 9,645,000	\$ -	\$ (690,000)	\$ 8,955,000	\$ 715,000
Series of 2020	9,490,000	-	(675,000)	8,815,000	705,000
Series of 2021	9,235,000	-	(30,000)	9,205,000	30,000
Series of 2023	9,995,000	-	-	9,995,000	5,000
Total General Obligation Bonds	<u>38,365,000</u>	-	(1,395,000)	36,970,000	1,455,000
Unamortized bond premiums/(discounts)	810,344	-	(83,808)	726,536	-
Total Long-Term Debt	<u>39,175,344</u>	-	(1,478,808)	37,696,536	1,455,000
Other Long-Term Obligations					
Leases payable	159,121	-	(50,005)	109,116	51,526
Subscriptions payable	121,544	-	(39,663)	81,881	40,509
Compensated absences	743,390	33,603	-	776,993	-
Total Other Long-Term Obligations	<u>1,024,055</u>	<u>33,603</u>	<u>(89,668)</u>	<u>967,990</u>	<u>92,035</u>
Total Long-Term Obligations	<u>\$ 40,199,399</u>	<u>\$ 33,603</u>	<u>\$ (1,568,476)</u>	<u>\$ 38,664,526</u>	<u>\$ 1,547,035</u>

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

General Obligation Bonds - Series of 2014 - During fiscal year 2013-14, the Board of the South Middleton School District issued General Obligation Bonds, Series of 2014 in the aggregate principal amount of \$9,995,000. The proceeds of the bonds were used to: (1) finance various capital projects of the District and (2) pay all costs of issuance of the 2014 Bonds. The bonds bear interest semi-annually with rates ranging from 2.00% to 3.50%. The bonds mature serially in amounts ranging from \$5,000 to \$925,000 through September 1, 2034. During fiscal year 2018-19, this bond was partially refunded with the Series of 2019 issuance.

General Obligation Bonds - Series of 2015 - During fiscal year 2014-15, the Board of the South Middleton School District issued General Obligation Bonds, Series of 2015 in the aggregate principal amount of \$9,995,000. The proceeds of the bonds were used to: (1) finance various capital projects of the District and (2) pay all costs of issuance of the 2015 Bonds. The bonds bear interest semi-annually with rates ranging from 2.00% to 2.75%. The bonds mature serially in amounts ranging from \$5,000 to \$955,000 through September 1, 2034. During fiscal year 2019-20, this bond was partially refunded with the Series of 2020 issuance.

General Obligation Bonds - Series B of 2016 - During fiscal year 2015-16, the Board of the South Middleton School District issued General Obligation Bonds, Series B of 2016 in the aggregate principal amount of \$12,405,000. The proceeds of the bonds were used to: (1) refund the District's outstanding General Obligation Bonds, Series of 2011 and (2) pay all costs of issuance of the Series B of 2016 Bond. The economic gain on the refunding of the 2011 bonds was \$433,921. The bonds bear interest semi-annually with rates ranging from 0.62% to 5.00%. The bonds mature serially in amounts ranging from \$805,000 to \$2,420,000 through October 1, 2021.

General Obligation Bonds - Series of 2019 - During fiscal year 2018-19, the Board of the South Middleton School District issued General Obligation Bonds, Series of 2019 in the aggregate principal amount of \$9,745,000. The proceeds of the bonds were used to: (1) currently refunding a portion of the District's outstanding General Obligation Bonds, Series of 2014, (2) funding capital projects of the District and (3) paying the costs of issuing the bonds. The economic gain on the refunding of the 2014 bonds was \$300,124. The bonds bear interest semi-annually with rates ranging from 2.00% to 4.00%. The bonds mature serially in amounts ranging from \$35,000 to \$925,000 through September 1, 2034.

General Obligation Bonds - Series of 2020 - During fiscal year 2019-20, the Board of the South Middleton School District issued General Obligation Bonds, Series of 2020 in the aggregate principal amount of \$9,705,000. The proceeds of the bonds were used to: (1) currently refunding a portion of the District's outstanding General Obligation Bonds, Series of 2015, (2) funding capital projects of the District and (3) paying the costs of issuing the bonds. The economic gain on the refunding of the 2015 bonds was \$292,943. The bonds bear interest semi-annually with rates ranging from 1.00% to 4.00%. The bonds mature serially in amounts ranging from \$5,000 to \$890,000 through September 1, 2034.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

General Obligation Bonds - Series of 2021 - During fiscal year 2020-21, the Board of the South Middleton School District issued General Obligation Bonds, Series of 2021 in the aggregate principal amount of \$9,265,000. The proceeds of the bonds were used to: (1) currently refunding a portion of the District's outstanding General Obligation Bonds, Series of 2016A, (2) funding capital projects of the District and (3) paying the costs of issuing the bonds. The economic gain on the refunding of the 2016A bonds was \$330,007. The bonds bear interest semi-annually with rates ranging from 1.00% to 3.00%. The bonds mature serially in amounts ranging from \$5,000 to \$1,875,000 through September 1, 2040.

General Obligation Bonds - Series of 2023 - During fiscal year 2022-23, the Board the South Middleton School District issued General Obligation Bonds, Series of 2023 in the aggregate principal amount of \$9,995,000. The proceeds of the bonds were used to: (1) plan, design and construct additions, improvements, renovations, and extraordinary repairs to, the acquisition of real estate rights and interest for, and the acquisition and installation of related equipment, machinery and furnishings for various buildings and facilities of the District, and (2) paying the costs of issuing the bonds. The bonds bear interest semi-annually with rates ranging from 3.00% to 4.00%. The bonds mature serially in amounts ranging from \$5,000 to \$2,225,000 through September 1, 2043.

The following is a schedule of principal and interest requirements to service the general long-term debt of the District:

Years	General Obligation Debt		
	Principal	Interest	Total
2024-2025	\$ 1,455,000	\$ 1,095,994	\$ 2,550,994
2025-2026	1,500,000	1,049,539	2,549,539
2026-2027	1,535,000	1,015,014	2,550,014
2027-2028	1,575,000	974,889	2,549,889
2028-2032	8,465,000	4,292,247	12,757,247
2033-2037	9,700,000	4,028,479	13,728,479
2038-2041	10,515,000	8,272,675	18,787,675
2042-2044	2,225,000	2,269,500	4,494,500
	<u>\$ 36,970,000</u>	<u>\$ 22,998,337</u>	<u>\$ 59,968,337</u>

Compensated Absences

Under the terms of the School District's employment policies, employees are reimbursed for accrued vacation upon retirement or other termination of employment. The reimbursement rate is established by the employment contract and varies by employee classification. In addition, employees are granted sick days per school year, and any unused sick days are permitted to be carried over to future years. Upon retirement from the School District, employees are reimbursed for accumulated sick days equal to the number of unused days multiplied by an amount pre-established by the employment contract. The employees are also offered options regarding retirement payouts as prescribed in the contract if certain conditions are met. The total liability for accrued vacation, sick leave and retirement bonuses has been reflected in the Statement of Net Position.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Leases

The District leases equipment for certain offices and buildings. The term of the lease is five years.

The District's equipment lease contains scheduled monthly payments with expiration dates extending through 2027. Lease and finance purchase obligations are fully funded by the general fund.

The following is a schedule of future minimum lease payments for leases with initial or remaining terms in excess of one year as of June 30, 2024:

Years	Principal	Interest	Total Payments
2025	\$ 51,526	\$ 2,569	\$ 54,095
2026	53,093	1,002	54,095
2027	4,497	11	4,508
Total Future Payments	<u>\$ 109,116</u>	<u>\$ 3,582</u>	<u>\$ 112,698</u>

Subscription Based Information Technology Arrangements

The District enters into various arrangements for administrative and educational software. Many of the software and subscription arrangements are one year or less, however, the District enters into longer term arrangements that required right-to use subscription asset and liability accounting. These terms range from two to five years.

The District's subscription based information technology arrangements contain scheduled monthly or annual payments with expiration dates extending through 2026. Subscription liability obligations are primarily funded by the general fund.

The following is a schedule of future minimum subscription liability payments for agreements with initial or remaining terms in excess of one year as of June 30, 2024:

Years	Principal	Interest	Total Payments
2025	\$ 40,509	\$ 1,744	\$ 42,253
2026	41,372	881	42,253
Total Future Payments	<u>\$ 81,881</u>	<u>\$ 2,625</u>	<u>\$ 84,506</u>

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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 become new members on or after July 1, 2011. Act 120 created two new membership classes: Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 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.

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

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

Benefits Provided (Continued)

Benefits are generally between 1% and 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.

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.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

Contributions

Member Contributions:

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

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

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

Employer Contributions:

The District’s contractually required contribution rate for the fiscal year ended June 30, 2024, was 33.36% 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. Included in the District’s contractually required contribution rate is the Act 5 contribution rate totaling an estimated 0.27%.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

Contributions (Continued)

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth’s share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total District’s rate. The District’s contributions to the Plan, relating to pension benefits, for the year ended June 30, 2024, was \$5,313,686, and is equal to the required contribution for the year. For the year ended June 30, 2024, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$2,717,582.

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

At June 30, 2024, the District reported a liability of \$44,575,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2022 to June 30, 2023. The 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, 2024, the District’s reported proportion was 0.1002%, which was an increase of 0.0004% from its proportion reported as of June 30, 2023.

For the year ended June 30, 2024, the District recognized pension expense of \$4,709,000. At June 30, 2024, 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	\$ 10,000	\$ 610,000
Changes in assumptions	665,000	-
Net difference between projected and actual investment earnings	1,262,000	-
Changes in proportion	802,000	-
Contributions subsequent to the measurement date	5,314,000	-
	<u>\$ 8,053,000</u>	<u>\$ 610,000</u>

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

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

\$5,314,000 is 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 ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Total</u>
2025	\$ 1,111,000
2026	(786,000)
2027	1,383,000
2028	421,000
	<u>\$ 2,129,000</u>

Actuarial Assumptions

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

- Valuation Date - June 30, 2022
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and as of June 30, 2023.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

Investments

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimated 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.

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 57,782,000	\$ 44,575,000	\$ 33,433,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2024, the District reported a payable to PSERS of \$2,034,912, which represents the employer contributions owed to the pension plan.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Post-Employment Benefits - District’s Single Employer Plan

Plan Description, Benefit Terms and Funding Policy

The District provides retiree health, vision and dental care benefits, including prescription drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single employer, defined-benefit plan administered by the District. The District funds OPEB on a pay-as-you go basis, and there is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan description and benefit terms provided by the Plan are summarized in the chart below:

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
I. ALL GROUPS	PSERS Retirement	Coverage: Medical, Prescription, Drug, Dental and Vision Premium Sharing: The member and spouse may elect medical, prescription drug, dental and vision coverage upon retirement by paying the full premiums. Dependents: Spouses Included	Member coverage ceases at Medicare age Spouse coverage ceases at Medicare age or when the member reaches Medicare age, whichever occurs first.

Notes:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 62 with 5 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 65 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class t_H: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS. In general, this pension class applies to individuals who became member of PSERS on or after July 1, 2019.
- 5) All individuals except those in Pension Class T-G are eligible for a special early retirement upon reach age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Employees Covered by Benefit Terms

As of the July 1, 2023, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	31
Inactive employees entitled to but not yet received benefit payments	-
Active employees	225
	<u>256</u>

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

At June 30, 2024, the District reported a liability of \$2,025,324 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2023, and was determined by an actuarial valuation as of July 1, 2023. The OPEB liability is composed of the following:

	Amount
Total OPEB liability, beginning	<u>\$ 1,935,598</u>
Changes for the year:	
Service cost	136,041
Interest	81,961
Changes in assumptions	24,758
Benefit payments	(153,034)
Net changes	<u>89,726</u>
Total OPEB liability, ending	<u>\$ 2,025,324</u>

For the year ended June 30, 2024, the District recognized OPEB expense of \$173,283. At June 30, 2024, 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
Differences between expected and actual experience	\$ 98,714	\$ 283,180
Changes in assumptions	289,001	552,337
Benefit payments subsequent to the measurement date	136,638	-
	<u>\$ 524,353</u>	<u>\$ 835,517</u>

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Post-Employment Benefits - District’s Single Employer Plan (Continued)

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$136,638 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

Year ending June 30:	Total
2025	\$ (44,719)
2026	(44,719)
2027	(44,719)
2028	(44,719)
2029	(44,716)
Thereafter	(224,210)
	\$ (447,802)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%.
- Salary Increases - 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increases which varies by age from 2.75 to 0%.
- Discount Rate - 4.13%. Based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2023.
- Health Care Cost Trend Rate - 7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retirees’ Share of Benefit-Related Costs - Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- Mortality - PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.
- Participant Data - Based on census information as of July 2022. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2022-2023 school year.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Post-Employment Benefits - District’s Single Employer Plan (Continued)

Sensitivity of the District’s Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the district calculated using the discount rate of 4.13%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage higher (5.13%) than the current discount rate:

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Total OPEB liability	\$ 2,224,950	\$ 2,055,324	\$ 1,896,061

The discount rate used to measure the Total OPEB liability increased from 4.06% as of July 1, 2023, to 4.13% as of July 1, 2024.

Sensitivity of the District’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the district calculated using the health care cost trend rates of (7.0% decreasing to 5.5%), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 1,803,037	\$ 2,055,324	\$ 2,356,297

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan

Plan Description

PSERS administers a defined benefit pension plan, and two post-employment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other post-employment 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, 2023, there were no assumed future benefit increases to participating eligible retirees.

Retirees of the System can participate in Premium Assistance if they satisfy the following criteria:

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

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.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Employer Contributions

The Districts’ contractually required contribution rate for the fiscal year ended June 30, 2024, was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$101,941 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$1,818,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2022 to June 30, 2023. The 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, 2024, the District’s reported proportion was 0.1005 %, which was an increase of 0.0003 % from its proportion reported as of June 30, 2023.

For the year ended June 30, 2024, the District recognized OPEB expense of \$31,900. At June 30, 2024, 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
Differences between expected and actual experience	\$ 12,000	\$ 18,000
Changes in assumptions	157,000	344,000
Changes in proportion	4,000	-
Net difference between projected and actual investment earnings	74,000	61,000
Contributions subsequent to the measurement date	102,000	-
	\$ 349,000	\$ 423,000

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

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

\$102,000 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 ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2025	\$ (55,000)
2026	(38,000)
2027	(40,000)
2028	(40,000)
2029	(3,000)
	<u>\$ (176,000)</u>

Actuarial Assumptions

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

- Valuation Date - June 30, 2022
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, 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 discount rate used to measure the total OPEB liability increased from 4.09% as of June 30, 2022 to 4.13%, as of June 30, 2023.

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.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Actuarial Assumptions (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021, determined the employer contribution rate for fiscal year 2023.
- 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-2015 Mortality Improvement Scale.

Investments

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.

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

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.

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

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.13%. 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 4.13%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2023, was applied to all projected benefit payments to measure the 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 District’s proportionate share of the net OPEB liability, calculated using the discount rate of 4.13%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current discount rate:

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
District's proportionate share of the net OPEB liability	\$ 2,056,000	\$ 1,818,000	\$ 1,619,000

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

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

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7%) that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,818,000	\$ 1,818,000	\$ 1,818,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2024, the District reported a payable to PSERS of \$39,039, which represents the employer contributions owed to the OPEB plan.

Note 11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions. Most significant losses are covered by commercial insurance for major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years. During the year ended June 30, 2024, the District did not incur any significant losses that were not covered by insurance.

Note 12. Construction Commitments

The District has approved total construction projects of \$10,427,718 as of June 30, 2024. The District has expended \$8,832,863 on the projects through expenditures in the capital projects fund. The remaining \$1,526,195 is an outstanding commitment of the District.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH MIDDLETON SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.1002%	\$ 44,575,000	\$ 15,396,554	289.51%	61.85%
2023	0.0998%	\$ 44,370,000	\$ 14,733,482	301.15%	61.34%
2022	0.0994%	\$ 40,810,000	\$ 14,116,818	289.09%	63.67%
2021	0.0946%	\$ 46,580,000	\$ 13,282,346	350.69%	54.32%
2020	0.0972%	\$ 45,473,000	\$ 13,401,787	339.31%	55.56%
2019	0.0992%	\$ 47,621,000	\$ 13,364,151	356.33%	54.00%
2018	0.1074%	\$ 53,043,000	\$ 14,296,498	371.02%	51.84%
2017	0.1079%	\$ 53,472,000	\$ 13,967,915	382.82%	50.14%
2016	0.1114%	\$ 48,254,000	\$ 14,337,758	336.55%	54.36%
2015	0.1088%	\$ 53,064,000	\$ 13,885,613	382.15%	57.24%

The schedule is presented to illustrate the requirement to show information for 10 years.

SOUTH MIDDLETON SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
 SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS -
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 5,313,686	\$ (5,313,686)	\$ -	\$ 15,927,306	33.36%
2023	\$ 5,351,848	\$ (5,351,848)	\$ -	\$ 15,641,173	34.22%
2022	\$ 5,042,926	\$ (5,042,926)	\$ -	\$ 14,726,881	34.24%
2021	\$ 4,766,298	\$ (4,766,298)	\$ -	\$ 13,286,408	35.87%
2020	\$ 4,490,722	\$ (4,490,722)	\$ -	\$ 13,286,408	33.80%
2019	\$ 4,326,300	\$ (4,326,300)	\$ -	\$ 13,432,735	32.21%
2018	\$ 4,274,328	\$ (4,274,328)	\$ -	\$ 13,453,282	31.77%
2017	\$ 4,077,743	\$ (4,077,743)	\$ -	\$ 14,297,856	28.52%
2016	\$ 3,502,861	\$ (3,502,861)	\$ -	\$ 13,977,367	25.06%
2015	\$ 2,869,996	\$ (2,869,996)	\$ -	\$ 14,347,111	20.00%

The schedule is presented to illustrate the requirement to show information for 10 years.

SOUTH MIDDLETON SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
 SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
 DISTRICT'S SINGLE EMPLOYER PLAN
 For the Fiscal Year Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 136,041	\$ 206,230	\$ 209,050	\$ 122,806	\$ 124,552	\$ 166,341	\$ 160,579
Interest	81,961	60,815	49,520	69,647	61,570	73,005	53,095
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(131,786)	-	142,586	-	(343,334)	-
Changes in assumptions	24,758	(548,660)	(74,585)	319,846	(52,648)	3,648	102,939
Benefit payments	(153,034)	(179,150)	(172,746)	(126,525)	(123,212)	(125,362)	(118,673)
Other changes	-	-	-	-	-	-	-
Net change in total OPEB liability	89,726	(592,551)	11,239	528,360	10,262	(225,702)	197,940
Total OPEB Liability - beginning	1,965,598	2,558,149	2,546,910	2,018,550	2,008,288	2,233,990	2,036,050
Total OPEB Liability - ending	\$ 2,055,324	\$ 1,965,598	\$ 2,558,149	\$ 2,546,910	\$ 2,018,550	\$ 2,008,288	\$ 2,233,990
Covered payroll	\$ 13,617,703	\$ 13,617,703	\$ 13,023,589	\$ 13,023,589	\$ 12,019,760	\$ 12,019,760	\$ 12,700,218
Net OPEB liability as a percentage of covered payroll	15.09%	14.43%	19.64%	19.56%	16.79%	16.71%	17.59%

Notes to Schedule:

For the fiscal year ended June 30, 2024:

Changes in assumptions: The discount rate changed from 4.06% to 4.13%. The trend assumption was updated.

Changes of benefit terms: Each year's loss (or gain) is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future. These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SOUTH MIDDLETON SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2024	0.1005%	\$ 1,818,000	\$ 15,396,554	11.81%	7.22%
2023	0.1002%	\$ 1,844,000	\$ 14,733,482	12.52%	6.86%
2022	0.0996%	\$ 2,360,000	\$ 14,116,818	16.72%	5.30%
2021	0.0946%	\$ 2,044,000	\$ 13,282,346	15.39%	5.69%
2020	0.0972%	\$ 2,067,000	\$ 13,401,787	15.42%	5.56%
2019	0.0992%	\$ 2,068,000	\$ 13,364,151	15.47%	5.56%
2018	0.1074%	\$ 2,188,000	\$ 14,296,498	15.30%	5.73%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year-end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SOUTH MIDDLETON SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 101,941	\$ (101,941)	\$ -	\$ 15,927,306	0.64%
2023	\$ 116,311	\$ (116,311)	\$ -	\$ 15,641,173	0.74%
2022	\$ 118,306	\$ (118,306)	\$ -	\$ 14,116,818	0.84%
2021	\$ 116,010	\$ (116,010)	\$ -	\$ 13,286,408	0.87%
2020	\$ 112,772	\$ (112,772)	\$ -	\$ 13,286,408	0.85%
2019	\$ 110,148	\$ (110,148)	\$ -	\$ 13,432,735	0.82%
2018	\$ 111,774	\$ (111,774)	\$ -	\$ 13,453,282	0.83%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of School Directors
South Middleton School District
Boiling Springs, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of South Middleton School District (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise South Middleton Area School District's basic financial statements, and have issued our report thereon dated November 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion 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 the 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 District'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 the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
November 14, 2024

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

Board of School Directors
South Middleton School District
Boiling Springs, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Middleton School District's (District) 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 the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the 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 the 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 the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not an absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *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 the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the 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 the 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
November 14, 2024

SOUTH MIDDLETON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified that is not considered to be a material weakness (es)? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified that is not considered to be a material weakness (es)? Yes None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)3? Yes No

SOUTH MIDDLETON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I -- Summary of Auditor's Results (Continued)

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Programs/Cluster
84.010	Title I, Part A - Improving Basic Programs IDEA Cluster
84.027	Special Education - Grants to States (IDEA, Part B)
84.173	Special Education - Preschool Grants (IDEA Preschool)

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

A. Significant Deficiency (ies) in Internal Control

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

B. Compliance Findings

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

SOUTH MIDDLETON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section III -- Federal Award Findings and Questioned Costs

A. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards required to be reported in accordance with Section 2 CFR 200.516(a).

B. Compliance Findings

There were no findings relating to the Federal awards required to be reported in accordance with Section 2 CFR 200.516(a).

SOUTH MIDDLETON SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

	Assistance Listing Number	Pass Through Grantor's Number	Grant or Annual Period	Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2023	Revenue Recognized	Expenditures Recognized	Accrued (Deferred) Revenue at 6/30/2024	Provided to Subrecipients
U.S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I -Grants to Local Education Agencies	84.010	013-230397	22-23	\$ 267,546	\$ 68,696	\$ 63,261	\$ 5,435	\$ 5,435	\$ -	\$ -
Title I -Grants to Local Education Agencies	84.010	013-240397	23-24	\$ 314,324	281,060	-	314,324	314,324	33,264	-
					349,756	63,261	319,759	319,759	33,264	-
Title II - Supporting Effective Instruction State Grants	84.367	020-230397	22-23	\$ 51,684	623	(779)	1,402	1,402	-	-
Title II - Supporting Effective Instruction State Grants	84.367	020-240397	23-24	\$ 52,559	46,708	-	45,894	45,894	(814)	-
					47,331	(779)	47,296	47,296	(814)	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-230397	22-23	\$ 18,398	873	873	-	-	-	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-240397	23-24	\$ 20,945	16,290	-	17,745	17,745	1,455	-
					17,163	873	17,745	17,745	1,455	-
COVID-19 - Elementary & Secondary School Emergency Relief Fund II	84.425D	223.210397	20-23	\$ 768,944	17,882	17,882	-	-	-	-
COVID-19 - ARP ESSER	84.425U	223.210397	20-24	\$ 1,555,352	537,303	87,063	817,869	817,869	367,629	-
COVID-19 - ARP 7% Learning Loss	84.425U	225-210397	20-24	\$ 86,347	20,409	1,812	22,591	22,591	3,994	-
COVID-19 - ARP 7% Summer Program	84.425U	225-210397	20-24	\$ 17,269	4,082	473	4,551	4,551	942	-
COVID-19 - ARP 7% After School Program	84.425U	225-210397	20-24	\$ 17,269	4,082	244	4,780	4,780	942	-
					583,758	107,474	849,791	849,791	373,507	-
Total passed through the Pennsylvania Department of Education					998,008	170,829	1,234,591	1,234,591	407,412	-
Passed through Capital Area Intermediate Unit 15:										
Special Education Cluster										
Special Education - Grants to States	84.027	N/A	22-23	\$ 370,591	101,120	101,120	-	-	-	-
Special Education - Grants to States	84.027	N/A	23-24	\$ 393,147	249,016	-	393,147	393,147	144,131	-
Special Education - Preschool Grants	84.173	N/A	23-24	\$ 3,304	3,304	-	3,304	3,304	-	-
Total Special Education Cluster					353,440	101,120	396,451	396,451	144,131	-
Title III - English Language Acquisition Grants	84.365	010-23-0612	23-24	\$ 16,169	734	-	1,480	1,480	746	-
Total passed through the Capital Area Intermediate Unit					354,174	101,120	397,931	397,931	144,877	-
Total U.S. Department of Education					1,352,182	271,949	1,632,522	1,632,522	552,289	-

(Continued)

SOUTH MIDDLETON SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2024

	Assistance Listing Number	Pass Through Grantor's Number	Grant or Annual Period	Program or Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2023	Revenue Recognized	Expenditures Recognized	Accrued (Deferred) Revenue at 6/30/2024	Provided to Subrecipients
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
National School Lunch Program	10.555	N/A	22-23	N/A	8,299	8,299	-	-	-	-
National School Lunch Program	10.555	N/A	23-24	N/A	461,702	-	461,702	461,702	-	-
National School Lunch Program - Breakfast	10.553	N/A	22-23	N/A	2,656	2,656	-	-	-	-
National School Lunch Program - Breakfast	10.553	N/A	23-24	N/A	149,567	-	149,567	149,567	-	-
COVID-19 - National School Lunch Program - Supply Chain Assistance	10.555	N/A	23-24	N/A	54,384	-	54,384	54,384	-	-
COVID-19- Pandemic EBT Administrative Funds	10.649	N/A	23-24	N/A	653	-	653	653	-	-
Total passed through the Pennsylvania Department of Education					677,261	10,955	666,306	666,306	-	-
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program - Food Donations*	10.555	23-6004229	23-24	N/A	175,343	-	175,343	175,343	-	-
Total U.S. Department of Agriculture					852,604	10,955	841,649	841,649	-	-
Total Expenditures of Federal Awards					\$ 2,204,786	\$ 282,904	\$ 2,474,171	\$ 2,474,171	\$ 552,290	\$ -
Child Nutrition Cluster (Assistance Listing Numbers - 10.553, 10.555)					\$ 851,951	\$ 10,955	\$ 840,996	\$ 840,996	\$ -	\$ -
Special Education Cluster (Assistance Listing Numbers - 84.027 and 84.173)					\$ 353,440	\$ 101,120	\$ 396,451	\$ 396,451	\$ 144,131	\$ -
Education Stabilization Fund (Assistance Listing Numbers - 84.425)					\$ 583,758	\$ 107,474	\$ 849,791	\$ 849,791	\$ 373,507	\$ -

See Notes to Schedule of Expenditures of Federal Awards.

SOUTH MIDDLETON SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal awards includes the Federal award activity of the District's under programs of the Federal government for the year ended June 30, 2024. 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 District's operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2. Significant Accounting Policies

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. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

SOUTH MIDDLETON SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2024

There were no prior year's audit findings.

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Appendix D – Continuing Disclosure Certificate

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SOUTH MIDDLETON SCHOOL DISTRICT CUMBERLAND COUNTY, PENNSYLVANIA

§ _____ GENERAL OBLIGATION BONDS, SERIES OF 2025
DATED, ISSUED AND DELIVERED _____, 2025

CONTINUING DISCLOSURE AGREEMENT

This agreement (the "Agreement") is executed as one of the closing documents for the \$ _____ General Obligation Bonds, Series of 2025 (the "Bonds") in accordance with the provisions of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934.

The undersigned are officers of the Board of School Directors of South Middleton School District (the "School District"), a Pennsylvania governmental unit, and hereby certify on behalf of the School District as follows:

Section 1. Undertaking to file current information with MSRB. The School District agrees, in accordance with the Rule, to provide or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") as designated by the Commission in accordance with the Rule, the following annual financial information and operating data commencing with the fiscal year ended June 30, 2026:

a. A copy of its budget and audited financial statements, prepared in accordance with the guidelines adopted by the Governmental Accounting Standard Board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government, containing the:

- (i) Combined balance sheet of all fund types and account groups; and
- (ii) Combined statement of revenues, expenditures and changes in fund balances - all governmental fund types and expendable trust funds.

b. An update of the following information in the Official Statement for the Bonds dated _____:

(i) South Middleton School District Tax Rates (Table 6) - (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(ii) South Middleton School District Real Property Assessment Data (Table 8) (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(iii) South Middleton School District Real Property Tax Collection Data (Table 11) (may be contained within the budget or audit for the current fiscal year without need for further cross reference); and

(iv) South Middleton School District Ten Largest Real Property Taxpayers (Table 12) (may be contained within the budget or audit for the current fiscal year without need for further cross reference).

Any or all of the items listed above may also be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

Section 2. Modification of types of information and format of information permitted. The School District reserves the right to modify from time to time the specific types of information provided, the time period within which the information must be filed, the format of the presentation of such information, or any other requirements hereunder, in its sole discretion, so long as such modification or amendment would have been allowed under the Rule at the time of the undertaking. Any such modification will be done in a manner consistent with the Rule at the time of the undertaking, and will not substantially impair the interest of the holders of the Bonds.

Section 3. Time period within which annual information must be filed. The annual information and operating data described above in Section 1 must be provided within 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2026. Such information shall be made available, in addition to the MSRB, to the Paying Agent for the Bonds and to each holder of Bonds who makes request for such information. In the event that no such audited financial statement is available within 270 days of the close of the fiscal year, the School District shall provide an unaudited statement, and shall thereafter provide an audited financial statement for the same period as soon as available. Upon receipt of the audited financial statement, the School District will promptly file it.

Section 4. Notice of failure to comply with annual information updates. The School District agrees to provide or cause to be provided, in a timely manner, to the Paying Agent for the Bonds, and to the MSRB, notice of a failure by the School District to provide the annual financial information described in Section 1 above on or prior to the date set forth in Section 3 above.

Section 5. Event disclosure. The School District agrees to provide or cause to be provided to the MSRB, in a timely manner, not to exceed ten (10) days after occurrence, notice of the occurrence of any of the following events with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;

- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of any credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, IRS notices or material events affecting the tax status of the Bonds;
- g. Modifications to rights of holders of the Bonds, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the Bonds, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the School District (which is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of any order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District);
- m. Merger, consolidation or acquisition involving the School District, if material; or
- n. Appointment of successor or additional trustee or the change of name of a trustee, if material.
- o. Incurrence of a financial obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the School District, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the School District, any of which reflect financial difficulties.

For purposes of this Section, the term financial obligation shall mean 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) guarantee of (i) or (ii). The term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

Section 6. Termination of reporting obligation. The School District's obligations under this Agreement shall terminate upon the redemption or payment in full of all of the Bonds.

Section 7. Enforcement. The School District agrees that its undertakings pursuant to this Agreement are intended to be for the benefit of the holders of the Bonds (including beneficial owners thereof) and shall be enforceable by the holders of the Bonds or the Paying Agent for the Bonds on behalf of such holders; provided that the holders of the Bonds, or in lieu thereof, the Paying Agent's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder, and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default, with respect to the Bonds.

Section 8. Amendment; waiver. Notwithstanding any other provision of this Agreement, the School District may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of Bond Counsel, 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.

IN WITNESS WHEREOF, the undersigned officers of the School District, being duly authorized, have executed this certificate in the name of and on behalf of the School District and in our own names and on our own behalf, the day and year of the issuance and delivery of the Bonds set forth above.

South Middleton School District

By: _____
(Vice) President

Attest: _____
Secretary

(SEAL)

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