



**NEW ISSUE - BOOK ENTRY ONLY**

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

*In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds (including for this purpose the difference between the initial offering price and accrued value) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. The Bonds, and interest income therefrom, are free from taxation for purposes of personal, and corporate net, income taxes within the Commonwealth of Pennsylvania.*

*The School District has **NOT** designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. For a more complete discussion, see “TAX MATTERS” herein.*

**\$15,000,000\***  
**SOMERSET AREA SCHOOL DISTRICT**  
**(Somerset County, Pennsylvania)**  
**General Obligation Bonds, Series of 2025**

**Bonds Dated:** Date of Delivery  
**Principal Due:** February 15, as shown on inside cover  
**Denomination:** Integral multiples of \$5,000

**Interest Payable:** February 15 and August 15  
**First Interest Payment:** August 15, 2025  
**Form:** DTC Book-Entry Only

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

**General:** The General Obligation Bonds, Series of 2025 (the “Bonds” or “2025 Bonds”) in the aggregate principal amount of \$15,000,000\* are being issued by the Somerset Area School District (the “School District”), a public school district located in Somerset County, Pennsylvania. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of the Bonds can be made only under the book-entry system of DTC, and purchasers will not receive certificates representing their interests in the Bonds. While DTC, or its nominee Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as paying agent, directly to Cede & Co. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners of the Bonds is the responsibility of the DTC Participants and the Indirect Participants. See “**BOOK-ENTRY ONLY SYSTEM**” herein. Interest on the Bonds is payable initially on August 15, 2025, and thereafter, semiannually on February 15 and August 15 of each year.

**Security:** The Bonds are payable from the tax and other general revenues of the School District. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from funds deposited by the School District in the respective sinking funds established under the Resolution adopted by the School District on March 25, 2025, authorizing and securing the Bonds, or from any other of its legally available revenue or funds, the principal of every Bond and the interest thereon at the dates and place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and all available taxing power, which taxing power includes the power to levy *ad valorem* taxes on all taxable property in the School District, within limitations provided by law (see “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**”, APPENDIX A - “**TAXING POWERS AND LIMITS**” and “**PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS**” – “**Taxpayer Relief Act (Act 1)**” herein).

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

**Proceeds of the Bonds** will be used to finance various capital improvements and related costs, including the costs of issuing and insuring the Bonds.

**Bond Insurance:** The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC.**



The Bonds are offered for delivery when, as and if issued by the School District and received by the Underwriter, subject to the approving legal opinion of Dinsmore & Shohl LLP, Pittsburgh, Pennsylvania, as Bond Counsel to the School District, to be furnished upon delivery of the Bonds. Certain legal matters will be passed upon by Barbera, Melvin & Svonavec, LLP, Somerset, Pennsylvania and Fike, Cascio & Boose, Somerset, Pennsylvania, as Co-Solicitors for the School District, and for the Underwriter by its limited scope underwriter’s counsel, Cozen O’ Connor, Pittsburgh, Pennsylvania. It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about May \_\_\_\_, 2025.



\*Preliminary, subject to change.

This Preliminary Official Statement and the information herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The School District deems this Preliminary Official Statement to be final for the purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1) except for certain information on the cover hereof and certain pages herein which have been omitted in accordance with such Rule and which will be supplied in the final Official Statement.

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**SOMERSET AREA SCHOOL DISTRICT**  
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**BOND MATURITY SCHEDULE**

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(February 15)	Principal	Interest			CUSIP
<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Numbers <sup>(1)</sup></u>

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

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\*Preliminary, subject to change.

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

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

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY THE MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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

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

## TABLE OF CONTENTS

SUMMARY PAGE .....	1
BOARD OF SCHOOL DIRECTORS .....	2
INTRODUCTION .....	3
PURPOSE OF THE ISSUE.....	3
SOURCES AND USES OF FUNDS .....	3
DESCRIPTION OF THE BONDS .....	4
Payment of Principal and Interest.....	4
Transfer, Exchange and Registration of Certificated Bonds.....	4
REDEMPTION OF BONDS .....	5
Mandatory Sinking Fund Redemptions .....	5
Optional Redemption.....	5
Notice of Redemption.....	5
Manner of Redemption.....	5
BOOK-ENTRY ONLY SYSTEM.....	6
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS .....	7
General Obligation Pledge.....	7
Actions in the Event of Default on the Bonds.....	7
Sinking Fund .....	7
Commonwealth Enforcement of Debt Service Payments .....	8
Pennsylvania Budget Adoption Impasses .....	8
Act 85 of 2016 (State Subsidy Intercept During a Budget Impasse).....	9
BOND INSURANCE .....	9
BONDHOLDER CONSIDERATIONS .....	11
Bond Insurance Risk Factors .....	11
Cybersecurity.....	11
Climate Change .....	12
Risk of Audit by Internal Revenue Service .....	12
CONTINUING DISCLOSURE UNDERTAKING .....	12
NO LITIGATION.....	13
TAX MATTERS.....	13
State Tax Matters.....	13
Federal Income Tax Matters.....	13
LEGAL OPINIONS .....	15
RATINGS .....	15
UNDERWRITING.....	15
PAYING AGENT .....	15
CERTAIN OTHER MATTERS .....	16

APPENDIX A - SUMMARIES OF OPERATING DATA REGARDING THE SCHOOL DISTRICT

DESCRIPTION OF THE SCHOOL DISTRICT .....	A-1
Introduction .....	A-1
School Facilities .....	A-1
Pupil Enrollment.....	A-1
SCHOOL DISTRICT FINANCES .....	A-2
Financial Reporting .....	A-2
Budgeting Process in accordance with the Public School Code and Act 1 of 2006 (Taxpayer Relief Act) .....	A-2
Summary and Discussion of Financial Results .....	A-3
TAXING POWERS AND LIMITS .....	A-3
In General .....	A-3
PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS.....	A-4
Taxpayer Relief Act (Act 1) .....	A-4
Status of the Bonds Under the Taxpayer Relief Act (Act 1).....	A-5
Limitations on School District Fund Balance .....	A-5
TAX REVENUES OF THE SCHOOL DISTRICT .....	A-6
Tax Levies - Real Estate and Other Non-Realty Tax Rates .....	A-6
Real Estate Tax Collection Record.....	A-6
Trends in Market and Assessed Valuations .....	A-6
Ten Most Valuable Taxable Parcels in the School District.....	A-6
COMMONWEALTH AID TO SCHOOL DISTRICTS.....	A-7
Lack of Commonwealth Appropriations for Debt Service Reimbursement .....	A-7
DEBT STATEMENT AND DEBT LIMITS .....	A-8
FUTURE FINANCING .....	A-8
BORROWING CAPACITY.....	A-9
LABOR RELATIONS .....	A-9
Employees and Labor Contracts.....	A-9
Pension Program.....	A-9
Other Post-Employment Benefits (“OPEB”).....	A-10

APPENDIX B – LOCAL DEMOGRAPHIC, STATISTICAL AND ECONOMIC INFORMATION

APPENDIX C – FORM OF OPINION OF BOND COUNSEL

APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E – AUDITED FINANCIAL STATEMENTS

APPENDIX F – BOND AMORTIZATION SCHEDULE

APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY

## SUMMARY PAGE

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

<b>Issuer</b> .....	Somerset Area School District, Somerset County, Pennsylvania (the "School District").
<b>Bonds</b> .....	<p>The General Obligation Bonds, Series of 2025 in the principal amount of \$15,000,000* (the "Bonds"), dated as of the date of delivery, maturing on February 15, ____ through February 15, ____.</p> <p>Interest on the Bonds shall be payable semiannually on February 15 and August 15. See "<b>DESCRIPTION OF THE BONDS</b>" herein.</p>
<b>Optional Redemption</b> .....	The Bonds stated to mature on or after February 15, ____, are subject to redemption prior to maturity at the option of the School District in whole or, from time to time, in part, in any order of maturities as the School District shall select, on any date or dates on or after February 15, ____, at a price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for such optional redemption.
<b>Form</b> .....	Book-Entry Only.
<b>Application of Proceeds</b> .....	Proceeds of the Bonds will be used to finance various capital improvements and related costs, including the costs of issuing and insuring the Bonds.
<b>Security</b> .....	The Bonds are general obligations of the School District, for the payment of which the School District has pledged its full faith, credit and taxing power.
<b>Ratings</b> .....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal bond insured rating of AA (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal Bond insurance policy insuring the payment when due of the principal of and interest on the Bonds will be issued by AG. Currently, AG's financial strength is rated "AA" (stable outlook) by S&P. S&P has also assigned the School District an underlying rating of "A+" (stable outlook). (See " <b>RATINGS</b> " herein.)
<b>Continuing Disclosure Undertaking</b> .....	The School District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted (the "Rule"). (See " <b>CONTINUING DISCLOSURE UNDERTAKING</b> " and " <b>APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE</b> " herein.)

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\*Preliminary, subject to change.

**SOMERSET AREA SCHOOL DISTRICT  
(Somerset County, Pennsylvania)**

645 South Columbia Avenue  
Somerset, Pennsylvania 15501

**BOARD OF SCHOOL DIRECTORS**

John Barth.....	President
Joe Olsavsky.....	Vice President
Mark Weimer.....	Treasurer
Leanne Heiple.....	Secretary *
Emily Baer.....	Member
Brian Brant.....	Member
Barb Lynch.....	Member
Jessica Sizemore.....	Member
James Summers.....	Member
William Wozniak.....	Member

\*Non-Voting

**SCHOOL ADMINISTRATION**

Krista Mathias.....	Superintendent of Schools
Leanne Heiple.....	Director of Finance and Operations

**BOND COUNSEL**

Dinsmore & Shohl LLP  
Pittsburgh, Pennsylvania

**CO-SOLICITORS**

Barbera, Melvin & Svonavec, LLP  
Somerset, Pennsylvania

Fike, Cascio & Boose  
Somerset, Pennsylvania

**UNDERWRITER**

Raymond James & Associates, Inc.  
Pittsburgh, Pennsylvania

**LIMITED SCOPE UNDERWRITER'S COUNSEL**

Cozen O'Connor  
Pittsburgh, Pennsylvania

**PAYING AGENT**

U.S. Bank National Association  
Pittsburgh, Pennsylvania

OFFICIAL STATEMENT

\$15,000,000\*

SOMERSET AREA SCHOOL DISTRICT

(Somerset County, Pennsylvania)

General Obligation Bonds, Series of 2025

INTRODUCTION

This Official Statement is furnished by the Somerset Area School District (the "School District"), a public school district located in Somerset County, Pennsylvania, in connection with the offering of its General Obligation Bonds, Series of 2025 (the "Bonds") in the aggregate principal amount of \$15,000,000\*, to be dated their date of delivery (the "Delivery Date") when the Bonds are issued and delivered to DTC (described below) or its agent. The Bonds are general obligations of the School District, which are secured by a parity pledge of its full faith, credit and taxing power to pay the principal of and interest due on the Bonds.

The Bonds are being issued pursuant to, and are secured by, a Resolution adopted by the Board of School Directors of the School District on March 25, 2025 (the "Resolution"), in accordance with the laws of the Commonwealth of Pennsylvania (the "Commonwealth" or "State"), including the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the "Debt Act"), as amended. Copies of the Resolution may be obtained from the School District.

The Bonds shall be issued in fully registered form, without certificates or coupons, in the denomination of \$5,000 principal amount and integral multiples thereof. Interest on the Bonds is payable semiannually on February 15 and August 15 of each year, commencing August 15, 2025. Interest on any Bond is payable to the Beneficial Owner as of the applicable Record Date (defined below). The interest on and principal of the Bonds is payable by the School District to U.S. Bank National Association (the "Paying Agent"), serving as paying agent and sinking fund depository, for transfer to DTC. When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any bond certificates, and beneficial ownership of the Bonds will be evidenced only by electronic book entries. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

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

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to finance various capital improvements and related costs, including the costs of issuing and insuring the Bonds.

SOURCES AND USES OF FUNDS

	<u>Total</u>
<b><u>Sources of Funds</u></b>	
Proceeds of the Bonds.....	
[Net] Original Issue Premium [Discount] .....	
<b>Total Sources of Funds</b> .....	
<b><u>Uses of Funds</u></b>	
Construction Fund Deposit.....	
Costs of Issuance <sup>(1)</sup> .....	
<b>Total Uses of Funds</b> .....	

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

\*Preliminary, subject to change.

## DESCRIPTION OF THE BONDS

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

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

### Payment of Principal and Interest

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal and interest so paid. If the use of the book-entry only system for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal and interest on the Bonds shall be made as described in the following paragraphs.*

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

Interest on any certificated Bonds will be payable to the registered owner of such a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding, August 15, 2025, in which event such Bond shall bear interest from the Delivery Date, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on a certificated Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the 15<sup>th</sup> day of the month (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than ten (10) days preceding such special record date. Such notice shall be mailed to the persons in whose names such certificated Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

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

### Transfer, Exchange and Registration of Certificated Bonds

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

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

## REDEMPTION OF BONDS

### Mandatory Sinking Fund Redemptions

In the manner and upon the terms and conditions provided in the Resolution, the following Bond maturities are subject to mandatory redemption in direct order of maturity at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest, on February 15<sup>th</sup> of the following years and in the following principal amounts:

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

### Optional Redemption

The Bonds maturing on and after February 15, \_\_\_\_\_ are subject to redemption prior to maturity at the option of the School District, in whole or in part, in any order of maturities as the School District shall select, on any date on or after February 15, \_\_\_\_\_ at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for such optional redemption. In the event that less than all Bonds of a particular maturity are to be redeemed, the Bonds of such maturity shall be drawn by lot by the Paying Agent.

### Notice of Redemption

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

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption, addressed to each of the registered owners of any certificated Bonds to be redeemed, at the addresses shown on the registration books kept by the Paying Agent as of the date such Bonds are selected for redemption; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

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

The notice of redemption may state that it is conditional, *i.e.*, that it is subject to the deposit of sufficient redemption money with the Paying Agent or other escrow agent on the redemption date in sufficient time to effectuate the redemption of Bonds. If, after issuing a notice of redemption, the School District is unable or otherwise fails to deposit with the Paying Agent (or other bank or depository acting as refunding escrow agent) money sufficient to redeem the Bonds called for redemption, such notice may be withdrawn or be of no effect until such money is so deposited.

### Manner of Redemption

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

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

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

If any maturity of the Bonds which is subject to mandatory sinking fund redemption shall be called for optional redemption in part, the School District shall be entitled to designate whether the principal amount redeemed is to be credited against the principal amount of the Bonds

of such maturity required to be called for mandatory sinking fund redemption on any particular future date or dates, or shall be credited against the principal amount of such Bonds to be due and payable at stated maturity, in each case in a whole multiple of \$5,000 principal amount.

### BOOK-ENTRY ONLY SYSTEM

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding

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

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

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

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

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

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

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General Obligation Pledge

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

### Actions in the Event of Default on the Bonds

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

### Sinking Fund

Under the Resolution, the School District has created a "Sinking Fund - General Obligation Bonds, Series of 2025" (the "Sinking Fund Depository") as required by the Debt Act and segregated from all other funds of the School District. The School District shall deposit in the Sinking Fund, not later than the date when principal or interest is to become due on the Bonds, an amount sufficient to provide for the payment of interest and principal becoming due on the Bonds.

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

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

### **Commonwealth Enforcement of Debt Service Payments**

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the “Public School Code”), provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the bonds were issued, the Secretary of Education of the Pennsylvania Department of Education (“PDE”) shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bonds. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

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

### **Pennsylvania Budget Adoption Impasses**

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

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

The Governor signed the state’s 2021-2022 fiscal year budget on June 30, 2021. The budget included an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that included districts in both urban and rural areas of the Commonwealth. Special education received a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs received a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reached a record high of \$13.55 billion in the 2021-22 budget.

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

After over a month delay, a \$45.5 billion budget for the state’s 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which included \$8.4 billion for the basic education funding appropriation. The total amount included a \$796.6 million (10.45%) increase over the 2022-23 fiscal year appropriation. The budget also provided \$50 million in additional aid to school districts for special education services for a total of \$1.3 billion. Certain funds authorized within the 2023-24 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On February 15, 2023 multiple code bills were passed finalizing the 2023-24 Budget for education.

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

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

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

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

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

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

The necessary amounts shall be appropriated on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 of Act 85 of 2016 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district subject to an intercept statute or intercept agreement must deliver to PDE, in the format PDE directs, information pertaining to each eligible borrowing within thirty (30) days of receipt of the proceeds of the obligations. The School District intends to submit this information to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

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

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

### **Assured Guaranty Inc.**

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to

revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.*

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG ("AGM"), merged with and into AG, with AG as the surviving company (such transaction, the "Merger"). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

#### *Current Financial Strength Ratings*

On October 18, 2024, KBRA announced it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG's financial strength rating of "AA" (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

#### *Capitalization of AG*

At December 31, 2024:

- The policyholders' surplus of AG was approximately \$3,524 million.
- The contingency reserve of AG was approximately \$1,392 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,424 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the Securities and Exchange Commission (the "SEC") on February 28, 2025 that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included

AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

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

### **BONDHOLDER CONSIDERATIONS**

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

#### **Bond Insurance Risk Factors**

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

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

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

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

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

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

#### **Cybersecurity**

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

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the Paying Agent, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

### **Climate Change**

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The School District cannot predict the timing, extent, or severity of climate change and its impact on its operations and finances. The School District has not experienced increases in extreme weather events, but has established reserves to address severe weather disasters and maintains a comprehensive insurance policy.

### **Risk of Audit by Internal Revenue Service**

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

## **CONTINUING DISCLOSURE UNDERTAKING**

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

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

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

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

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

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

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

<b>Fiscal Year</b>	<b>Filing</b>	<b>Filing Dates</b>		
		<b>Audit</b>	<b>Operating Data</b>	<b>Budget</b>
6/30/2024	3/27/2025	12/3/2024	11/12/2024	11/11/2024
6/30/2023	3/26/2024	12/6/2023	11/06/2023	11/06/2023
6/30/2022	3/27/2023	12/7/2022	10/25/2022	10/25/2022
6/30/2021	3/27/2022	12/8/2021	10/27/2021	10/27/2021
6/30/2020	3/27/2021	12/2/2020	11/11/2020	11/10/2020

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

**NO LITIGATION**

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

**TAX MATTERS**

**State Tax Matters**

In the opinion of Bond Counsel, the Bonds, and the interest income therefrom, are free from taxation for purposes of personal income and corporate net income taxes within the Commonwealth of Pennsylvania.

The residence of a holder of a Bond in a state other than Pennsylvania, or being subject to tax in a state other than Pennsylvania, may result in income or other tax liabilities being imposed by such other state or its political subdivisions based on the interest or other income from the Bonds.

**Federal Income Tax Matters**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds (including for this purpose, in the case of Bonds sold at an original issue discount, the difference between the initial offering price and accrued value) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the “Code”) for purposes of Federal alternative minimum taxes on individuals.

Original Issue Discount

The Bonds that mature on \_\_\_\_\_ and on \_\_\_\_\_ (collectively, the “Tax-Exempt Discount Bonds”) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable at their maturity. OID is the excess of the stated redemption price of a bond at maturity (par) over the price to the public at which a substantial amount of bonds of the same maturity are sold pursuant to the initial offering. Under the Code, OID on each Tax-Exempt Discount Bond will accrue over its term and the amount of accretion will be based on the yield to maturity, compounded semi-annually. The amount of OID that accrues during each semi-annual period will do so ratably within that period on a daily basis. With respect to an initial purchaser of a Tax-Exempt Discount Bond at its initial offering 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 Tax-Exempt Discount Bond and thus, in practical effect, is treated as interest, which is excludable from gross income for federal income tax purposes.

Holders of Tax-Exempt Discount Bonds should consult their own tax advisors as to the effect of OID with respect to their federal tax liability.

Original Issue Premium

The Bonds that mature on \_\_\_\_\_ and on \_\_\_\_\_ (collectively, the “Tax-Exempt Premium Bonds”) are being offered and sold to the public at an original issue premium (“OIP”). An amount equal to the excess of the issue price of a Tax-Exempt Premium Bond over its stated redemption price at maturity constitutes OIP on such Tax-Exempt Premium Bond. An initial purchaser of a Tax-Exempt Premium Bond must amortize any OIP over such Tax-Exempt Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Tax-Exempt Premium Bonds callable prior to their maturity, by amortizing the OIP to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As OIP is amortized, the amount of the amortization decreases the purchaser’s basis in such Tax-Exempt Premium Bond resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Tax-Exempt Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal

income tax deduction is allowed. Purchasers of the Tax-Exempt Premium Bonds should consult with their tax advisors with respect to the determination and treatment of OIP for federal income tax purposes and with respect to the state and local tax consequences of owning a Tax-Exempt Premium Bond.

#### Interest Expense Deductions for Financial Institutions

Under Section 265 of the Code, financial institutions are denied any deduction for interest expenses that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which permits a deduction for 80% of such interest expenses, is provided in respect of certain tax-exempt obligations issued by a qualified issuer that specifically designates such obligations as “qualified tax-exempt obligations” under Section 265 of the Code.

The School District has NOT designated the Bonds as “qualified tax-exempt obligations” for the purposes and effect contemplated by Section 265 of the Code.

#### Continuing Compliance

The Code imposes various terms, restrictions, conditions and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The School District has covenanted to comply with all such requirements, including non-arbitrage requirements under Section 148 of the Code, that are necessary to ensure that interest on the Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in gross income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with the aforesaid covenants. Moreover, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax-exempt status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Such changes or actions could constitute an exchange or other tax event with respect to the Bonds, which could result in gain or loss to the holder of a Bond, and a consequent tax liability.

Pursuant to its continuing disclosure obligations made pursuant to SEC Rule 15c2-12 (see “Continuing Disclosure Undertaking” herein), the School District may be required to provide notice of such changes or actions, as Material Events under said Rule. However, holders of the Bonds should consult their own tax advisors as to the effect of such changes or actions with respect to their federal tax liability.

#### Collateral Tax Liabilities

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from gross income for Federal and Pennsylvania income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may result in other collateral effects on a Bondholder’s Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder’s other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion; each Bondholder or potential Bondholder is urged to consult with its own tax advisors with respect to the effects of purchasing, holding or disposing of the Bonds on its tax liabilities.

Examples of tax consequences for certain taxpayers include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability of certain S corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of social security or railroad retirement benefits under Section 86 of the Code, limiting the use of the Earned Income Credit under Section 32 of the Code, limiting the use of the refundable credit for coverage under a qualified health plan under Section 36B of the Code, and denying an interest expense deduction to certain financial institutions under Section 265 of the Code (unless, and in the circumstance when, the Bonds have been designated by the issuer as “qualified tax-exempt obligations”).

#### Change in Law: Adverse Determinations

From time to time, certain legislative proposals may be introduced, or are pending, in the Congress of the United States or the various state legislatures, including some that carry retroactive effective dates, that, if, enacted, could alter or amend the federal and state 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. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “Service”) regularly audits tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No prediction can be made whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures, the Service may treat the School District as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until such time as the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, such as the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bondholder who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or to any Bondholder who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns.

**THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE LIST OF THE PROVISIONS OF FEDERAL, STATE AND LOCAL TAX LAWS WHICH MAY HAVE AN EFFECT ON INDIVIDUALS AND CORPORATIONS HOLDING THE BONDS OR RECEIVING INTEREST THEREON. PROSPECTIVE PURCHASERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE EFFECT ON THEIR FEDERAL, STATE OR LOCAL TAX LIABILITY AND GENERAL FINANCIAL AFFAIRS OF HOLDING THE BONDS OR RECEIVING INTEREST THEREON.**

#### LEGAL OPINIONS

The issuance of the Bonds is subject to the approving legal opinion of legal opinion of Dinsmore & Shohl LLP, Pittsburgh, Pennsylvania, as Bond Counsel, to be furnished upon delivery of the Bonds. Certain legal matters will be passed upon by Barbera, Melvin & Svonavec, LLP, Somerset, Pennsylvania and Fike, Cascio & Boose, Somerset, Pennsylvania, as Co-Solicitors for the School District and Cozen O'Connor, in Pittsburgh, Pennsylvania, will pass upon certain legal matters as limited scope underwriter's counsel.

#### RATINGS

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

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

#### UNDERWRITING

Raymond James & Associates, Inc., Lancaster, Pennsylvania (the "Underwriter") subject to certain conditions, has purchased the Bonds from the School District at a purchase price of \$ \_\_\_\_\_ (representing the par amount of the Bonds of \$ \_\_\_\_\_, plus an original issue premium of \$ \_\_\_\_\_, less an underwriting discount of \$ \_\_\_\_\_). The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds on the Delivery Date if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the School District. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the School District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

#### PAYING AGENT

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

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

**CERTAIN OTHER MATTERS**

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

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

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

**SOMERSET AREA SCHOOL DISTRICT**  
**Somerset County, Pennsylvania**

By: \_\_\_\_\_  
President, Board of School Directors

**APPENDIX A**

**SUMMARIES OF OPERATING DATA REGARDING THE SCHOOL DISTRICT**

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**DESCRIPTION OF THE SCHOOL DISTRICT**

**Introduction**

The Somerset Area School District (the “School District”), located in the central portion of Somerset County, approximately 65 miles east of the city of Pittsburgh, and covers approximately 156 square miles. The School District is comprised of Somerset Borough, Somerset Township, Jefferson Township and Lincoln Township (collectively, the “Component Municipalities”). The 2020 population served by the School District was 20,224.

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

**School Facilities**

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

<u>School</u>	<u>Year Constructed</u>	<u>Additions/Alterations</u>	<u>Grades</u>	<u>Rated Pupil Capacity</u>	<u>2024-25 Enrollment</u>
Maple Ridge Elementary.....	1954	2002	Pre-K-2	600	484
Eagle View Elementary.....	1997	---	3-5	625	439
Somerset Junior/Senior H.S. ....	1982	2008	6-12	1,241	1,055
<b>Total School District.....</b>					<u>1,978</u>

Source: School District Officials.

**Pupil Enrollment**

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

<u>Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2020-21 .....	912	1,080	1,992
2021-22 .....	932	1,086	2,018
2022-23 .....	950	1,088	2,038
2023-24 .....	914	1,043	1,957
2024-25 (Current).....	923	1,055	1,978
2025-26 (Projected).....	845	1,048	1,893

Source: School District Officials – October 1<sup>st</sup> “Enrollment Report” as filed with the Pennsylvania Department of Education.

## SCHOOL DISTRICT FINANCES

### Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units.

The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by state law. The firm of Zelenkofske Axelrod LLC, of Greensburg, Pennsylvania currently serves as the School District's auditor. The School District's auditor has not been engaged to perform and has not performed since the date of its report contained in Appendix E, any procedures on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

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

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

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

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

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

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

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

**Summary and Discussion of Financial Results**

The below table presents a summary of the School District’s General Fund Financial Condition for Fiscal Years ending June 30, 2020 through 2024. For more complete information, the individual financial statements and the 2025 Budget of the School District are available on the School District’s website or may be reviewed at the School District’s Business Office.

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

	<b>ACTUAL</b>					<b>Budgeted</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenues</b>						
Local Sources.....	\$22,103,304	\$22,042,227	\$23,596,994	\$24,151,320	\$24,659,099	\$23,404,653
State Sources.....	15,439,662	15,741,755	16,274,399	17,519,903	18,841,485	19,214,712
Federal Sources.....	<u>1,406,731</u>	<u>3,467,414</u>	<u>2,305,349</u>	<u>2,338,578</u>	<u>2,478,975</u>	<u>1,751,612</u>
<b>Total Revenues</b> .....	\$38,949,697	\$41,251,396	\$42,176,742	\$44,009,801	\$45,979,559	\$44,370,977
<b>Expenditures</b>						
Instructional Services.....	\$22,087,210	\$22,730,853	\$23,988,932	\$24,772,265	\$25,153,188	\$25,229,227
Support Services.....	11,189,459	11,500,705	11,871,762	12,326,059	13,292,144	13,891,137
Noninstructional Services.....	1,190,077	1,057,056	1,321,909	1,495,252	1,672,877	1,681,139
Capital Outlay.....	0	383,420	32,580	420,738	633,757	0
Debt Service (P&I).....	149,843	147,375	148,452	147,249	145,553	150,819
Facilities Acquisition, Construction and Improvement Services	0	0	0	0	0	100,000
Budgetary Reserve.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,231,225</u>
<b>Total Expenditures</b> .....	\$34,616,589	\$35,819,409	\$37,363,635	\$39,161,563	\$40,897,519	\$43,283,547
<b>Other Financing Sources (Uses)</b>						
Interfund Transfers in (out).....	<u>(\$3,629,962)</u>	<u>(\$5,836,611)</u>	<u>(\$4,315,862)</u>	<u>(\$4,625,009)</u>	<u>(\$4,519,003)</u>	<u>(\$3,552,963)</u>
<b>Total Other Financing Sources (Uses)...</b>	<u>(\$3,629,962)</u>	<u>(\$5,836,611)</u>	<u>(\$4,315,862)</u>	<u>(\$4,625,009)</u>	<u>(\$4,519,003)</u>	<u>(\$3,552,963)</u>
<b>Excess Expenditures Over (Under) Revenues</b> .....	\$703,146	(\$404,624)	\$497,245	\$223,229	\$563,037	(\$2,465,533)
<b>Beginning Fund Balance</b> .....	\$10,690,816	\$11,393,962	\$10,989,338	\$11,486,583	\$11,709,812	\$12,272,849
<b>Prior Period Adjustments</b> .....	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Fund Balance June 30</b> .....	<u>\$11,393,962</u>	<u>\$10,989,338</u>	<u>\$11,486,583</u>	<u>\$11,709,812</u>	<u>\$12,272,849</u>	<u>\$9,807,316</u>

Source: School District Audits and Budget.

**TAXING POWERS AND LIMITS**

**In General**

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

1. An annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - a) for minimum salaries and increments of the teaching and supervisory staff;
  - b) to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - c) to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the School District; and
  - d) to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July 1959.
3. An annual per capita tax on each resident over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax

Enabling Act”). These taxes, which may include, among others, a per capita tax, an earned income and net profits tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth (“STEB”)/Tax Equalization Division (“TED”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

## PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS

### Taxpayer Relief Act (Act 1)

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

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

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004 (“Act 72”), or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 (as in the case of the School District); (a) to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and (b) to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances;
3. To make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is great than the Index (as determined by PDE in accordance with the provisions of Act 1), subject to the limitation that the salary base used for calculating estimated payments is capped at the 2011-12 salary base level, per PDE Referendum Exception Guidelines.”

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

“Index” is defined in Act 1 as follows:

#### INDEX

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

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

STATEWIDE AVERAGE WEEKLY WAGE

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

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

<u>Fiscal Year</u>	<u>Index %</u>
2024-25	6.8
2023-24	5.2
2022-23	4.3
2021-22	3.7
2020-21	3.2

Source: Pennsylvania Department of Education website.

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

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

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

**Limitations on School District Fund Balance**

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

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

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

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

\*Applicable to the School District

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

**TAX REVENUES OF THE SCHOOL DISTRICT**

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

<b>Fiscal Year</b>	<b>School District</b>	<b>Real Estate Transfer Tax (%)</b>	<b>Per Capita Tax (\$)<sup>(1)</sup></b>	<b>Local Services Tax (\$)</b>	<b>Earned Income Tax (%)</b>	<b>Occupation Tax (Flat Rate \$)</b>
2020-21	41.70	0.5	10.00	5.00	0.5	10.00
2021-22	43.24	0.5	10.00	5.00	0.5	10.00
2022-23	45.06	0.5	10.00	5.00	0.5	10.00
2023-24	45.06	0.5	10.00	5.00	0.5	10.00
2024-25	45.06	0.5	10.00	5.00	0.5	10.00

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

**Real Estate Tax Collection Record**

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

<b>Fiscal Year</b>	<b>Taxable Assessed Valuation</b>	<b>Adjusted Levv</b>	<b>Current Collections</b>	<b>Current Percent Collected</b>	<b>Total Collections<sup>(1)</sup></b>	<b>Total Percent Collected</b>
2019-20	\$453,282,830	\$18,901,894	\$17,261,288	91.3%	\$18,327,576	97.0%
2020-21	453,219,320	18,899,246	17,490,436	92.5%	18,332,851	97.0%
2021-22	452,484,550	19,565,432	18,357,386	93.8%	19,392,138	99.1%
2022-23	453,466,210	20,433,187	18,920,447	92.6%	19,533,988	95.6%
2023-24	456,307,610	20,561,221	18,900,469	91.9%	19,583,076	95.2%

<sup>(1)</sup>Includes delinquent collections.  
Source: School District Officials.

**Trends in Market and Assessed Valuations**

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

<b>Tax Year</b>	<b>Market Value</b>	<b>Assessed Value</b>	<b>Ratio</b>
2018-19	\$1,563,080,345	\$453,293,300	29.00%
2019-20	1,210,649,844	453,219,320	37.44%
2020-21	1,209,482,375	452,484,550	37.41%
2021-22	1,280,648,101	453,466,210	35.41%
2022-23	1,290,701,314	456,307,610	35.35%

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

**Ten Most Valuable Taxable Parcels in the School District**

The following table represents the ten real estate parcels having the highest assessed values in the School District. These taxpayers represent approximately 3.61% of the School District's total most recent assessed value.

<b>Taxpayer</b>	<b>Taxable Aggregate Assessed Valuation</b>
WEC 2001A-DC-4 LLC	\$2,365,180
PAVA Purchaser LLC	1,976,100
Mostoller Landfill Inc.	1,821,710
Wal-Mart Real Estate	1,654,190
Patriot Propco LLC	1,640,000
3D JBK Somerset Realty LLC	1,461,150
THF Somerset Development LP	1,443,850
Somerset Welding & Steel Inc.	1,383,860
Somerset Hotels LLC	1,373,600
Devilbiss Health PA LP	<u>1,370,260</u>
<b>Total</b>	<b><u>\$16,489,900</u></b>

Source: County Assessment Office

## COMMONWEALTH AID TO SCHOOL DISTRICTS

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

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district's Fiscal Year 2023-24 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. Beginning in 2024-25, there is also a Hold Harmless Relief Supplement for qualifying school districts.

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

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

### **Lack of Commonwealth Appropriations for Debt Service Reimbursement**

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of the debt service on some or all of the School District's outstanding bonds after said bonds have received final approval from the Department of Education (see **"DEBT STATEMENT AND DEBT LIMITS"** herein). Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the bonds and the School District's Aid Ratio or CARF, whichever is higher. The School District's MVAR is currently higher at 50.12%. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon". In future years, this percentage may change as the School District's MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program.

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

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

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

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

**DEBT STATEMENT AND DEBT LIMITS**

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

<b><u>DIRECT DEBT</u></b>	<b><u>Gross</u></b>	<b><u>Project</u></b>	<b><u>Effective</u></b>	<b><u>State</u></b>	<b><u>Local</u></b>
<b><u>NONELECTORAL DEBT</u></b>	<b><u>Outstanding</u></b>	<b><u>Reimbursable</u></b>	<b><u>Reimbursement</u></b>	<b><u>Share</u></b>	<b><u>Share</u></b>
<b><u>Issue Type</u></b>		<b><u>Percent (%)</u></b>			
General Obligation Bonds, Series of 2025	\$15,000,000	0.00%	0.00%	\$0	\$15,000,000
General Obligation Bonds, Series A of 2020	4,275,000	48.23%	24.17%	0	4,275,000
General Obligation Bonds, Series of 2020	480,000	59.88%	30.01%	144,057	335,943
General Obligation Bonds, Series A of 2016	4,105,000	34.15%	17.12%	702,611	3,402,389
<b>Total Principal of Nonelectoral Debt</b>	<u>\$23,860,000</u>			<u>\$846,668</u>	<u>\$23,013,332</u>
<b><u>LEASE RENTAL DEBT</u></b>					
<b>Total Principal of Lease Rental Debt</b>	<u>0</u>				
<b>TOTAL DIRECT DEBT</b>	<u>\$23,860,000</u>				
<b><u>OVERLAPPING DEBT</u></b>					
Component Municipalities Debt	\$17,215,581				
Somerset County	8,122,537				
<b>Total Principal of Overlapping Debt</b>	<u>\$25,338,118</u>				
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<u>\$49,198,118</u>				
<b><u>DEBT RATIOS OF DIRECT DEBT</u></b>					
Market Valuation of Real Estate	1.85%				
Assessed Valuation of Real Estate	5.23%				
Per Capita (2020 Population)	\$322				
<b><u>DEBT RATIOS OF DIRECT DEBT</u></b>					
<b><u>AND OVERLAPPING DEBT</u></b>					
Market Valuation of Real Estate	1.96%				
Assessed Valuation of Real Estate	5.55%				
Per Capita (2020 Population)	\$342				
<b><u>FINANCIAL FACTORS OF THE</u></b>					
<b><u>SCHOOL DISTRICT</u></b>					
Market Value	\$1,290,701,314				
Assessed Value	\$456,307,610				
Population (2020)	20,224				

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

<sup>(2)</sup>School District’s pro rata 29.41% share of the County’s \$23,595,903 principal amount of debt outstanding.

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

**FUTURE FINANCING**

The School District does anticipate issuing additional long-term debt in the approximate amount of \$15,000,000 for its capital projects in 2026.

**BORROWING CAPACITY**  
(Under Local Government Unit Debt Act)

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

	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
<b>Total General Fund Revenues</b>	\$42,176,742	\$44,009,801	\$45,979,559
<b><u>Less: Required Deductions</u></b>			
a. Rental and Sinking Fund Reimbursement .....	\$952,997	\$990,529	\$1,006,944
b. Revenues for Self-Liquidating Debt .....	0	0	0
c. Refunds from Prior Year Expenditures .....	68,355	0	0
d. Grant and Gifts for Capital Projects .....	32,580	249,199	618,082
e. Sale of Equipment and Non-Recurring Items (i.e., insurance recoveries) .....	0	0	0
<b>Total Deductions</b> .....	<u>\$1,053,932</u>	<u>\$1,239,728</u>	<u>\$1,625,026</u>
<b>Total Net Revenues</b> .....	<u>\$40,551,716</u>	<u>\$40,551,716</u>	<u>\$40,551,716</u>
<b>Total Net Revenues for Three Years</b> .....		\$121,655,148	
<b>Borrowing Base - Average Net Revenues for Three-Year Period</b> .....		\$40,551,716	
<b><u>Computation of Borrowing Capacity</u></b>			
Debt Limitation - 225% OF Borrowing Base .....		\$91,241,361	
Less: Net Non-Electoral and Lease Rental Debt .....		23,860,000	
<b>Current Non-Electoral and Lease Rental Borrowing Capacity</b> .....		<u>\$67,381,361</u>	

**LABOR RELATIONS**

**Employees and Labor Contracts**

There are presently 297 employees of the School District, including 190 teachers and administrators, and 107 full-time support personnel, secretaries, athletic staff, maintenance/custodial staff, transportation staff, cafeteria staff and teachers' aides.

The current collective bargaining agreement between the School District and its professional employees, represented by the Somerset Education Association, extends until June 30, 2027. Relations between the School District and Association have been good. The current collective bargaining agreement between the School District and its support staff employees, represented by the Somerset Area Educational Support Personnel Association, expires June 30, 2025. The School District and the Association are currently negotiating and expect to have a new contract in place by July 1, 2025.

**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 who render at least 500 hours of service in the school year can 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. For the fiscal year ended June 30, 2025, the PSERS Board certified employer rate, to be paid by the School District, is 33.9%. According to Act 120 of 2010 the employer contribution rate is suppressed for future years by using rate caps to keep the rate from rising too high, too fast.

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

Under Act 5 of 2017 (“Act 5”) PSERS transitioned from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members’ classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019, will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the 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. Both the School District and the Commonwealth are responsible for paying a portion of the employer’s share. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. The School District contributions are made on a quarterly basis and employee contributions are deducted bi-weekly for each paycheck and remitted monthly. Recent School District payments, net of reimbursement, have been as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020-21	\$2,630,845
2021-22	2,813,808
2022-23	2,831,720
2023-24	2,732,830
2024-25	2,850,143
(Budgeted)	

On June 30, 2023, the School District reported a liability of \$48.81 million for its proportionate share of the PSERS 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 pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the PSERS' one-year reported contributions. This method was changed beginning with PSERS’ fiscal year ended June 30, 2020. In prior years, the proportion of the PSERS net pension liability was calculated utilizing the School District’s one-year reported covered payroll as it related to PSERS’ total one-year report covered payroll. On June 30, 2024 (measurement date), the School District's proportion was 0.1074%, which was a decrease of 2.2% from its proportion measured as of June 30, 2023.

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

Source: School District Audit and PSERS

**Other Post-Employment Benefits (“OPEB”)**

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

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

**APPENDIX B**

**LOCAL DEMOGRAPHIC, STATISTICAL, AND ECONOMIC INFORMATION**

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**DEMOGRAPHIC AND STATISTICAL INFORMATION**

**Population**

	<u>2010</u>	<u>2020</u>
School District.....	21,244	20,224
Somerset County .....	77,742	74,129
Pennsylvania .....	12,702,379	13,002,788

Source: U.S. Bureau of Census.

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

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

Source: U.S. Bureau of Census.

**Income  
(Estimates as of July 1, 2022)**

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

Source: U.S. Bureau of Census.

**Housing Characteristics  
(Estimates as of July 1, 2022)**

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

Source: U.S. Bureau of Census.

**Medical facilities**

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

Source: School District Officials.

**Transportation**

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

**Utilities and Communications**

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

**Higher Education**

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

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

**Recreation**

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

**ECONOMIC INFORMATION**

**Ten Largest Employers**

- 
- Somerset County**  
**Company**  
 State Government  
 UPMC Somerset  
 VR US Holdings Inc.  
 CSS Medical Center at Windber  
 Somerset County  
 Wal-Mart Associates Inc.  
 DeVilbiss Healthcare LLC  
 Wheeler Fleet Solutions Co.  
 Somerset Trust Company  
 CVS PA Distribution Inc.
- 

Source: Department of Labor a& Industry, Center for Workforce Information and Analysis – Labor & Industry (L & I), Quarterly, January 2025

**SOMERSET MICROPOLITAN STATISTICAL AREA**

(Somerset County)

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

TIME PERIOD	CIVILIAN LABOR FORCE	EMPLOY- MENT	UNEMPLOY- MENT	RATE (%)	SEASONALLY ADJUSTED <sup>4</sup>			
					LABOR FORCE	EMPLOY- MENT	UNEMPLOY- MENT	RATE (%)
December 2024	31,500	30,100	1,400	4.4	31,600	30,300	1,300	4.2
November	31,300	30,200	1,100	3.5	31,900	30,500	1,300	4.1
October	31,900	30,800	1,100	3.4	32,000	30,600	1,400	4.4
December 2023	32,100	31,000	1,200	3.7	32,300	31,100	1,200	3.6

SOURCE: Center for Workforce Information & Analysis (CWIA), Pennsylvania Department of Labor & Industry.

**SOMERSET MICROPOLITAN STATISTICAL AREA**

( Somerset County )

**December 2024**

**NONFARM JOBS - NOT SEASONALLY ADJUSTED**

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

SOURCE: Center for Workforce Information & Analysis (CWIA), Pennsylvania Department of Labor & Industry.

**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

## FORM OF OPINION OF BOND COUNSEL

*The form of the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Bond Counsel has no duty, and has assumed no obligation, to revise, update or supplement its opinion to address or reflect a change or changes in such circumstances subsequent to the date of delivery of the Bonds, whether or not it has notice or obtains knowledge of the same, and whether or not this Official Statement shall be recirculated. The approving legal opinion of Bond Counsel represents its considered professional judgment, following a comparison of relevant factual certifications to applicable law. Such opinion is not a guarantee of a particular result, nor is such opinion binding on any administrative or judicial tribunal.*

We have served as Bond Counsel to Somerset Area School District (Somerset County, Pennsylvania) (the “Local Government Unit”) and do hereby undertake to advise you in connection with the issuance, sale and delivery of its \$ \_\_\_\_\_, aggregate principal amount, General Obligation Bonds, Series of 2025 (collectively, the “Bonds”), issued in fully registered form, dated, bearing interest from \_\_\_\_\_, 2025, maturing on \_\_\_\_\_, \_\_\_\_\_, and subject to redemption prior to maturity at the option of the Local Government Unit beginning \_\_\_\_\_, \_\_\_\_\_.

In that capacity, we have examined the Constitution of the Commonwealth of Pennsylvania; the Public School Code of 1949, Act of March 10, 1949, P.L. 30, No. 14, as amended (the “School Code”); the Local Government Unit Debt Act, 53 Pa.C.S.A. §8001 *et seq.*, as amended (the “Debt Act”); the formal action of the Governing Body of the Local Government Unit authorizing the incurrence of nonelectoral debt evidenced by the Bonds (the “Debt Ordinance”); the corresponding Certificate of Approval of the Department of Community and Economic Development; the Internal Revenue Code of 1986, as amended (the “Tax Code”); the opinions of Barbera, Melvin & Svonavec, LLP and Fike, Cascio & Boose, as Co-Solicitors for the Local Government Unit, upon which we have relied; and such other proceedings and law as we deemed necessary in order to render this opinion. We have reviewed the Federal Tax Certificate of an authorized officer of the Local Government Unit, along with other closing certificates of the Local Government Unit and other parties to the issuance and sale of the Bonds. Unless separately noted, we have relied upon, but have not independently verified, factual certifications made to us by the Local Government Unit, its officers and agents, and by said other parties, both in such certificates and otherwise during the course of our engagement.

Both principal of and interest on the Bonds are payable at the designated corporate trust office of U.S. Bank Trust Company, National Association, Philadelphia, Pennsylvania, as Paying Agent for the Local Government Unit; U.S. Bank Trust Company, National Association has additionally been appointed Registrar and Sinking Fund Depository for the Bonds.

These proceedings demonstrate that, in the absence of any meritoriously-based action in a governmental or judicial forum affecting the validity of the Bonds, the same have been delivered upon full payment.

We have not been engaged nor undertaken to review the adequacy of disclosure in the Official Statement nor in any other securities offering material produced in respect of the Bonds and, except as to matters set forth in this opinion and described as such in said Official Statement, we express no opinion or belief with respect thereto.

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

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

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

3. Presently included among the general revenues of the Local Government Unit available for the payment of the Bonds are ad valorem real estate taxes, whose levy is subject to the limitations of Pennsylvania Act No. 1 of Special Session 2006, which became effective June 27, 2006.

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

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

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

7. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds (including, for this purpose, in the case of Bonds sold at an original issue discount, the difference between the initial offering price and accrued value) is excludable from gross income for Federal income tax purposes, pursuant to the Tax Code. Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Tax Code, in computing the alternative minimum tax for individuals. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Tax Code. We express no opinion as to any other Federal income tax consequence arising from ownership of the Bonds.

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

This opinion is rendered as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter be brought to our attention, or any changes in law that may hereafter arise.

Very truly yours,

Dinsmore & Shohl LLP

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by Somerset Area School District (Somerset County, Pennsylvania) (the “Issuer”), in connection with the issuance of its \$ \_\_\_\_\_, aggregate principal amount, General Obligation Bonds, Series of 2025 (the “Obligations”). The Obligations are being issued pursuant to a resolution adopted by the Board of School Directors of the Issuer (the “Governing Body”) on March 25, 2025 (the “Resolution”). The Issuer covenants and agrees as follows:

Section 1. ***Purpose of the Disclosure Undertaking.*** This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the holders of the Obligations and in order to comply with, and constitutes the written undertaking for the benefit of the holders of the Obligations required by, Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12) (the “Rule”).

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

“*Annual Report*” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

“*Disclosure Representative*” means the Director of Finance and Operations of the Issuer or his or her designee, or such other officer or employee of the Issuer as the Governing Body may designate from time to time.

“*Dissemination Agent*” means any person or entity designated by the Issuer.

“*EMMA*” means the MSRB’s Electronic Municipal Market Access system, as established by SEC Release No. 34-58256, as amended, and approved by SEC Release No. 34-59061.

“*Financial Obligation*” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Undertaking with respect to the Obligations.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Official Statement*” means the Preliminary Official Statement relating to the Obligations, and the Official Statement relating to the Obligations, dated \_\_\_\_\_, 2025.

“*Operating Data*” shall mean updates to certain tabular information contained in Appendix A of the Official Statement under the headings or subheadings: (a) Tax Levies – Real Estate and Other Non-Realty Taxes; (b) Real Estate Tax Collection Record; (c) Trends in Market and Assessed Valuations; and (d) Ten Most Valuable Tax Parcels in the School District.

“*Purchaser*” means Raymond James & Associates, Inc., in its role as original purchaser and underwriter of the Obligations.

“*Tax-exempt*” means that interest on the Obligations is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax.

Section 3. ***Provision of Annual Reports.*** The Issuer shall provide the Annual Report not later than March 31 following the fiscal year ending the previous June 30 (the “Report Date”), beginning with the fiscal year ending June 30, 2025 to EMMA which is consistent with the requirements of Section 4 of this Disclosure Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking, provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report. The Annual Report must be submitted in the manner prescribed by the Municipal Securities Rulemaking Board, currently by uploading a machine word-searchable .pdf file to the EMMA Dataport web site.

Section 4. ***Content of Annual Reports.*** The Issuer's Annual Report shall contain or incorporate by reference the following financial information and operating information for the Issuer:

- (a) financial statements for the Issuer for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units<sup>1</sup>;
- (b) a summary of the budget for the current fiscal year (the fiscal year following the fiscal year of the financial statements being provided); and
- (c) the Operating Data.

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

Section 5. ***Reporting of Significant Events.*** (a) Pursuant to the provisions of this Section 5, the Issuer shall file, in a timely manner not in excess of ten (10) business days after the occurrence of such event, with the MSRB, notice of the occurrence of any of the following events with respect to the Obligations:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue

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<sup>1</sup> If not submitted as part of the annual financial information, then when and if available, audited financial statements for the Issuer.

(IRS Form 5701-TEB) or other similar events affecting the tax-exempt status of the security;

- (vii) modifications to the rights of Holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (xiii) the consummation of a merger, consolidation, or acquisition of the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) the appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) the incurrence of a Financial Obligation of the Issuer, if material, or the agreement, in connection with a Financial Obligation, to new, or additional, covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar event under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) The Issuer shall file in a timely manner with the MSRB and accompanied by such identifying information as prescribed by the MSRB, notice of a failure to provide the required annual financial information specified above, on or before the date specified above.

(c) For the purposes of the Listed Event identified in clause (a)(xii) of this Section, the event is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the Issuer 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 Issuer, 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 an 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 Issuer.

Section 6. **Termination of Reporting Obligation.** The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Obligations.

Section 7. **Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the holders of the Obligations or any other party. If no replacement Dissemination Agent is appointed, the Issuer shall undertake all obligations thereof hereunder.

Section 8. **Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the Issuer, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. **Additional Information.** Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. **Default.** In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Undertaking, any holder of Obligations may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed a default under the Resolution or the Obligations and the rights and remedies provided by the Resolution and the Obligations upon the occurrence of a default shall not apply to any such failure. The sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 11. **Immunities of Individuals.** No recourse shall be had for any claim based hereon against any member, director, officer, or employee, past, present or future, of the Issuer or the officers of the Issuer or of any successor body, as such.

Section 12. **Beneficiaries.** This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the initial purchaser of the Obligations, and holders from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. **Notices.**

Any notices or communications to or with the Issuer may be given as follows:

Somerset Area School District  
645 South Columbia Avenue  
Somerset, PA 15501  
Attention: Director of Finance and Operations

IN WITNESS WHEREOF, the Issuer has caused its duly authorized officer to execute this Certificate as of this \_\_\_\_ day of \_\_\_\_\_, 2025.

SOMERSET AREA SCHOOL DISTRICT

By: \_\_\_\_\_  
President, Board of School Directors

**APPENDIX E**  
**AUDITED FINANCIAL STATEMENTS**

**SOMERSET AREA SCHOOL DISTRICT**

**SOMERSET, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024**

SOMERSET AREA SCHOOL DISTRICT  
YEAR ENDED JUNE 30, 2024

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-19
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Net Position - Proprietary Fund	26
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Fund	28
Notes to the Financial Statements	29-59
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	61
Schedule of Changes in the Total OPEB Liability and Related Ratios – Retirees' Health Plan	62
Schedule of the District's Proportionate Share of the Net OPEB Liability – PSERS Plan	63
Schedule of the District's OPEB Contributions – PSERS Plan	64
Schedule of the District's Proportionate Share of the Net Pension Liability – Last 10 Years	65
Schedule of the District's Contributions – Last 10 Years	66



***Zelenkofske Axlerod LLC***  
**CERTIFIED PUBLIC ACCOUNTANTS**  
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Independent Auditor's Report

Members of the Board  
Somerset Area School District  
Somerset, Pennsylvania

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund, of SOMERSET AREA 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 table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the governmental activities, the business type activities, and each major fund, 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 Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

The District's 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 one year after the date that the financial statements are issued.



***Zelenkofske Axelrod LLC***  
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Members of the Board  
Somerset Area School District  
Page 2

**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 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, 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, budgetary comparison schedule – General Fund, schedule of changes in the total OPEB liability and related ratios- retirees' health plan, schedule of the district's proportionate share of the net OPEB liability – PSERS plan, schedule of the district's OPEB contributions – PSERS plan, schedule of the district's proportionate share of the net pension liability – last 10 years, schedule of the district's contributions – last 10 years on pages 4 through 19 and 60 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,



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Somerset Area School District  
Page 3

economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2024 on our consideration of the SOMERSET AREA SCHOOL DISTRICT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

November 27, 2024  
Greensburg, Pennsylvania

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

This discussion and analysis of Somerset Area School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2024. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the School District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the School District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is part of the Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999. GASB Statement No. 34 requires certain comparative information to be presented between the current year and the prior year and is detailed herein accordingly.

### DESCRIPTION OF THE SCHOOL DISTRICT

The Somerset Area School District is located in the central portion of Somerset County, approximately 65 miles southeast of the city of Pittsburgh and 135 miles west the city of Harrisburg. The District is a rural school district encompassing 156 square miles with a population of 20,096 (U. S. Census, 2023 estimate). The District includes the following municipalities: Somerset Borough, Somerset Township, Jefferson Township and Lincoln Township. The school system includes two elementary schools and two secondary schools with a total approximate enrollment of 1,948 students.

The School District employs 297 regular employees. The teaching staff consists of 176 professionals, which in the 2023/2024 fiscal year included 12 teachers federally funded by ESSER grants. The Pennsylvania State Education Association ("PSEA") and the Somerset Area Education Association ("SAEA") represent teachers in the District. The SAEA is the representative bargaining unit. Currently, the SAEA is working under the terms of a 5-year contract that expires on June 30, 2027. The PSEA/NEA Somerset Area Educational Support Personnel Association ("SAESPA") represent the support staff members. The SAESPA is working under a 2-year contract extension that expires on June 30, 2025.

### INDEPENDENT AUDIT

As required by Pennsylvania state law, the Somerset Area School District submits its financial data to independent certified public accountants at year-end for a comprehensive annual audit of the District's financial affairs. The Board of Education has retained Zelenkofske Axelrod LLC, Certified Public Accountants, to complete an independent audit of the financial position and results of its operations in accordance with auditing standards generally accepted in the United States and with government auditing standards. The District also submits its federal program financial and operational data in compliance with the provisions of the Federal Government's Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Non-profit Organizations".

### FINANCIAL HIGHLIGHTS

- The District's financial status was favorable during the 2023/2024 fiscal year. Due to the implementation of GASB 68, Pension Reporting, and GASB 75, Other Postemployment Benefits Reporting (OPEB), the District's Net Position continues to show as a negative. Net Position increased by approximately 61.1% to (\$3.47 million), this is the sixth increase since the District has been accounting for PSERS and OPEB liabilities on the financial statements. In 2023/2024 fiscal year the OPEB liability decreased \$48,376, the Net Pension Liability had a decrease of \$948,332, and the District's General Obligation Bonds decreased \$3.35 million. The District's Investment in Capital Assets increased by \$6.09 million. As discussed in previous years, school districts across the state of Pennsylvania have seen significant

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

changes in Net Position due to the implementation of GASB 68 and 75.

Overall revenues increased 4.2% to \$47.85 million, while expenses increased by 3.4%. Liabilities decreased by 5.7% to \$69.35 million. The decrease in liabilities is due to the reduction in long-term liabilities, which include pension liability, OPEB liability, and general obligation bonds. This decrease was discussed earlier, regarding the reduction in General Obligation Bonds, OPEB and Pension liabilities. General revenues for governmental activities accounted for \$35.28 million in revenue, or 76.2% of total governmental revenues. Governmental activities program specific revenues in the form of charges for services and grants and contributions accounted for \$10.99 million or 23.8% of total governmental revenues, which was an increase of \$410 thousand or 3.9%. This increase is due in larger portion to the increase in transportation and special education subsidies. State formula aid increased by \$1.01 million, and the maturity of this increase is in the basic education education subsidy. The amount of ESSER funds utilized remained level funded and should remain consistent until exhausted in the next fiscal year 2024/2025.

Somerset Area School District is slated to receive in the fiscal years 2019/2020 – 2024/2025 over \$7.44 million in ESSER funding, these grants include the ESSER I, ESSER II, and ESSER III. The District has received multiple smaller grants related to COVID-19 funding that total in the hundreds of thousands. In the current fiscal year 2023/2024, the District recognized \$1.48 million in ESSER grant monies, including \$1.33 million of ARP ESSER, \$109 thousand of ESSER Learning Loss, and \$42 thousand of other ESSER grants. The District did budget for the ESSER grant expenditures in the 2023/2024 General Fund budget, as we now know the dollar amount and timing of the funds. ESSER I, ESSER II and ESSER III monies are fully spent. The ESSER III grant continued to be utilized to improve education until the grant end date of September 30, 2024.

- The District's expenses for governmental activities increased 3.07% (\$1.22 million) to \$41.04 million, of which \$10.99 million of these expenses were offset by program specific charges for services, grants and contributions. General governmental activities revenues of \$35.28 million were utilized to provide for these programs as well.
- Among major funds, the General Fund had \$45.98 million in total revenues and other financing sources and \$45.42 million in expenditures and other financing uses. The General Fund's unassigned fund balance increased 17.17% to \$4.41 million. While the General Fund increased the unassigned fund balance, it transferred \$900,000 to the Capital Reserve Fund to bolster the fund for current and future capital projects. Growth in state and local revenue, while holding the line on expenditures produced an increase net change in the General Fund's total fund balance of \$563,037. The General Fund continues to maintain a healthy fund balance, and because of the positive outcome of the District's Statement of Revenues, Expenditures, and Changes in Fund Balances and the healthy balance in the unassigned fund balance, the District did not need to raise taxes in the 2024/2025 fiscal year or borrow for cash flow needs.
- In FY 2023/2024, the District's committed fund balance decreased by \$91,353 to \$7,445,476. The change was the planned de-committing of \$105,000 for the payment of two multi-passenger vans and a technology project jointly funded by the District and E-Rate funding. A large portion of the committed fund balance, \$6,101,405 remains committed for future employer contributions to the Public School Employees Retirement System (PSERS), which had the first decrease in the 2023/2024 employer contribution rate (ECR) in more than a decade. The ECR slightly decreased in 2024/2025 as well, but it is expected to return to increases for the next seven to ten years. The District committed the \$6.10 million over multiple years beginning in fiscal years 2008/2009 through 2014/2015 for PSERS prefunding. More importantly, however, the millage already having been put in place in past fiscal years will help to fund the District's current share of the PSERS cost. Continued financial efforts will be necessary to fund this ongoing expense for an undetermined time into the future. The

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

remainder of the committed fund balance is for various short-range and mid-range planned expenditures.

- The District's investment in Capital Assets Net of Depreciation substantially increased by \$2.44 million or 7.1% to \$36.66 million. The increase in Capital Assets was due to additions in Capital Assets for ongoing capital improvement projects. Specifically, the District had \$2.65 million added to Capital Assets for Construction in Progress and \$2.08 million for completed Buildings/Site Improvements and Equipment/Vehicles for the District-Wide capital improvements that are currently underway and almost completed.
- Governmental long-term debt decreased by a net \$3.46 million, reflecting, for the most part, the repayment of scheduled principal and interest on the District's General Obligation Issues. In 2020 and 2021, the District refunded the 2015 and 2016 bonds. Due to market opportunity and lower rate availability, the District will save over \$336 thousand from the refunding of the Series 2015 and 2016 bond issues. The District is always assessing opportunity for bond refinance savings and has been very successful in this regard, but as the District gets closer to paying off all existing bonds the opportunity for further savings is not expected. The District will retire the two of their four outstanding bond issues in fiscal 2024/2025. All current debt will be retired in the next three years, by the fiscal 2026/2027.
- Total Outstanding Long-Term Debt decreased 6.7% to \$64.15 million. This number reflects the Governmental Accounting Standard Board (GASB) statement No. 75, Accounting and Financial Reporting for Postemployment Benefits. The Net Other Postemployment Benefits (OPEB) Liability decreased \$48,376 from \$5.45 million to \$5.41 million at June 30, 2024. The District had a decrease of \$948 thousand in its Net Pension Liability from \$48.81 million in 2023 to \$47.87 million at June 30, 2024. The most recent PSERS Summary Annual Financial Report fiscal year ended 2022/2023, reports that PSERS is 63.6% funded. The projected unfunded liability at June 30, 2023 (unaudited) decreased to (\$42.34) billion. This decrease was due to a net actuarial experience gain, strong employer payroll growth, and favorable retirement demographics. Also, the decreases of the past two years represent the largest declines in the unfunded accrued liability since the 2006/2007 fiscal year. PSERS expects the funded ratio to continue to rise moving forward estimating it will reach 81.9% in less than a decade.

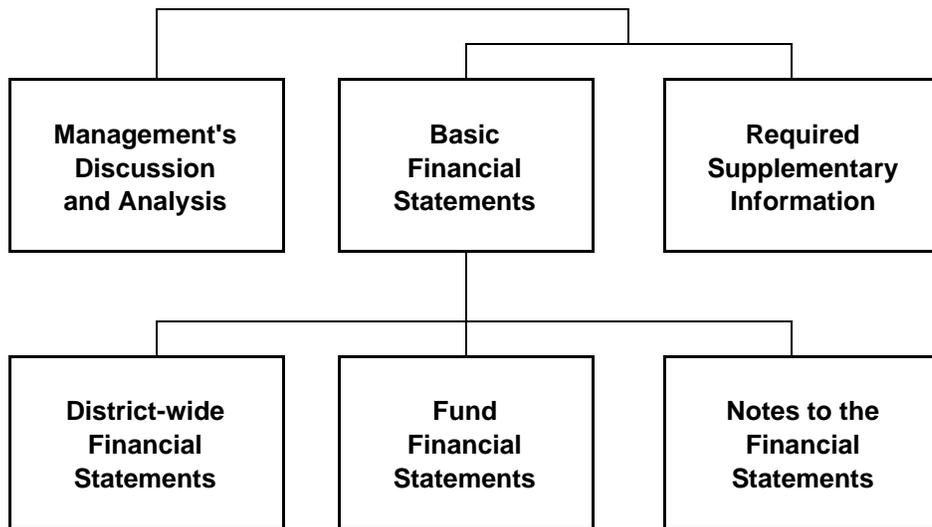
## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

The basic financial statements include two kinds of statements, which present different views of the District. The first two statements are ***District-wide Financial Statements*** that provide both *short-term* and *long-term* information about the District's overall financial status. The remaining statements are ***Fund Financial Statements*** that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide Statements. The *governmental funds statements* indicate how the District financed its basic services such as regular and special education. *Proprietary fund* statements offer financial information about the one activity the District operates *like a business*, its Food Service Fund. *Fiduciary funds* statements provide information regarding the District's Student Activity Fund for which the District acts solely as a *trustee* for the benefit of the students who manage the funds.

The financial statements also include notes that explain some of the information in the statements, as well as provide data that are more detailed. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and are related to one another.

**Figure A-1**  
**Organization of Somerset Area School District Annual Financial Report**



MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

Figure A-2 summarizes the major features of the District's financial statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the District-wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds).	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects.	An activity the District operates similar to private businesses (Food Service Fund).
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

### District-wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position - the difference between the District's assets and liabilities - is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health one must also consider additional factors such as increases (decreases) to the District's long-term debt, changes in the District's property tax base and the condition of or need for improvements or expansion to existing school facilities.

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

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes, along with state formula aid, finance most of these activities. Fixed assets and related debt are supported by taxes and intergovernmental activities.
- **Business-type Activities:** The District charges fees to cover the cost of certain services such as its food services program.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. These statements focus on the District's most significant or "major" funds - not the District as a whole. Funds are accounting components the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The District has three types of funds as follows:

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide Financial Statements. Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the long-term focus of the District-wide Statements, additional information within the Governmental Funds Statements explains the relationship (or differences) between them. Readers may better understand the long-term impact of the District's current financing decisions by comparing the information presented for governmental funds with similar information presented for governmental activities in the District-wide Financial Statements. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements. A district's *Enterprise Funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, its Food Service Fund.

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net position.** Net position may serve over time as a useful indicator of government's financial position. In the case of the District, liabilities exceeded assets by (\$3.47) million as of June 30, 2024, an increase in net position of 61.1% or \$5.45 million from the prior year. This increase is due to the increase in Total Assets and Invested in Capital Assets, Net of Related Debt, as discussed early in this report. The reporting of GASB 68 and 75, pension and OPEB liabilities remain the reason the District's Net Assets are negative.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt (currently implementation of GASB 68 and 75), the acquisition and disposal of capital assets and the depreciation of capital assets. Specifically, the District decreased its unrestricted net assets by \$644 thousand and increased its total assets/outflows by \$1.16 million or 1.7%. The District's total liabilities/inflows decreased by \$4.30 million or 5.7% in the fiscal year ended June 30, 2024. This decrease is the result of \$4.47 million decrease in long term debt outstanding and \$102 thousand decrease in deferred inflows of resources. Deferred inflows of resources are related to pension liability and OPEB liability for differences in actual to expected experience and investment returns, as well as changes in actuarial assumptions and changes in proportionate share for the District.

The portion of the District's governmental activities net assets that reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, furniture and equipment, and construction in progress less any related debt used to acquire those assets that is still outstanding) increased \$5,635,043 to \$26.49 million at June 30, 2024.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2024. See Figure A-3.

**Figure A-3**

Condensed Statement of Net Assets							
As of June 30, 2024							
	Governmental Activities		Business-Type Activities		Total School District		% Change 2023-2024
	2023	2024	2023	2024	2023	2024	
Current and Other Assets	\$21,733,854	\$21,096,546	\$1,278,174	\$933,654	\$23,012,028	\$22,030,200	
Capital Assets	<u>33,911,514</u>	<u>35,895,134</u>	<u>312,440</u>	<u>769,167</u>	<u>34,223,954</u>	<u>36,664,301</u>	
<b>Total Assets</b>	<b>55,645,368</b>	<b>56,991,680</b>	<b>1,590,614</b>	<b>1,702,821</b>	<b>57,235,982</b>	<b>58,694,501</b>	<b>2.5%</b>
Deferred Outflows of Resources	<u>9,914,930</u>	<u>9,611,689</u>	<u>0</u>	<u>0</u>	<u>9,914,930</u>	<u>9,611,689</u>	
<b>Total Assets/Outflows</b>	<b>65,560,298</b>	<b>66,603,369</b>	<b>1,590,614</b>	<b>1,702,821</b>	<b>67,150,912</b>	<b>68,306,190</b>	
Long-term Debt Outstanding	65,446,661	60,974,918	0	0	65,446,661	60,974,918	
Other Liabilities	<u>8,035,866</u>	<u>8,318,225</u>	<u>61,198</u>	<u>53,997</u>	<u>8,097,064</u>	<u>8,372,222</u>	
<b>Total Liabilities</b>	<b>73,482,527</b>	<b>69,293,143</b>	<b>61,198</b>	<b>53,997</b>	<b>73,543,725</b>	<b>69,347,140</b>	<b>-5.7%</b>
Deferred Inflows of Resources	<u>2,527,475</u>	<u>2,425,914</u>	<u>0</u>	<u>0</u>	<u>2,527,475</u>	<u>2,425,914</u>	
Net Assets/Position							
Invested in Capital Assets	20,856,527	26,491,570	312,440	769,167	21,168,967	27,260,737	
Net of Related Debt							
Restricted for:							
Capital Projects	0	0	0	0	0	0	
Debt Service	6,768	6,768	0	0	6,768	6,768	
Special Revenue	75,407	80,956	0	0	75,407	80,956	
Unrestricted	<u>(31,388,406)</u>	<u>(31,694,982)</u>	<u>1,216,976</u>	<u>879,657</u>	<u>(30,171,430)</u>	<u>(30,815,325)</u>	
<b>Total Net Assets/Position</b>	<b>(\$10,449,704)</b>	<b>(\$5,115,688)</b>	<b>\$1,529,416</b>	<b>\$1,648,824</b>	<b>(\$8,920,288)</b>	<b>(\$3,466,864)</b>	<b>61.1%</b>

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

**Changes in net position.** The District's total revenues for the fiscal year ended June 30, 2024 increased 4.2% or \$1,908,437 to \$47.85 million. Operating grants increased by \$376,432 or 3.6% to total \$10.91 million due to increases in state subsidies. Capital grants increased 1.7% to \$1.05 million due to increased debt service rental subsidy based on higher debt service expense. Property taxes and other taxes levied for general purposes increased by 1.4%, or \$314,929, and accounted for largest share 48.17% of total revenues. Tax collections are consistent in almost every tax category collected. State formula aid increased substantially by 10.1% or \$1,012,058 to \$11.00 million. The District received an increase of \$1.01 million in Basic Education Funding and this increase represents the total increase in State formula aid for the 23/24 fiscal year. See Figures A-4 & A-5.

The total cost of regular programs and services had an increase of 3.4% to \$42.50 million. The District's expenses are predominately related to direct instruction and care for students (instructional support services, student activities, food services, transportation and operation and maintenance of school facilities), which represent 90.1% or \$38.29 million of total expenses.

See Figures A-4 & A-6.

**Figure A-4**

Changes in Net Assets From Operating Results							
July 1, 2023 to June 30, 2024							
	Governmental Activities		Business-Type Activities		Total School District		Total % Change
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023-2024</u>
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$238,709	\$225,773	\$365,481	\$353,531	\$604,190	\$579,304	-4.1%
Operating Grants & Contributions	9,352,579	9,759,446	1,177,293	1,146,858	10,529,872	10,906,304	3.6%
Capital Grants & Contributions	990,529	1,006,943			990,529	1,006,943	1.7%
General Revenues							
Property Taxes & Other Taxes Levied for General Purposes	22,733,088	23,048,017	0	0	22,733,088	23,048,017	1.4%
State Formula Aid	9,990,970	11,003,028			9,990,970	11,003,028	10.1%
Other	<u>1,052,349</u>	<u>1,229,176</u>	<u>40,489</u>	<u>77,152</u>	<u>1,092,838</u>	<u>1,306,328</u>	<u>19.5%</u>
<b>Total Revenues</b>	<b><u>44,358,224</u></b>	<b><u>46,272,383</u></b>	<b><u>1,583,263</u></b>	<b><u>1,577,541</u></b>	<b><u>45,941,487</u></b>	<b><u>47,849,924</u></b>	<b><u>4.2%</u></b>
<b>Expenses</b>							
Instruction	24,825,941	25,324,785	0	0	24,825,941	25,324,785	2.0%
Instructional Student Support	3,881,575	4,014,480	0	0	3,881,575	4,014,480	3.4%
Administrative & Financial Support	3,287,484	3,437,080	0	0	3,287,484	3,437,080	4.6%
Operation & Maintenance of Plant	3,469,522	3,653,169	0	0	3,469,522	3,653,169	5.3%
Pupil Transportation	1,890,369	2,227,762	0	0	1,890,369	2,227,762	17.8%
Other	<u>2,462,849</u>	<u>2,384,393</u>	<u>1,283,226</u>	<u>1,458,133</u>	<u>3,746,075</u>	<u>3,842,526</u>	<u>2.6%</u>
<b>Total Expenses</b>	<b><u>39,817,740</u></b>	<b><u>41,041,669</u></b>	<b><u>1,283,226</u></b>	<b><u>1,458,133</u></b>	<b><u>41,100,966</u></b>	<b><u>42,499,802</u></b>	<b><u>3.4%</u></b>
Loss on Sale of Assets	0	0	0	0	0	0	
Special Item	<u>100,812</u>	<u>103,302</u>	<u>0</u>	<u>0</u>	<u>100,812</u>	<u>103,302</u>	
<b>Incr. (Decr.) in Net Assets</b>	<b><u>\$4,641,296</u></b>	<b><u>\$5,334,016</u></b>	<b><u>\$300,037</u></b>	<b><u>\$119,408</u></b>	<b><u>\$4,941,333</u></b>	<b><u>\$5,453,424</u></b>	<b><u>N/A</u></b>

Figure A-5

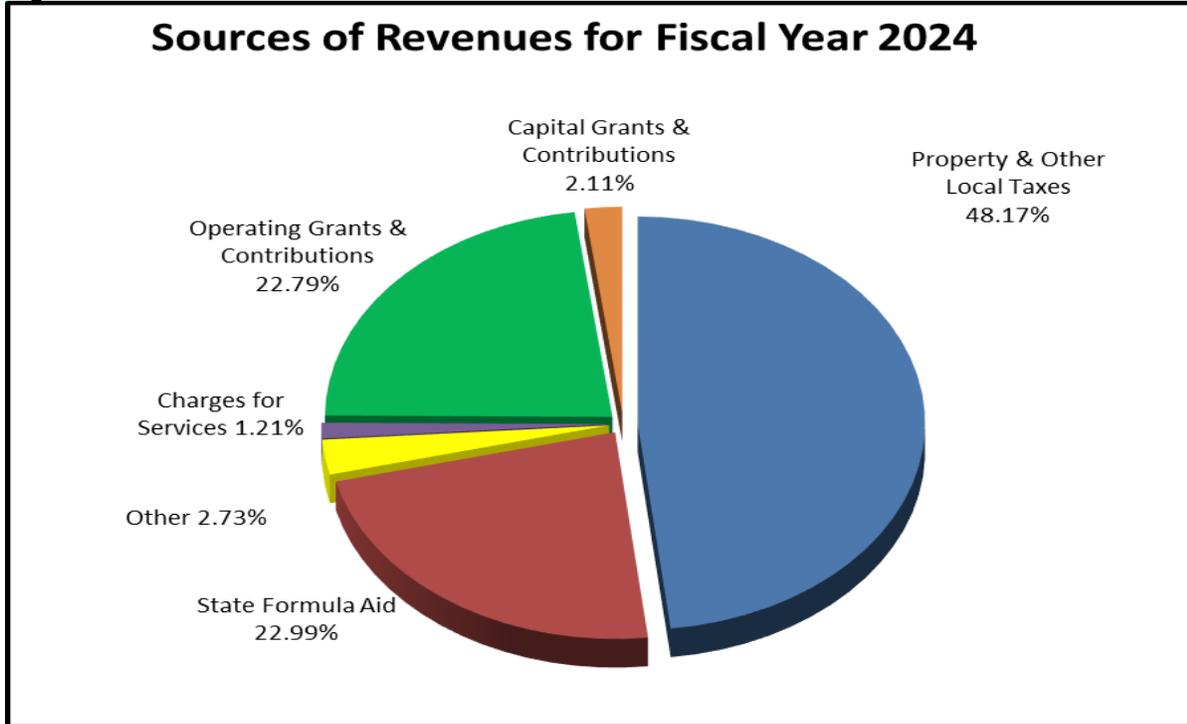
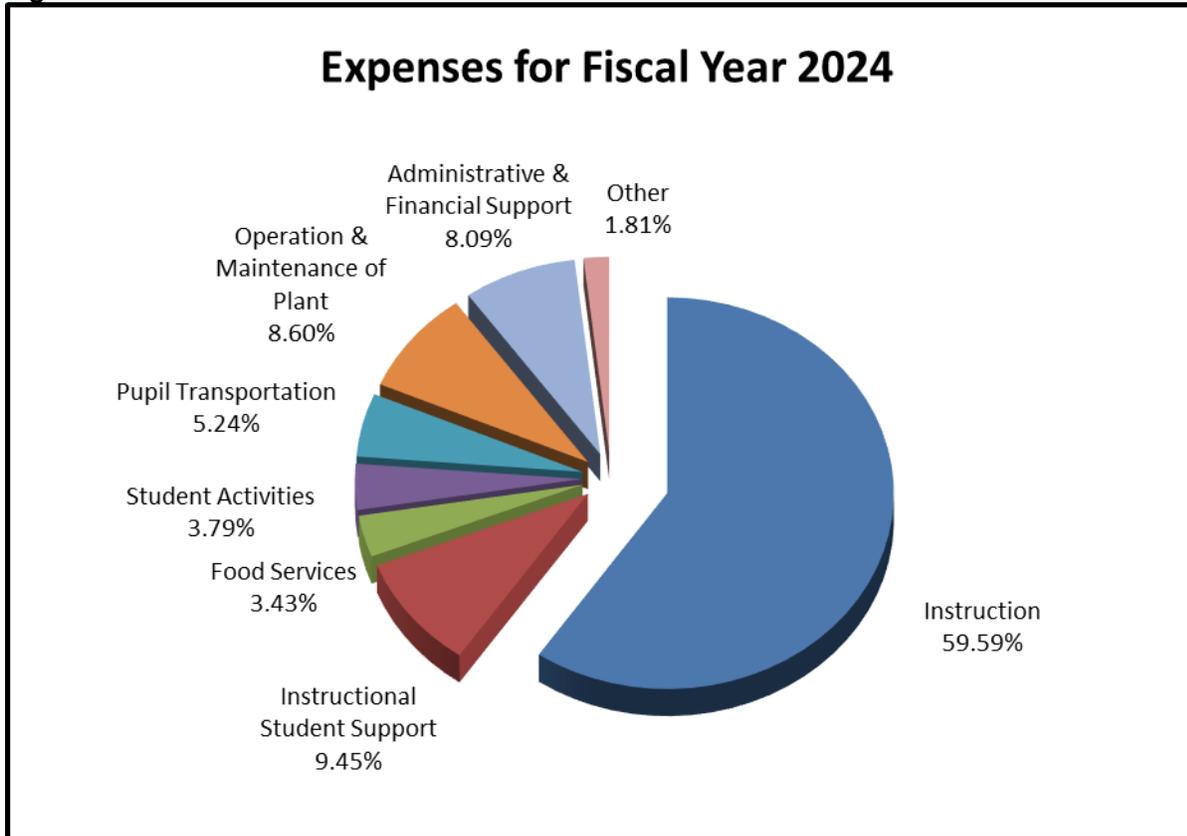


Figure A-6



MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

**Governmental activities.** Figure A-7 presents the cost of six (6) major District activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and governmental aid provided for *specific* programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. The net cost of governmental activities increased 2.8% to \$30.05 million. The net cost is financed by general revenue, which is made up of primarily property and other local taxes levied by the District (\$23.05 million) and state formula aid (\$11.00 million).

**Figure A-7**

<b>Net Cost of Governmental Activities</b>					
<b>July 1, 2023 to June 30, 2024</b>					
	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>		<b>Total % Change</b>
	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2023-2024</u></b>
<b>Regular Expenses</b>					
Instruction	\$24,825,941	\$25,324,785	\$16,974,227	\$17,211,708	1.4%
Instructional Student Support	3,881,575	4,014,480	3,537,376	3,660,145	3.5%
Administrative & Financial Support	3,287,484	3,437,080	2,903,622	3,041,386	4.7%
Operation & Maintenance of Plant	3,469,522	3,653,169	3,269,430	3,448,237	5.5%
Pupil Transportation	1,890,369	2,227,762	1,235,281	1,476,794	19.6%
Other	<u>2,462,849</u>	<u>2,384,393</u>	<u>1,315,987</u>	<u>1,211,237</u>	<u>-8.0%</u>
<b>Total</b>	<b>\$39,817,740</b>	<b>\$41,041,669</b>	<b>\$29,235,923</b>	<b>\$30,049,507</b>	<b><u>2.8%</u></b>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

**Governmental Funds.** As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District, as a whole, is reflected, in large part, in the change in its governmental fund balances and the increase (decrease) in its long-term debt. As the District completed the current year, its governmental funds reported a combined fund balance of \$15.46 million, a decrease of \$946,654 from the prior year. The decrease was due to a decrease in the Capital Reserve Fund Balance. The Capital Reserve Fund decrease of \$1.52 million was due to the capital improvement projects occurring and nearing completion. These upgrades include: replacement of the Maple Ridge Elementary boiler and domestic hot water system, the Junior High School domestic hot water system, full auditorium upgrade, exterior lighting at the Junior/Senior High complex, emergency generator at the Senior High School, and Eagle View Elementary chiller system. The costs of these upgrades at June 30, 2024 was \$2,580,753 funded by the Capital Reserve Fund. The General Fund Unassigned Fund Balance increased from \$3.76 million in fiscal year 2022/2023 to \$4.41 million in fiscal year 2023/2024.

The General Fund non-spendable, restricted, committed, and assigned fund balance decreased \$82,619 from the prior year to \$7.87 million. The majority of this fund (\$6.1 million) was designated to pay for required employer contributions to the Public School Employees Retirement System (PSERS) that have increased significantly and are expected to continue to increase for a number of years. The decrease was due to the planned utilization of the committed fund balance for two district passenger vans (\$105,000) and a technology project in conjunction with E-Rate funding (\$236,353 was the

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

district's share of the project). The District also committed \$250,000 for District-Wide Facility Improvements, therefore the net decrease to the committed fund balance was \$91,353.

The General Fund unassigned fund balance increased \$645,656 (17.17%) from the prior year to \$4.41 million. The increase was due to higher than expected state and local revenues as well as controlling any increases to expenditures. The General Fund's unassigned fund balance is 28.49% of the District's total Fund Balance, and this balance is available for pending expenses at the District's discretion. See Figure A-8.

**Figure A-8**

Governmental Funds - Fund Balances						
	2023			2024		
	Committed, Assigned, Restricted, or Nonspendable	Unassigned	Total	Committed, Assigned, Restricted, or Nonspendable	Unassigned	Total
General Fund	\$7,948,816	\$3,760,996	\$11,709,812	\$7,866,197	\$4,406,652	\$12,272,849
Capital Reserve	4,626,186	0	4,626,186	3,110,948	0	3,110,948
Capital Projects	0	0	0	0	0	0
Debt Service	195	0	195	196	0	196
Special Revenue	<u>75,408</u>	<u>0</u>	<u>75,408</u>	<u>80,955</u>	<u>0</u>	<u>80,955</u>
<b>Total</b>	<b>\$12,650,605</b>	<b>\$3,760,996</b>	<b>\$16,411,601</b>	<b>\$11,058,296</b>	<b>\$4,406,652</b>	<b>\$15,464,948</b>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2024, the District's capital assets used in its governmental activities increased \$3,380,887 to \$85.16 million, including land, construction in progress, site improvements, school buildings and furniture and equipment. Total accumulated depreciation as of June 30, 2024 was \$49.27 million, resulting in net capital assets of \$35.90 million, an increase of 5.9% from the prior year (see Figure A-9). The District's net investment in capital assets increased as a result of adding the capital improvement upgrades discussed earlier in this report.

**Figure A-9**

Capital Assets (Net of Depreciation)							
July 1, 2023 to June 30, 2024							
	Governmental Activities		Business-type Activities		Total School District		% Change
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023-2024</u>
Land	\$627,988	\$627,988	\$0	\$0	\$627,988	\$627,988	0.0%
Site Improvements	1,167,593	1,472,226	0	0	1,167,593	1,472,226	26.1%
Buildings & Improvements	29,616,584	28,710,377	0	0	29,616,584	28,710,377	-3.1%
Fixtures & Equipment	989,050	1,541,508	312,440	769,167	1,301,490	2,310,675	77.5%
Construction In Progress	<u>1,510,299</u>	<u>3,543,035</u>	<u>0</u>	<u>0</u>	<u>1,510,299</u>	<u>3,543,035</u>	<u>N/A</u>
<b>Total</b>	<b>\$33,911,514</b>	<b>\$35,895,134</b>	<b>\$312,440</b>	<b>\$769,167</b>	<b>\$34,223,954</b>	<b>\$36,664,301</b>	<b>7.1%</b>

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

**Debt Administration.** At June 30, 2024, the District had \$64.15 million in general obligation bonds and other long-term debt outstanding (which at the present includes net pension liability, other postemployment benefits (OPEB), and compensated absences). This represents a net decrease from June 30, 2023 of \$4.28 million or 6.2%. General obligation bonds (including the SCTC bonds) decreased significantly by \$3.46 million or 27.5%. OPEB and net pension liability decreased by \$996,708 or 1.84%, and compensated absences increased by \$183,042 or 11.6%. See Figure A-10.

The District refinanced a portion of their General Obligation Bonds in the 2020/2021 fiscal year. Due to historically low interest rates, the District refinanced the Series 2015 and Series 2016 bond issues. The total net savings on the two refinancing transactions is \$336,870. The District maintains a municipal bond credit rating of "A+" with S & P Global Ratings.

**Figure A-10**

<b>Governmental Outstanding Long-Term Debt</b>			
	<b>June 30, 2023</b>	<b>June 30, 2024</b>	<b>Total % Change</b>
General Obligation Bonds	\$12,080,000	\$8,860,000	-26.7%
Other General Obligation Debt			
SCTC Debt	495,210	253,432	-48.8%
Other Postemployment Benefits	5,456,485	5,408,109	-0.9%
Net Pension Liability	48,815,677	47,867,345	-1.9%
Compensated Absences	<u>1,581,290</u>	<u>1,764,332</u>	<u>11.6%</u>
	<b>\$68,428,662</b>	<b>\$64,153,218</b>	-6.2%

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the following significant existing circumstances that could affect its financial position in the future:

- Although, inflation has slowed over the last twelve months, the District has increases to almost every area of our budget. It is difficult to hire and retain employees, which is causing increases to our employee costs and contractors. The Federal Reserve has slowly reduced interest rates, but rates remain relatively high. These higher interest rates give the District an opportunity to earn significant interest on our fund balances. The 2023/2024 State budget did include an unprecedented increase in basic education funding of \$1 million for Somerset Area SD. In the 2024/2025 State budget, Somerset Area SD received an increase of over \$475 thousand in various state funding areas.

As discussed in last year's report, the District does believe there are opportunities to help both public school districts and the State regarding financial issues. Districts could receive beneficial financial and educational impacts that could be obtained through legislative support: permanent mandate waivers, charter school funding reform, and increased transportation and special education funding.

- On June 29, 2006, the Pennsylvania Legislature passed Act 1 of 2006, which requires all school districts in Pennsylvania to seek voter approval for tax increases that exceed a prescribed index beginning with the 2007/2008 fiscal year. In essence, Act 1 introduced voter referendum into the financing equation for the first time and dramatically reshaped the budgetary process and resulting taxing policies for the majority, if not all, districts.

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

The statewide, unmodified Act 1 index for fiscal year 2025/2026 has been established at 4.0% and Somerset Area School District's modified index is 5.1%. To put this in perspective, the maximum increase in millage that the District can impose for fiscal year 2025/2026 is 2.29 mill, which would result in \$1,053,311 of new real estate tax revenue. This is a much larger increase than in the past, driven primarily by inflation and increased state wide wages. At the time of this publication, the District does not have an estimate of medical premiums for the 2024/25 fiscal year. The District expects an increase of approximately 5-10% or \$250-\$500 thousand. This increase could cost the District 25-50% of the total possible tax increase, leaving a lesser percentage of monies to pay for contractual increases in salaries and related costs or any other General Fund expenditures. Inflation has not been a concern for decades, and is currently decreasing, but the District continues to have inflationary pressures across many aspects of the budget. Although the Federal Reserve has reduced interest rates over the past six months, they remain well above what has occurred in decades. The District has the ability to earn significant interest on our fund balances in the current year as well as possible earnings in 2025/2026. Also, the District received a substantial increase to the basic education subsidy in the 2023/2024 fiscal year and another increase in 2024/2025.

- As noted in last year's analysis, The Pennsylvania School Employees Retirement System (PSERS) trustees set the percentage of payroll that all school districts were required to pay in fiscal year 2007/2008 at 7.13%. For fiscal year 2008/2009, the required rate fell to 4.76%, and in fiscal year 2009/2010, was set at 4.78%. For fiscal year 2010/2011, the state mandated that a scheduled contribution of 8.22% of covered payroll be reduced to 5.64%. These low contribution rates, combined with PSERS market losses of -2.82% for the fiscal year 2007/2008 and -26.54% for fiscal year 2008/2009 have caused projected employer contribution to escalate. PSERS fund posted positive market returns of 14.91% in FY 2014 and 7.96% in FY 2013, but in FY 2016 and FY 2015, the fund earned 1.29% and 3.04%, which did not meet the earnings assumption for the fiscal year periods. Due to active management of PSERS assets and a positive market environment, the fund posted a positive return of 12.14% for FY 2017, 9.27% for FY 2018, and 6.66% for FY 2019. In FY 2020, the interest income was 1.12%, but this return fell short of the PSERS Policy Index return. This lower return was expected in the FY 2020, as the economy was severely impacted by the COVID-19 pandemic. In FY 2021, PSERS' investment rate of return grew significantly to 24.58%, as the economy bounced back from pandemic. During FY 2022, investment markets were volatile and challenging, PSERS' rate of return was 2.23%. Although this is below PSERS' assumed rate of return, it was well above PSERS public pension peer group which had a median rate of return of (7.21%). PSERS investment rate of return for the fiscal year 2023 was 3.54%, once again outperforming their peer groups. As of June 30, 2024, the preliminary rates of return are as follows: 4.61% for the three-year, 7.60% for the five-year, and 6.82% for the 10-year rates. PSERS will announce FY 2024 results sometime in December 2024. In addition to positive rates of return, PSERS has made an effort to implement plan designs for three new retirement plan options set forth by Act of 5 of 2017. The new plan designs include two hybrid plans consisting of defined benefit and defined contribution (DC) components and a stand-alone DC plan. These new plans are expected to help fund the plan through higher employee contribution rates. Employee contribution rates now range from 5.25% to 10.30% of payroll depending on the class of the employee membership and when the employee joined PSERS. Anticipated employee contributions for FY 2024/2025 should average 7.34% of their salary to help fund their retirement benefits.

The third funding source for the PSERS Retirement System is employer contribution rate which includes contributions from school employers and the Commonwealth of PA. According to PSERS actuaries, the projected employer contribution rates are as follows: 33.90% for 2024/2025, 34.72% for 2025/2026, 35.41% for 2026/2027, and a peak of 38.26% in 2031/2032. PSERS employer contribution rates are projected for seven years (2031/2032) with a presumed 7.00% rate of return on investments. The employer rates are expected to remain above 30% for many years, and will require taxpayers to fund a rate at this level for these years.

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

Somerset Area School District, however, did maintain a budgetary contribution level of 7.13% in 2008/2009 and committed \$346,869 in the General Fund Reserve Account to offset future required contributions. More importantly, the District, in fiscal year 2009/2010, designated 1.86 mills for the express purpose of prefunding the looming PSERS increases and committed an additional \$1.12 million. In 2010/2011, the District designated an additional ½ mill and will be funding at a net District contribution rate of 13.73% that allowed the District to commit \$1,420,231 for the purpose of mitigating future contributions. Again, in 2011/2012, the District funded at a net contribution rate of 14.48% that allowed the District to commit another \$862,205 to mitigate future employer contributions. In 2012/2013, the District committed \$700,000 and \$1,250,000 in 2013/2014. Most recently in 2014/2015, the District committed \$400,000 bringing the committed balance to over \$6.1 million. The District's commitment of over \$6.1 million in the General Fund Reserve Account at June 30, 2024 to help "smooth" a transition to a required District net expense of approximately 19.18% of covered payroll (38.35% gross expense). The action taken by the District effectively minimizes future increases in contributions but demands continued monitoring and prospective planning, especially since future contribution rates depend upon positive 7.00% per annum returns by the PSERS fund in the interim.

- The District's unreimbursed Special and Gifted Education costs directly expensed to General Fund Function 1200 showed a decrease from the prior year of 2.2% (\$129,384) to \$5.64 million. The State's reimbursement for these mandated costs had an increase of \$70,656 or 3.9% to \$1.89 million, and the District's net cost after reimbursement decreased 5.1% (\$200,040). The District is constantly striving to reduce cost while provide excellent education.

The State's reimbursement for the 2024/2025 fiscal year will increase 6.6%. State funding is unknown as state officials grapple with current economic issues due to continued pressures from decade's high inflation. The State's reimbursement for these mandated costs has remained consistent from 33.8% in fiscal year 2013/2014 to 33.6% this fiscal year, while the District's actual net expenses have increased 3.72% per annum over the same period. Funding mandated special education costs, even if they are qualified for an exception to voter referendum under Act 1, continues to present a significant challenge. In recent years, the District has brought a number of services in-house in order to reduce costs while still meeting the needs of our students. The District must continue to be financially resourceful in meeting the needs of its identified students without compromising services to them.

- The District's costs for students attending cyber/charter schools, most of which are cyber schools, significantly increased 20.3% or \$179,696 for a total expense of \$1,063,821. This represents the second highest total cost since cyber tuition began in 2001/2002 fiscal year. Although the District is working diligently to reduce these costs, the cost of cyber education has increased \$1,041,018 from \$22,803 (net cost of \$15,962) in fiscal year 2001/2002. The State discontinued all funding starting in the fiscal year 2011/2012. The State requires districts to pay tuition charges to charter schools based on the district's educational costs but not the actual costs of the particular charter school.

The issue is expected to continue to put budgetary pressure on the District, over which it has little control. Somerset Area School District has developed our own cyber school for students of the District, which provides a quality education at an affordable cost for our students that prefer a cyber-education experience, but the District is unable to require our students to attend the District's cyber school rather than a much more expensive for-profit cyber school.

Cyber school tuition rates continue to escalate every year based on the District's increase in expenses. The major causes of the cyber tuition increases are due to two sources: the overall increase in cyber school tuition rates and the change of student education from regular education to special education. In the fiscal year 2023/2024, the District's cyber school tuition rates for regular education tuition was \$14,489 and the special education tuition was \$29,413. New guidelines take effect January 1, 2025 for the 2024/2025 tuition rates.

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

SASD's 2024/2025 regular education tuition rate will be \$13,997 and the special education tuition rate will be \$26,328.

Many students who were not identified by the District as special education students, prior to enrolling in a cyber school, are being changed to special education students and billed at the higher tuition rate by the cyber schools. The District has experienced increased students opting into cyber education, whether they choose SASD's cyber school or another cyber school, over the last few years.

- The District belongs to the Bedford-Somerset health consortium, made up of eighteen districts, for the provision of employee health care. The District's increase for 2019/2020 was .77%, 1.35% in 2020/2021, 7.32% in 2021/2022, 5.03% in 2022/2023, 4.86% in 2023/2024, and 3.17% in 2024/2025. The first few months of FY 2024/2025 actual claims are not on budget, and seem to be negative over the past twelve months experience. The District's individual experience is trending lower than average claims within the consortium, after many years of our claims being higher than average. The Act 1 projection for 2025/2026 rate is not available at the time of this publication. Medical cost trend is not expected to decrease in the immediate future, and the federal Healthcare Reform Act further continues to complicate this issue. This expense coupled with retirement, cyber school tuition, and special education funding are the most significant pressures on the District's budget.
- As stated previously in this document, the District implemented GASB 68, *Accounting and Financial Reporting for Pensions*. This change in accounting requirements is to improve accountability and transparency of school district's financial statements. At June 30, 2023, the District reported a liability of \$48.81 million for its proportionate share of the net pension liability. The liability decreased to \$47.87 million in FY 2023/2024. 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 an actuarial valuation as of that date. The District's proportion of the net pension liability is based on the covered payroll reported to the pension plan by the school district relative to the total covered payroll of all participating employers, for the year ended June 30, 2023. At June 30, 2024, the District's proportion was 0.1074%, which was a 2.2% decrease from its proportion measured as of June 30, 2023 of 0.1098%. This was the primary reason for the decrease in the net pension liability.

MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024

- The District implemented GASB 75 Postemployment Benefits Other Than Pensions (OPEB) in the fiscal year 2017/2018. GASB 75 replaces GASB 45 and requires plan sponsors to perform periodic actuarial valuations to determine annual accounting costs for OPEB plans. GASB 75 covers most benefits that are provided after retirement except for pension benefits. The end result of this accounting standard is that postemployment benefits are part of the employees' compensation in return for services rendered. The cost of these benefits will now be recognized while the employees are providing those services, rather than after they have retired. Major impacts to the District financial statements include: the OPEB liability is now recorded in the Statement of Net Position, a restatement of the OPEB liability was necessary, and the OPEB liability has increased dramatically under GASB 75. The District utilizes the valuation services of the actuarial firm Milliman. The last valuation was conducted as of July 1, 2024 and produced GASB 75 financial reporting results for the fiscal years 2023/2024.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Superintendent's Office or the Business Office, Somerset Area School District, 645 South Columbia Ave., Somerset, PA 15501.

**SOMERSET AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,579,998	\$ 643,339	\$ 12,223,337
Investments	5,375,000	-	5,375,000
Taxes receivable (net)	1,487,665	-	1,487,665
Due from other governments	2,108,995	-	2,108,995
Other receivables	130,740	348	131,088
Inventories	409,886	37,303	447,189
Prepaid expenses	4,262	252,664	256,926
Total current assets	<u>21,096,546</u>	<u>933,654</u>	<u>22,030,200</u>
Noncurrent assets:			
Land	627,988	-	627,988
Construction in progress	3,543,035	-	3,543,035
Site improvements (net of accumulated depreciation)	1,472,226	-	1,472,226
Buildings and improvements (Net of accumulated depreciation)	28,710,377	-	28,710,377
Equipment, furnitures, and fixtures (net of accumulated depreciation)	1,541,508	769,167	2,310,675
Total noncurrent assets	<u>35,895,134</u>	<u>769,167</u>	<u>36,664,301</u>
Total Assets	<u>56,991,680</u>	<u>1,702,821</u>	<u>58,694,501</u>
Deferred outflows of resources related to pensions	8,477,060	-	8,477,060
Deferred outflows of resources related to OPEB	1,134,629	-	1,134,629
Total Deferred Outflows of Resources	<u>9,611,689</u>	<u>-</u>	<u>9,611,689</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 66,603,369</u></b>	<b><u>\$ 1,702,821</u></b>	<b><u>\$ 68,306,190</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
Liabilities			
Current liabilities:			
Due to other governments	\$ 135,396	\$ -	\$ 135,396
Accounts payable	788,087	200	788,287
Current portion of long-term debt	3,468,432	-	3,468,432
Accrued interest payable	96,170	-	96,170
Accrued salaries, benefits, payroll liabilities	3,721,548	-	3,721,548
Unearned revenues	108,592	17,369	125,961
Other current liabilities	-	19,873	19,873
Total current liabilities	<u>8,318,225</u>	<u>37,442</u>	<u>8,355,667</u>
Noncurrent liabilities:			
Bonds payable	5,681,700	-	5,681,700
Extended term financing agreement payable	253,432	-	253,432
Net pension liability	47,867,345	-	47,867,345
Long-term portion of compensated absences	1,764,332	16,555	1,780,887
Other postemployment benefits	5,408,109	-	5,408,109
Total noncurrent liabilities	<u>60,974,918</u>	<u>16,555</u>	<u>60,991,473</u>
Total Liabilities	<u>69,293,143</u>	<u>53,997</u>	<u>69,347,140</u>
Deferred inflows of resources related to pensions	1,385,139	-	1,385,139
Deferred inflows of resources related to OPEB	1,040,775	-	1,040,775
Total Deferred Inflows of Resources	<u>2,425,914</u>	<u>-</u>	<u>2,425,914</u>
<b>Net Position</b>			
Net Investment in Capital Assets	26,491,570	769,167	27,260,737
Restricted For:			
Retirement of Long-Term Debt	196	-	196
Other Restrictions	87,528	-	87,528
Unrestricted	<u>(31,694,982)</u>	<u>879,657</u>	<u>(30,815,325)</u>
Total Net Position	<u>(5,115,688)</u>	<u>1,648,824</u>	<u>(3,466,864)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$ 66,603,369</u></b>	<b><u>\$ 1,702,821</u></b>	<b><u>\$ 68,306,190</u></b>

The accompanying notes are an integral part of these financial statements.

SOMERSET AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 25,324,785	\$ 156,267	\$ 7,956,810	\$ -	\$ (17,211,708)	\$ -	\$ (17,211,708)
Instructional Student Support	4,014,480	-	354,335	-	(3,660,145)	-	(3,660,145)
Administrative and Financial Support Services	3,437,080	-	395,694	-	(3,041,386)	-	(3,041,386)
Operation and Maintenance of Plant Services	3,653,169	-	204,932	-	(3,448,237)	-	(3,448,237)
Pupil Transportation	2,227,762	-	750,968	-	(1,476,794)	-	(1,476,794)
Student Activities	1,610,842	30,898	88,822	-	(1,491,122)	-	(1,491,122)
Community Services	179,385	38,608	7,885	-	(132,892)	-	(132,892)
Interest on Long-Term Debt	174,577	-	-	1,006,943	832,366	-	832,366
Depreciation - Unallocated	419,589	-	-	-	(419,589)	-	(419,589)
Total Governmental Activities	41,041,669	225,773	9,759,446	1,006,943	(30,049,507)	-	(30,049,507)
Business-Type Activities							
Food Service	1,458,133	353,531	1,146,858	-	-	42,256	42,256
TOTAL	42,499,802	579,304	10,906,304	1,006,943	(30,049,507)	42,256	(30,007,251)
General Revenues							
Taxes:							
Property and Other Taxes, Levied for General Purposes, Net					23,048,017	-	23,048,017
Grants, Subsidies, and Contributions, Not Restricted					11,003,028	-	11,003,028
Investment Earnings					1,080,304	53,601	1,133,905
Miscellaneous Income					148,872	23,551	172,423
Total General Revenues					35,280,221	77,152	35,357,373
Change in Net Position Before Special Item					5,230,714	119,408	5,350,122
Special Item - Difference in SCTC Debt Payments					103,302	-	103,302
Change in Net Position					5,334,016	119,408	5,453,424
Net Position, Beginning of Year					(10,449,704)	1,529,416	(8,920,288)
Net Position, End of Year					\$ (5,115,688)	\$ 1,648,824	\$ (3,466,864)

The accompanying notes are an integral part of these financial statements.

SOMERSET AREA SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024

	General Fund	Capital Reserve	Debt Service	Special Revenue	Total Governmental Funds
<b>ASSETS</b>					
Assets					
Cash and Cash Equivalents	\$ 8,349,551	\$ 3,146,068	\$ 196	\$ 84,183	\$ 11,579,998
Investments	5,375,000	-	-	-	5,375,000
Taxes Receivable	1,505,583	-	-	-	1,505,583
Due From Other Governments	2,108,995	-	-	-	2,108,995
Other Receivables	130,740	-	-	-	130,740
Inventories	409,886	-	-	-	409,886
Prepaid Expense	4,262	-	-	-	4,262
Total Assets	<u>17,884,017</u>	<u>3,146,068</u>	<u>196</u>	<u>84,183</u>	<u>21,114,464</u>
Total Assets	<u>\$ 17,884,017</u>	<u>\$ 3,146,068</u>	<u>\$ 196</u>	<u>\$ 84,183</u>	<u>\$ 21,114,464</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Due to Other Governments	\$ 135,396	\$ -	\$ -	\$ -	\$ 135,396
Accounts Payable	749,739	35,120	-	3,228	788,087
Accrued Salaries and Benefits	3,128,052	-	-	-	3,128,052
Payroll Deductions and Withholdings	593,496	-	-	-	593,496
Unearned Revenues	108,592	-	-	-	108,592
Total Liabilities	<u>4,715,275</u>	<u>35,120</u>	<u>-</u>	<u>3,228</u>	<u>4,753,623</u>
Deferred Inflows of Resources - Unavailable Revenue - Property Taxes	895,893	-	-	-	895,893
Fund Balances					
Nonspendable Reserve for Inventories and Prepaid Expenses	414,148	-	-	-	414,148
Restricted Fund Balance	6,573	-	196	80,955	87,724
Committed Fund Balance	7,445,476	-	-	-	7,445,476
Assigned Fund Balance	-	3,110,948	-	-	3,110,948
Unassigned Fund Balance	4,406,652	-	-	-	4,406,652
Total Fund Balances	<u>12,272,849</u>	<u>3,110,948</u>	<u>196</u>	<u>80,955</u>	<u>15,464,948</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,884,017</u>	<u>\$ 3,146,068</u>	<u>\$ 196</u>	<u>\$ 84,183</u>	<u>\$ 21,114,464</u>

The accompanying notes are an integral part of these financial statements.

SOMERSET AREA SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2024

Total Fund Balances - Governmental Funds \$ 15,464,948

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

Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$85,161,812 and the accumulated depreciation is \$49,266,678 35,895,134

Property taxes receivable not available to pay for current period's expenditures and, therefore, are deferred in the funds 895,893

Allowance for doubtful accounts - property taxes receivable (17,918)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds Payable	\$ (8,860,000)	
Bond Premium	(290,132)	
Extended Term Financing Agreement Payable	(253,432)	
Accrued Interest Payable	(96,170)	
Net Pension Liability	(47,867,345)	
Other Postemployment Benefits	(5,408,109)	
Deferred Outflows of Resources Related to Pension and OPEB	9,611,689	
Deferred Inflows of Resources Related to Pension and OPEB	(2,425,914)	
Compensated Absences	<u>(1,764,332)</u>	
		<u>(57,353,745)</u>

Total Net Position - Governmental Activities \$ (5,115,688)

SOMERSET AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Capital Reserve	Debt Service	Special Revenue	Total Governmental Funds
<b>REVENUES</b>					
Local sources	\$ 24,659,099	\$ 165,514	\$ 861	\$ 135,526	\$ 24,961,000
State sources	18,841,485	-	-	-	18,841,485
Federal sources	2,478,975	-	-	-	2,478,975
Total revenues	<u>45,979,559</u>	<u>165,514</u>	<u>861</u>	<u>135,526</u>	<u>46,281,460</u>
<b>EXPENDITURES</b>					
Instruction	25,153,188	-	-	-	25,153,188
Support services	13,292,144	-	-	-	13,292,144
Noninstructional services	1,672,877	-	-	129,979	1,802,856
Capital outlay	633,757	2,580,753	-	-	3,214,510
Debt service	145,553	-	3,619,863	-	3,765,416
Total expenditures	<u>40,897,519</u>	<u>2,580,753</u>	<u>3,619,863</u>	<u>129,979</u>	<u>47,228,114</u>
Excess (deficiency) of revenues over expenditures	5,082,040	(2,415,239)	(3,619,002)	5,547	(946,654)
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers from other funds	-	900,000	3,619,003	-	4,519,003
Interfund transfers out to other funds	(4,519,003)	-	-	-	(4,519,003)
Total other financing sources (uses)	<u>(4,519,003)</u>	<u>900,000</u>	<u>3,619,003</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	563,037	(1,515,239)	1	5,547	(946,654)
FUND BALANCES, BEGINNING OF YEAR	<u>11,709,812</u>	<u>4,626,187</u>	<u>195</u>	<u>75,408</u>	<u>16,411,602</u>
FUND BALANCES, END OF YEAR	<u>\$ 12,272,849</u>	<u>\$ 3,110,948</u>	<u>\$ 196</u>	<u>\$ 80,955</u>	<u>\$ 15,464,948</u>

The accompanying notes are an integral part of these financial statements.

SOMERSET AREA SCHOOL DISTRICT  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2024

Total Net Change In Fund Balance - Governmental Funds \$ (946,654)

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

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

Capital Outlays	\$ 4,111,380	
Disposal of fixed assets - net	(29,816)	
Less: Depreciation Expense	<u>(2,097,944)</u>	
		1,983,620

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds, but deferred inflows of resources. This decreased by this amount this year (9,077)

Issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces liabilities in the statement of net position. The effect of these transactions in the statement of activities is shown below:

Repayment of Principal		3,461,778
Amortization of Bond Premiums		189,646

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. Accrued interest decreased by this amount this year 42,717

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Change in Pension and related items	818,995	
Change in Long-Term Compensated Absences	(183,042)	
Change in Other Postemployment Benefits and related items	<u>(23,967)</u>	
		611,986

Change in Net Position - Governmental Activities \$ 5,334,016

The accompanying notes are an integral part of these financial statements.

SOMERSET AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2024

	<u>Food Service</u>
<b>ASSETS</b>	
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 643,339
Prepaid Expense	252,664
Other Receivables	348
Inventories	37,303
Total Current Assets	<u>933,654</u>
Noncurrent Assets	
Furniture and Equipment, Net of Accumulated Depreciation	<u>769,167</u>
Total Assets	<u>\$ 1,702,821</u>
 <b>LIABILITIES AND NET POSITION</b>	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 200
Accrued Salaries and Benefits	16,555
Unearned Revenue	17,369
Other Current Liabilities	19,873
Total Current Liabilities	<u>53,997</u>
Total Liabilities	<u>53,997</u>
Net Position	
Investment in Capital Assets	769,167
Unrestricted	879,657
Total Net Position	<u>1,648,824</u>
Total Liabilities and Net Position	<u>\$ 1,702,821</u>

The accompanying notes are an integral part of these financial statements.

SOMERSET AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Food Service</u>
OPERATING REVENUES	
Food Service Revenues	\$ 353,531
Total Operating Revenues	<u>353,531</u>
OPERATING EXPENSES	
Salaries	47,703
Employee Benefits	54,220
Other Purchased Services	546,220
Food & Supplies	750,568
Depreciation	59,422
Total Operating Expenses	<u>1,458,133</u>
OPERATING LOSS	<u>(1,104,602)</u>
NONOPERATING REVENUES	
Earnings on Investments	53,601
Refund of Prior Year Expense	23,551
State Sources	159,626
Federal Sources	987,232
Total Nonoperating Revenues	<u>1,224,010</u>
Net Income	119,408
NET POSITION, BEGINNING OF YEAR	<u>1,529,416</u>
NET POSITION, END OF YEAR	<u>\$ 1,648,824</u>

The accompanying notes are an integral part of these financial statements.

SOMERSET AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 353,120
Cash Payments to Employees for Services	(101,538)
Cash Payments to Suppliers for Goods and Services	<u>(1,454,789)</u>
Net Cash Used In Operating Activities	<u>(1,203,207)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Sources	159,626
Federal Sources	884,843
Refund of Prior Expense	<u>23,551</u>
Net Cash Provided By Non-Capital Financing Activities	<u>1,068,020</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Outlay	<u>(516,149)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(516,149)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	<u>53,601</u>
Net Cash Provided By Investing Activities	<u>53,601</u>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(597,735)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,241,074</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 643,339</u>
Operating Loss	<u>\$ (1,104,602)</u>
<b>Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:</b>	
Depreciation	59,422
USDA Donated Commodities	105,645
(Increase) Decrease in Prepaid Expense	(252,664)
(Increase) Decrease in Other Receivables	72
(Increase) Decrease in Inventories	(3,879)
Increase (Decrease) in Accounts Payable	(7,699)
Increase (Decrease) in Unearned Revenue	(483)
Increase (Decrease) in Accrued Salaries and Benefits	385
Increase (Decrease) in Other Current Liabilities	<u>596</u>
Total Adjustments	<u>(98,605)</u>
Net Cash Used In Operating Activities	<u>\$ (1,203,207)</u>

The accompanying notes are an integral part of these financial statements.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Somerset Area School District (the "District") is a third-class district serving Somerset Borough, Somerset Township, Jefferson Township and Lincoln Township located in Somerset County, Pennsylvania.

The District is governed by a board of nine school board members who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of Directors (the "Board") has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person residing in such district between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any school herein provided, or to pay any school indebtedness, which the District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the District. The Board is vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles 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.

A.) 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 expenses during the reporting period. Actual results could differ from those estimates.

B.) Reporting Entity:

The District is the basic level of government, which has financial accountability and control over all activities related to the public school education in the District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District, is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since Board members are elected from the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statement No. 61, which are included in the District's reporting entity.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C.) Joint Venture:

The Somerset Area School District participates in the Somerset County Technology Center as a joint venture with the following seven other Somerset County schools; Berlin-Brothersvalley School District, North Star School District, Rockwood Area School District, Shade-Central City School District, Shanksville-Stonycreek School District, Meyersdale Area School District and Turkeyfoot Valley Area School District. The Technology Center provides training in vocational areas not otherwise offered by the School District. The Somerset County Technology Center is governed by nine member joint operating committee comprised of one appointee from seven of the participating districts and two appointees from the largest participating school, Somerset Area School District. The secondary school operational expenditures of the Technology Center are shared proportionately by the member districts according to student enrollment. Major capital expenditures of the Technology Center are distributed among the participating school districts on the basis of the percentage which the market value of taxable real property of each participating school district, as published by the State Equalization Board, bears to the total market value of taxable real property of all participating districts. During the year ended June 30, 2024, Somerset Area School District paid \$1,368,884 to the Somerset County Technology Center for its share of 2023-24 operational expenditures. In addition, during 2003-04 the member districts entered into extended term financing agreements for major building renovations to the Technology Center facility (see Note 5). These extended term financing agreements were refinanced in 2011-12.

Audited financial statements of the Somerset County Technology Center may be obtained directly from its administrative office located at 281 Technology Drive, Somerset, PA 15501.

D.) Fund Accounting:

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, deferred inflows of resources, fund balance, revenues and expenditures or expenses as appropriate. Resources are allocated to and accounted for in the individual funds based on the purpose for which they are to be spent.

The District uses the following funds:

**GOVERNMENTAL FUNDS** – These funds are used to account for most of the District's finances. The measurement focus is on determination of the financial position and changes in financial position (current financial resources) rather than on income determination.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D.) Fund Accounting (Continued):

The District reports the following major funds:

1. General Fund – This is the general operating fund of the District. All activities of the District are accounted for through this major fund except for those required to be accounted for in another fund. General Fund activities are funded primarily by subsidies and taxes. Major functions financed from the General Fund include school instruction, support services and operation and maintenance of equipment and facilities.
2. Capital Reserve Fund – This major fund is used to account for financial resources that are used for the acquisition or construction of major assets at the Board's discretion. This fund was created pursuant to Section 2932 of the Pennsylvania Municipal Code, 53 P.S. 1432 as a Special Revenue Fund for capital outlays
3. Debt Service Fund - This major fund is used to account for the accumulation of resources for payment of principal and interest on the general obligation bonds of the School District. Payments are remitted to independent fiscal agents to cover principal, interest and fees.
4. Special Revenue Fund - This major fund accounts for the revenues and expenditures of monies from student activity organizations.

PROPRIETARY FUND – This fund accounts for District activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position and changes in financial position (economic resources measurement focus).

1. Food Service Fund – This major fund is used to account for the District's food service operations that are financed and operated in a manner similar to private business enterprises. The Fund accounts for all revenues, food purchases, costs and expenses for the Food Service Program.

E.) Basis of Presentation:

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 District. As a general rule, the effect of interfund activity has been eliminated 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.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E.) Basis of Presentation (Continued):

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include 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.

Fund financial statements are also provided in the report for all of the governmental funds and proprietary funds of the District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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.

F.) Measurement Focus and Basis of Accounting:

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

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

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G.) Budgetary Data:

In accordance with Act 1, the District elected not to increase the real estate tax rate above the index established by the Pennsylvania Department of Education and, therefore, follows the procedures outlined below in establishing the budgetary data reflected in the basic financial statements:

1. Prior to May 31, the Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The budget of the District is the approved spending plan of the District for the year and the Board is prohibited from obligating funds in excess of these amounts. The Board may, during any fiscal year, amend the budget by making additional appropriations or increase existing appropriations to meet emergencies. The funds shall be provided from unexpended balances in existing appropriations, from unappropriated revenues or from temporary loans. Legal budgetary control is maintained by the Board at the department level. Transfers between departments, whether between funds or within a fund or revisions that alters the total revenues and expenditures of any fund, must be approved by the Board. Budget information in the Budgetary Comparison Schedule is presented at or below the legal level of budgetary control.
5. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
6. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.
7. There were supplemental budgetary appropriations or amendments proposed or approved during the year.

Legal budgetary control is maintained by the District Board at the functional object level. Transfer between functional objects, whether between funds or within a fund or revisions that alters the total revenues and expenditures of any fund, must be approved by the District Board. Budget information in the Budgetary Comparison Schedule for the General Fund is presented at or below the legal level of budgetary control.

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

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H.) Cash and Cash Equivalents:

Cash and cash equivalents in the basic financial statements include all highly liquid investments with an original maturity of three months or less.

I.) Investments:

Investments are carried at market value based on quoted market prices.

J.) Due to/from Other Funds:

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

K.) Accounts Receivable:

Accounts receivable are recorded at the invoiced amount. The District determines the allowance for doubtful accounts based on historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

L.) Inventories and Prepaid Items:

Inventories of the Food Service Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2024, consist of the following:

Purchased Food and Paper	\$ 19,934
Commodities	<u>17,369</u>
Total Inventory	<u>\$ 37,303</u>

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

Inventories in the General Fund total \$409,886 and consist of various education and janitorial supplies carried at cost, using the first-in, first-out method.

M.) Capital Assets:

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M.) Capital Assets (continued):

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Site Improvements	15 – 20 years
Buildings and Improvements	20 – 40 years
Furniture and Equipment	5 – 20 years
Food Service Equipment	12 years

N.) Long-Term Obligations:

In the government-wide financial long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium.

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

O.) PSERS Net OPEB Liability:

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 fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' 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.

P.) Fund Balance:

*Fund Balance Classification:* The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P.) Fund Balance (continued):

- *Non-spendable*: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School District has \$414,148 in non-spendable fund balance in the General Fund as of June 30, 2024.
- *Restricted*: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School District had \$87,724 of restricted fund balance as of June 30, 2024. The funds were restricted for the retirement of long term debt and student activities.
- *Committed*: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School District had \$7,445,476 of committed resources as of June 30, 2024.

The District's Committed Resources consisted of the following:

PSERS Employer Contributions	\$6,101,405
Textbook/Technology Commitment	225,647
Cyber/Charter School Expense	225,000
Health Deductible Pre-Funding	525,000
Summer Professional Development Expense	100,000
Tax Appeals Commitment	18,424
District-Wide Facility Improvements	250,000
	\$7,445,476

- *Assigned*: This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the School District's management. The School District had \$3,110,948 of assigned resources for Capital Projects as of June 30, 2024.
- *Unassigned*: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. The School District had \$4,406,652 of unassigned fund balance as of June 30, 2024.

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

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q.) Deferred Outflows /Inflows of Resources:

The Statement of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has three items that qualify for reporting in these categories: deferred outflows and inflows related to pensions, deferred outflows and inflows related to OPEB and unavailable tax revenue.

Deferred outflows and inflows of resources related to OPEB are described further in Note 7. Annual changes to the net OPEB liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over a closed period equal to the average of the expected service lives of all employees that are provided with OPEB benefits determined for the period during which the changes occurred. Differences between projected and actual earnings on pension plan investments are amortized over a closed five-year period.

Deferred outflows and inflows of resources related to pensions are described further in Note 8. Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits determined for the period during which the changes occurred. Differences between projected and actual earnings on pension plan investments are amortized over a closed five-year period.

In the governmental funds balance sheet, the District only has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue - property taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

R.) Adoption of Governmental Accounting Standards Board Statements:

The District adopted the requirements of GASB Statement No. 99, "Omnibus 2022". The adoption of this statement had no effect on the District's financial statements.

The District adopted the requirements of GASB Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62". The adoption of this statement had no effect on the District's financial statements.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S.) Pending Changes in Accounting Principles:

In June 2022, the GASB issued Statement No. 101, "Compensated Absences". The District is required to adopt Statement No. 101 for its 2025 financial statements.

In December 2023, the GASB issued Statement No. 102 "Certain Risk Disclosures". The District is required to adopt Statement No. 102 for its 2025 financial statements.

In April 2024, the GASB issued Statement No. 103, "Financial Reporting Model Improvements". The District is required to adopt Statement No. 103 for its 2026 financial statements.

In September 2024, the GASB issued Statement No. 104 "Disclosure of Certain Capital Assets". The District is required to adopt Statement No. 104 for its 2026 financial statements.

The District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision and (d) shares of an investment company registered under the

Investment Company Act of 1940, provided that the instruments are those types of investments listed above, and the investment company is managed so as to maintain its shares at a constant net asset value and the investment company is rated in the highest category by a nationally recognized rating agency. Pursuant to Act 72 of the Pennsylvania State Legislature, a depository must pledge assets to secure state and municipal deposits. The pledged assets must at least be equal to the total amount of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. Additionally, all such pledged assets must be delivered to a legal custodian.

Act 10 of 2016 broadened the scope of investment options for the District with safeguard measures to protect those investments. The Act added high quality money market instruments including repurchase agreements, commercial paper, negotiable certificates of deposit and bankers' acceptances to the authorized list of investments.

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

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

A portion of the District's cash and investments are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), which is a fund very similar to mutual funds. PSDLAF operates in accordance with appropriate State laws and regulations and under State oversight. The reported value of the pool is the same as the fair value of the pool shares.

In accordance with the Government Accounting Standards Board, investments in PSDLAF are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investment. The net asset value per share for the purpose of calculating the price at which shares are issued and redeemed is determined by the Administrator each banking day. Such determination is made by subtracting the liabilities from the value of the assets and dividing the remainder by the number of shares outstanding.

Although such requirement has been waived since 2005, all investments in PSDLAF's MAX Series by Settlers must be deposited for a minimum of 14 calendar days. No investment made in the MAX Series may be withdrawn by the Settlor making it during the first 14 calendar days after it is made without the incurrance of a penalty for such premature withdrawal. However, the 14 day minimum investment period does not apply to direct deposits of state aid payments into the MAX Series. In the event that a Settlor withdraws a deposit within such initial 14 calendar day period, it will be subject to a penalty equal to the loss of 14 days interest on the amount so withdrawn.

Such 14 day interest penalty shall be calculated on the basis of the dividend rates in effect for the MAX Series for the 14 day period immediately preceding the withdrawal date. Accordingly, the penalty will be equal to the dividend that would have been paid during the 14 days preceding the withdrawal date on the amount prematurely withdrawn. Such penalty will be payable even though the amount withdrawn has not been invested in the MAX Series for the full 14 day period preceding the withdrawal. However, as noted above, the 14 day minimum investment period has been waived since 2005 and would not be reinstated without notice to the Fund's Settlers.

As of June 30, 2024, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

*Interest Rate Risk* – The School District does not have a formal investment policy for the that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2024, the District has investments classified as cash and cash equivalents in money market holdings and other short-term investments through the Pennsylvania School District Liquid Asset Fund (PSDLAF) of \$971,183 additionally classified as cash and cash equivalents in money market holdings and other short-term investments through The Pennsylvania Local Government Investment Trust of \$9,879,218 and investments in certificates of deposits of \$5,375,000. PSDLAF was established to enable school districts and other local government agencies to pool funds for investments in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

*Interest Rate Risk (continued) –*

Investments	Fair Value
<u>Governmental Funds:</u>	
General Fund	
Pennsylvania Local Government Investment Trust "Securities" Investment Pool	\$ 5,375,000
Total Governmental Funds	5,375,000
 Total Investments	 \$ 5,375,000

*Participation in External Investment Pools –*

Investment Pool investments are multiple investment portfolios with PSDLAF similar to a money market fund. The portfolio securities are valued at amortized cost, which approximates market value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees. The pool is audited annually by PricewaterhouseCoopers, LLP. The pool is rated AAA by Standard & Poor's. PSDLAF issues separate financial statements available at [www.psdlaf.org](http://www.psdlaf.org).

The Pennsylvania Local Government Investment Trust (PLIGIT) I-Class is a 2a7-like pool. The District's investment in PLIGIT is reported at amortized cost, which approximates fair value. 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. The pool is rated AAA by Standard & Poor's. PLIGIT issues separate financial statements available at [www.plgit.com](http://www.plgit.com).

*Investments –*

District investments consists of investment pool deposits held in the General Fund and equities held in the Private Purpose Trust Fund. Investments are measured at fair value on a recurring basis in accordance with the framework established by GASB Statement No. 72, "Fair Value Measurement and Application". That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as below:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of June 30, 2024 the District's investment in the investment pool of \$4,865,550 are valued at the net asset value (NAV).

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

*Investments (continued) –*

	6/30/2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Treasury Bills	\$ 5,375,000	\$ 5,375,000	\$ -	\$ -
Total investments by fair value	<u>\$ 5,375,000</u>	<u>\$ 5,375,000</u>	<u>\$ -</u>	<u>\$ -</u>

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
State Investment Pool	<u>\$5,375,000</u>	<u>\$5,375,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Credit Risk* – The School District has no formal investment policy for its operating funds that addresses credit risk. As of June 30, 2024, the School District's operating investments were all maintained in the CD Program with the Pennsylvania Local Government Investment Trust – CD Program (PLGIT).

*Custodial Credit Risk* – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of June 30, 2024, the School District's cash balances for its governmental activities and business-type activities were \$12,223,337 and its bank balances were \$12,603,344. Of these bank balances, \$12,353,344 was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the School District's name, and therefore was subject to custodial credit risk.

*Concentration of Credit Risk* – The School District has no formal investment policy for operating investments pertaining to the concentration of credit risk. All of the School District's investments were in PSDLAF and PLGIT.

NOTE 3: REAL ESTATE TAXES RECEIVABLE

The District has independently elected tax collectors who are responsible for the collection of taxes. Assessed values are established by the Somerset County Board of Assessment. The District tax rate for the year ended June 30, 2024 was 45.06 mills (\$45.06 per \$1,000 of assessed valuation) as levied by the Board of School Directors.

The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy Date
July 1 – September 30	2% Discount period
October 1 – November 30	Face payment period
December 1 – January 15	10% Penalty period
January 15	Turnover to delinquent collector

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 3: REAL ESTATE TAXES RECEIVABLE (CONTINUED)

The District, in accordance with U.S. generally accepted accounting principles, recognizes the delinquent and unpaid taxes receivable, reduced by an allowance for uncollectible taxes, as determined by management. A portion of the net amount estimated to be collectible, which was measurable and available within sixty days, was recognized as revenue and the balance deferred in the fund financial statements.

The SCHOOL DISTRICT's 2024 real estate taxes are based on assessed values established by the County of Somerset's Bureau of Assessments. Assessed values of real property are generally 100% of the market value as determined by the Somerset County Tax Assessment Office. The total 2024 real estate taxes levied were \$20,561,221 based on a total SCHOOL DISTRICT assessed valuation of \$456,307,610.

NOTE 4: CAPITAL ASSETS

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

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 627,988	\$ -	\$ -	\$ 627,988
Construction in Progress	1,510,299	2,650,302	(617,566)	3,543,035
Total Capital Assets, Not Being Depreciated	<u>2,138,287</u>	<u>2,650,302</u>	<u>(617,566)</u>	<u>4,171,023</u>
Capital Assets, Being Depreciated:				
Site Improvements	4,874,414	526,714	-	5,401,128
Buildings and Improvements	65,967,791	564,060	-	66,531,851
Equipment, furnitures, and fixture:	8,800,433	987,870	(730,493)	9,057,810
Total Capital Assets, Being Depreciated	<u>79,642,638</u>	<u>2,078,644</u>	<u>(730,493)</u>	<u>80,990,789</u>
Less Accumulated Depreciation For:				
Site Improvements	(3,706,821)	(222,081)	-	(3,928,902)
Buildings and Improvements	(36,351,207)	(1,470,267)	-	(37,821,474)
Equipment, furnitures, and fixture:	(7,811,383)	(405,596)	700,677	(7,516,302)
Total Accumulated Depreciation	<u>(47,869,411)</u>	<u>(2,097,944)</u>	<u>700,677</u>	<u>(49,266,678)</u>
Total Capital Assets, Being Depreciated, Net	<u>31,773,227</u>	<u>(19,300)</u>	<u>(29,816)</u>	<u>31,724,111</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,911,514</u>	<u>\$ 2,631,002</u>	<u>\$ (647,382)</u>	<u>\$ 35,895,134</u>
BUSINESS TYPE ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Food Service Equipment	\$ 462,252	\$ 516,149	\$ (9,788)	\$ 968,613
Total Capital Assets, Being Depreciated	462,252	516,149	(9,788)	968,613
Less Accumulated Depreciation	<u>(149,812)</u>	<u>(59,422)</u>	<u>9,788</u>	<u>(199,446)</u>
Total Capital Assets, Being Depreciated, Net	<u>312,440</u>	<u>456,727</u>	<u>-</u>	<u>769,167</u>
Business Type Activities Capital Assets, Net	<u>\$ 312,440</u>	<u>\$ 456,727</u>	<u>\$ -</u>	<u>\$ 769,167</u>

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

## NOTE 4: CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
Instruction	\$1,258,766
Support Services	419,589
Unallocated (not including direct depreciation charged to other functions)	<u>419,589</u>
Total Depreciation Expense - Governmental Activities	<u>\$2,097,944</u>
Business Type Activities:	
Food services	<u>\$ 59,422</u>

## NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS

Bonds Payable:General Obligation Bonds, Series A/B/C of 2007

During the year ended June 30, 2007, the School District issued General Obligation Bonds, Series A/B/C of 2007, in the total aggregate amount of \$28,600,000 to provide funds for renovations to the Jr./Sr. High School, athletic facility improvement and to pay costs and expenses in connection with the issuance.

These bonds are in fully registered form, numbered consecutively from A/B/CR-1 and upward, each in the principal sum of \$5,000 or integral multiple thereof.

The Series A/B/C of 2007 Bonds maturing on or after March 15, 2013, may be redeemed prior to maturity, at the option of the School District, as a whole or in part, on any date on or after March 15, 2012, at the redemption.

During fiscal year 2017, \$5,965,000 of the 2007 Series A Bonds were refunded, on an advance basis, with the issuance of the General Obligation Bonds, Series A of 2016. At June 30, 2024 \$7,090,000 of the defeased bonds remain outstanding.

During fiscal year 2016, \$8,935,000 of the 2007 Series B Bonds were refunded, on an advance basis, with the issuance of the General Obligation Bonds, Series of 2016. At June 30, 2024 \$5,640,000 of the defeased bonds remain outstanding.

During fiscal year 2017, \$4,395,000 of the 2007 Series C Bonds were refunded, on an advance basis, with the issuance of the General Obligation Bonds, Series A of 2016. At June 30, 2024 \$4,170,000 of the defeased bonds remain outstanding.

General Obligation Bonds, Series A of 2016

On October 25, 2016, the School District issued \$9,825,000 General Obligation Bonds, Series A of 2016, for the purposes of providing the funds to (1) advance refund the Series A of 2007 Bonds of \$5,695,000, of the School District, and (2) advance refund the Series C of 2007 Bonds of \$4,395,000, of the School District, and (3) pay the costs and expenses of the bond issue. The General Obligation Bonds, Series A of 2016 were issued at an original issue premium of \$638,007, and issuance costs of \$176,101. United States government securities were purchased with \$10,283,014 of the proceeds and deposited into an escrow fund. This amount was determined by the School District's underwriters to be sufficient, with interest earnings thereon, to provide for the advance

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS (CONTINUED)

refunding of all of the currently outstanding 2007 Series A and 2007 Series C Bonds. The remaining bond issue proceeds were deposited into the Sinking Fund.

This advance refunding of the 2007 Series A and 2007 Series C Bonds was undertaken to reduce the total debt service payments by \$538,000 over the next ten years.

The Series A of 2016 Bonds are in fully registered form, each in the principal sum of \$5,000 or integral multiples thereof.

The maturity schedule of the Series A of 2016 Bonds is set forth below:

March 15	Interest Rate	Principal Amount
2025	2.000%	\$ 35,000
2026	2.000% - 4.000%	1,365,000
2027	2.250% - 4.000%	2,705,000
		\$ 4,105,000

The Bonds stated to mature on and after March 15, 2026, are subject to redemption prior to maturity at the option of the School District in any order of maturities either as a whole or in part, on March 15, 2025, or any date thereafter, upon not less than 30 days notice, at a redemption price of 100% of the principal, together with accrued interest to the redemption date.

General Obligation Bonds, Series 2020

On October 7, 2020, the School District issued General Obligation Bonds Series of 2020 in the aggregate principal amount of \$9,425,000. Proceeds of the Bonds will be used to: (1) currently refund the School District's outstanding General Obligation Bonds, Series of 2015 and (2) pay the costs of insuring and issuing the bonds. Interest, at rates ranging from 1.0% to 4.0%, is payable February 15 and August 15, with the first interest payable on February 15, 2021. The refunding resulted in a difference between the cash flow required to service the old debt and that required to service the new debt of \$164,400. The refunding also resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$161,917.

The maturity schedule of the Series 2020 Bonds is set forth below:

March 15	Interest Rate	Principal Amount
2025	1.000%	\$ 480,000
		\$ 480,000

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS (CONTINUED)

General Obligation Bonds, Series A of 2020

On November 17, 2020, the School District issued General Obligation Bonds Series of 2020 in the aggregate principal amount of \$7,105,000. Proceeds of the Bonds will be used to: (1) currently refund the School District's outstanding General Obligation Bonds, Series of 2016 and (2) pay the costs of insuring and issuing the bonds. Interest, at rates ranging from 1.0% to 4.0%, is payable February 15 and August 15, with the first interest payable on February 15, 2021. The refunding resulted in a difference between the cash flow required to service the old debt and that required to service the new debt of \$277,094. The refunding also resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$274,419.

The maturity schedule of the Series A of 2020 Bonds is set forth below:

March 15	Interest Rate	Principal Amount
2025	1.000% - 4.000%	\$ 2,700,000
2026	1.000% - 4.000%	1,575,000
		\$ 4,275,000

Extended Term Financing Payable

During the fiscal year ended June 30, 2004, the member school districts of the Somerset County Technology Center (see Note 1) each entered into financing agreements to provide funds for major building and site renovation to the Technology Center facility. The Somerset Area School District entered into General Obligation Note, Series A of 2004 for this project. As provided in the financial agreement, each school district's proportionate share of this total debt is calculated by a formula determined annually based on the percentage which the market value of taxable real property of each school district bears to the total market value of taxable real property in all of the member district. However, the agreement also provides for a maximum amount of each school district's share of the debt. During 2011-12, this note was refinanced through the issuance of General Obligation Note, Series of 2011, which due to the issuance costs, increased Somerset Area School District's maximum share of the total remaining debt by \$49,523. Since the School District's proportionate share of this debt can vary from year to year, the remaining maximum amount of the District's obligation is included as a liability in the statement of net assets in the district-wide financial statements. During the year ended June 30, 2024 the School District paid \$138,476 on the principal amount of this debt. The difference between this amount actually paid and the maximum scheduled debt service principal payment is reflected in these financial statements as a special item in the amount of \$103,302 in the district-wide statement of activities.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS (CONTINUED)

The following is a schedule of the Somerset Area School District's maximum remaining principal amounts at the maximum interest rate of 3.300%.

November 15	Interest Rate	Principal Amount
2024	3.300%	\$ 253,432
		\$ 253,432

An analysis of debt service requirements to maturity for the governmental activities on these obligations follows (with the exception of the compensated absences and postemployment benefit liability):

Governmental Activities	Principal Requirements	Interest Requirements	Total Debt Service Requirements
Year Ended June 30:			
2025	\$ 3,468,432	\$ 292,144	\$ 3,760,576
2026	2,940,000	194,713	3,134,713
2027	2,705,000	97,613	2,802,613
Total	\$ 9,113,432	\$ 584,470	\$ 9,697,902

Compensated Absences

Pursuant to various employment agreements and contracts, unused accumulated sick leave (personal leave for administrators) will be paid to employees meeting certain criteria upon retirement at a fixed, per day amount. In accordance with GASB Statement No. 16, the liability for compensated absences as of June 30, 2024, in the amount of \$1,764,332 has been recorded as a governmental activities long-term liability in the district-wide financial statements. The June 30, 2024, Food Service Fund liability for compensated absences in the amount of \$16,555 has been included in accrued salaries and benefits in the Food Service Fund financial statements and in the business-type activities column of the district-wide financial statements.

Under the current plan, the following is a summary of the items covered:

- Administrators – Rate paid equals \$100 per day.
- Teachers – Rate ranges from \$60 to \$100 per day.
- Support Personnel – Rate ranges from \$30 to \$50 per day.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

## NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS (CONTINUED)

A summary of changes in long-term debt obligations for 2024 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable:					
General obligation bonds	\$ 12,080,000	\$ -	\$ (3,220,000)	\$ 8,860,000	\$ 3,215,000
General obligation notes	495,210	-	(241,778)	253,432	253,432
Total bonds payable	<u>12,575,210</u>	<u>-</u>	<u>(3,461,778)</u>	<u>9,113,432</u>	<u>3,468,432</u>
Other Liabilities:					
Compensated absences	1,581,290	183,042	-	1,764,332	-
Other Postemployment Benefits	5,456,485	250,000	(298,376)	5,408,109	-
Net pension liability	48,815,677	-	(948,332)	47,867,345	-
Total Other Liabilities	<u>55,853,452</u>	<u>433,042</u>	<u>(1,246,708)</u>	<u>55,039,786</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 68,428,662</u>	<u>\$ 433,042</u>	<u>\$ (4,708,486)</u>	<u>\$ 64,153,218</u>	<u>\$ 3,468,432</u>
			Plus: unamortized premium	<u>290,132</u>	
			Total long-term liabilities (net)	<u>\$ 64,443,350</u>	
<u>Business Type Activities</u>					
Other Liabilities:					
Compensated absences	16,170	385	-	16,555	-
Total Other Liabilities	<u>16,170</u>	<u>385</u>	<u>-</u>	<u>16,555</u>	<u>-</u>
Business Type Activities Long-Term Liabilities	<u>\$ 16,170</u>	<u>\$ 385</u>	<u>\$ -</u>	<u>\$ 16,555</u>	<u>\$ -</u>

Payments on bonds are made by the Debt Service Fund. The compensated absence liabilities will be liquidated by the General Fund. Total interest paid during the year ended June 30, 2024 was \$406,939.

## NOTE 6: RISK MANAGEMENT

The School District has purchased commercial insurance policies for various risks of loss related to torts, theft, damage to or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Insurance settlements have not exceeded insurance coverage in the past three years. There were no significant reductions in coverage compared to the prior year.

The Somerset Area School District, along with seventeen other local area education institutions, is a member of the Bedford-Somerset Schools Health Insurance Consortium, a public entity risk pool formed to provide health and medical care benefits to employees. This is a self-funded program governed by the Bedford-Somerset Schools Health Insurance Consortium Cooperative Committee that is comprised of one delegate from each participating school. The Cooperative Committee determines the monthly rates charged to the participating schools for sufficient funding of the medical and health care benefits, stop loss insurance, and administrative expenses. The Consortium retains The Reschini Agency as its broker to assist in the administration of the program.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 6: RISK MANAGEMENT (CONTINUED)

The Consortium is required by its by-laws to purchase stop loss insurance coverage to limit the aggregate exposure to a maximum of 125% of actual claims and to limit the individual claim exposure to \$525,000. Participants may only withdraw from the Consortium under terms as specified in the by-laws.

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS

Plan Description:

The District administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides healthcare, prescription drug, dental and/or vision insurance, at various costs to the member and the District, for the life of the member or until the member is eligible for Medicare, depending on the terms of the contract when they retire, for eligible retirees and their spouses through the District's health insurance plan. The Retiree Health Plan covers both active and retired members. Benefit provisions are established and may be amended through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

Employees covered by benefit terms. At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	20
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>269</u>
Total	<u><u>289</u></u>

*Funding Policy.* No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The School District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

*Total OPEB Liability.* The District's total OPEB liability of \$3,465,000 was measured as of June 30, 2024, and was determined by an actuarial valuation as of July 1, 2022.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Discount Rate	3.93%
Healthcare cost trend rates	6.30%, decreasing in varying amounts to ultimate rate of 4.20% in 2033. Rates decrease to 4.10% in 2043 and remain at 4.10% 2051 before decreasing to 3.7% in 2075 and later based on the Society of Actuaries Long- Run Medical Cost Trend Model.
Mortality	Based on PubT-H2010 Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2021 from 2010 base year and projected forward on a generational basis with Scale MP-2021.

The discount rate was based on the Bond Buyer 20 Year Bond GO Index.

Changes in the total OPEB Liability.

The District's total OPEB liability has been measured as of June 30, 2024. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and by rolling forward the liabilities from the July 1, 2022 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$3,465,000, all of which is unfunded. As of June 30, 2024, the total OPEB liability of \$3,465,000 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

The District's change in its total OPEB liability for the year ended June 30, 2024 was as follows:

	Governmental Activities
Service cost	\$ 127,000
Interest	123,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(74,000)
Benefit payments	<u>(150,000)</u>
Net change in total OPEB liability	26,000
Total OPEB liability - June 30, 2023	<u>3,439,000</u>
Total OPEB liability - June 30, 2024	<u><u>\$ 3,465,000</u></u>

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

## NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$230,000. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 266,000	\$ -
Changes of assumptions or other inputs	504,000	596,000
	<u>\$ 770,000</u>	<u>\$ 596,000</u>

The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2025	\$ (23,000)
2026	(15,000)
2027	93,000
2028	55,000
2029	(3,000)
Thereafter	<u>67,000</u>
Total	<u>\$ 174,000</u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current discount rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<u>2.93%</u>	<u>3.93%</u>	<u>4.93%</u>
School's total OPEB liability	\$ 3,760,000	\$ 3,465,000	\$ 3,189,000

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

*Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following shows presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1 percentage point higher or 1 percentage point lower than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School's total OPEB liability	\$ 3,055,000	\$ 3,465,000	\$ 3,956,000

Health Insurance Premium Assistance Plan

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan 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 services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2023 there were no assumed future benefit increases to participating eligible retirees.

*Employer Contributions.* The school districts' contractually required contribution rate for fiscal year ended June 30, 2024 was 0.75% of covered payroll, an actuarially determined 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 PSERS Plan from the District were \$107,218 for the year ended June 30, 2024.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2024, the District reported a liability of \$1,943,109 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 of all School Districts in the PSERS Plan. At June 30, 2024, the District's proportion was 0.1074 percent, which was a decrease of 0.0022 from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the District recognized OPEB expense of \$18,343. 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
Difference between actual and expected experience	\$ 12,521	\$ 19,429
Changes of assumptions	167,036	375,077
Net difference between projected and actual investment earnings	4,405	-
Changes in proportion	73,449	50,269
Contributions subsequent to the measurement date	107,218	-
	<hr/>	<hr/>
Total	<u>\$ 364,629</u>	<u>\$ 444,775</u>

\$107,218 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2024	\$ (41,509)
2025	(36,427)
2026	(47,500)
2027	(54,305)
2028	(1,906)
2029	<u>(5,717)</u>
Total	<u><u>\$(187,364)</u></u>

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement 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.
  - Eligible retirees will elect to participate pre age 65 at 50%.
  - Eligible retirees will elect to participate post age 65 at 70%.

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: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

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

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.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 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 were:

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

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 4.09% 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 healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2023, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2023, 92,677 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2023, 522 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District’s 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 was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District’s proportionate share of the net OPEB liability	\$ 1,943,000	\$ 1,943,109	\$ 1,943,000

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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, 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 1 percentage point lower (3.13 percent) or higher (5.13 percent) than the current discount rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>3.13%</b>	<b>4.13%</b>	<b>5.13%</b>
District's proportionate share of the net OPEB liability	\$ 2,197,000	\$ 1,943,109	\$ 1,731,000

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](http://www.psers.pa.gov).

NOTE 8: EMPLOYEE RETIREMENT PLAN

*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 fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' 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.

General Information about the Pension Plan:

*Plan Description.* PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate 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](http://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.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

Benefits are generally equal to 1% of 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 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.

*Contributions.* The contribution policy is established in the Public School Employee's Retirement Code and requires contributions by active members, employers and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD).

For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a 'shared risk' provision in Act 120 of 2010 that in future years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

*Employer Contributions.* Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2024, the rate of employer's contribution was 34.00% of covered payroll. The 34.00% is comprised of a pension contribution rate of 33.09% for pension benefits, 0.64% for healthcare insurance premium assistance and 0.27% act 5 employer contribution. Contributions to the pension plan from the District were \$5,588,738 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$47,867,345 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 proportion was 0.1076 percent, which was an increase of 0.000022 from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the District recognized pension expense of \$(818,995). At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience:	\$ 10,845	\$ 655,389
Changes of assumptions:	714,243	-
Net difference between projected and actual investment earnings:	1,354,484	-
Changes in proportion:	808,750	729,750
District contributions subsequent to the measurement date:	5,588,738	-
Total	\$ 8,477,060	\$ 1,385,139

\$5,588,738 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<b>Governmental Activities</b>
2024	\$ 799,026
2025	(942,547)
2026	1,194,782
2027	451,922
	\$ 1,503,183

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

Actuarial cost method	Entry Age Normal – level % of pay
Salary increases	4.50 percent, average, including inflation of 2.50 percent, and real wage growth and merit or seniority increases of 2.00%
Investment rate of return	7.00 percent, net of pension plan investment expense, includes inflation of 2.50%

Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	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 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.

SOMERSET AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 8: EMPLOYEE RETIREMENT 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 percent, 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 percent) or 1-percentage point higher (8.00 percent) than the current rate:

	<b>Amounts X \$1,000</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>6.00%</b>	<b>Discount Rate</b>	<b>8.00%</b>
	<hr/>	<hr/>	<hr/>
School's proportionate share of the net pension liability	\$ 62,049	\$ 47,867	\$ 35,902

*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](http://www.psers.pa.gov).

NOTE 10: COMMITMENTS AND CONTINGENCIES

As of June 30, 2024, the Somerset Area School District had commitments outstanding, in the form of purchase orders, of approximately \$189,170 for supplies.

The District receives a number of state and federal grants. The grants may be subject to audit by the granting agency to determine if activities undertaken by the District comply with the conditions of the grant. Management believes no material liability would arise from any such audit.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 27, 2024, which is the date the financial statements were available to be issued.

**REQUIRED**  
**SUPPLEMENTAL**  
**INFORMATION**

SOMERSET AREA SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 23,361,097	\$ 23,361,097	\$ 24,659,099	\$ 1,298,002
State Sources	17,457,147	17,457,147	18,841,485	1,384,338
Federal Sources	2,358,896	2,358,896	2,478,975	120,079
Total Revenues	<u>43,177,140</u>	<u>43,177,140</u>	<u>45,979,559</u>	<u>2,802,419</u>
<b>EXPENDITURES</b>				
Instruction				
Regular Programs	15,824,422	16,289,938	16,288,743	1,195
Special Programs	5,372,972	5,674,886	5,639,088	35,798
Vocational Programs	2,270,832	2,286,232	2,267,154	19,078
Other Instructional Programs	284,521	371,417	364,793	6,624
Nonpublic School Programs	25,000	31,000	29,479	1,521
Pre-Kindergarten Programs	571,071	553,739	552,631	1,108
Higher Education Programs	-	20,000	11,300	8,700
Total Instruction	<u>24,348,818</u>	<u>25,227,212</u>	<u>25,153,188</u>	<u>74,024</u>
Support Services				
Pupil Personnel Services	1,233,638	1,413,248	1,407,687	5,561
Instructional Staff Services	2,410,016	2,570,566	2,568,950	1,616
Administrative Services	2,277,819	2,271,619	2,259,218	12,401
Pupil Health	534,342	546,042	533,698	12,344
Business Services	696,865	687,565	670,325	17,240
Operation & Maintenance of Plant Services	3,819,408	3,559,308	3,549,329	9,979
Student Transportation Services	2,089,247	2,218,047	2,196,215	21,832
Central Support Services	89,950	103,550	96,298	7,252
Other Support Services	13,000	13,000	10,424	2,576
Total Support Services	<u>13,164,285</u>	<u>13,382,945</u>	<u>13,292,144</u>	<u>90,801</u>
Noninstructional Services				
Student Activities	1,442,812	1,509,122	1,492,378	16,744
Community Services	186,490	192,290	180,499	11,791
Total Noninstructional Services	<u>1,629,302</u>	<u>1,701,412</u>	<u>1,672,877</u>	<u>28,535</u>
Debt Service				
Capital Outlay	153,665	146,853	145,553	1,300
	-	634,250	633,757	493
Total Expenditures	<u>39,296,070</u>	<u>41,092,672</u>	<u>40,897,519</u>	<u>195,153</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,881,070</u>	<u>2,084,468</u>	<u>5,082,040</u>	<u>2,997,572</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund Transfers Out	(3,619,863)	(4,519,863)	(4,519,003)	860
Budgetary Reserve	(2,696,602)	-	-	-
Total Other Financing Sources (Uses)	<u>(6,316,465)</u>	<u>(4,519,863)</u>	<u>(4,519,003)</u>	<u>860</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (2,435,395)</u>	<u>\$ (2,435,395)</u>	<u>\$ 563,037</u>	<u>\$ 2,998,432</u>

SOMERSET AREA SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS – RETIREES’  
HEALTH PLAN  
JUNE 30, 2024

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Total OPEB liability</b>							
Service cost	\$ 133,000	\$ 138,000	\$ 105,000	\$ 109,000	\$ 155,000	\$ 160,000	\$ 127,000
Interest	109,000	109,000	75,000	55,000	66,000	100,000	123,000
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	421,000	-	285,000	-	28,000	-
Changes of assumptions or other inputs	(67,000)	(1,256,000)	257,000	214,000	(328,000)	387,000	(74,000)
Benefit payments	<u>(189,000)</u>	<u>(121,000)</u>	<u>(108,000)</u>	<u>(91,000)</u>	<u>(108,000)</u>	<u>(115,000)</u>	<u>(150,000)</u>
Net change in total OPEB liability	(14,000)	(709,000)	329,000	572,000	(215,000)	560,000	26,000
Total OPEB liability - beginning	<u>2,916,000</u>	<u>2,902,000</u>	<u>2,193,000</u>	<u>2,522,000</u>	<u>3,094,000</u>	<u>2,879,000</u>	<u>3,439,000</u>
Total OPEB liability - ending	<u>\$ 2,902,000</u>	<u>\$ 2,193,000</u>	<u>\$ 2,522,000</u>	<u>\$ 3,094,000</u>	<u>\$ 2,879,000</u>	<u>\$ 3,439,000</u>	<u>\$ 3,465,000</u>
<b>Covered payroll</b>	\$14,053,027	\$13,742,000	\$14,223,000	\$15,835,000	\$16,389,000	\$16,664,000	\$17,247,000
<b>School's total OPEB liability as a percentage of covered payroll</b>	20.65%	15.96%	17.73%	19.54%	17.57%	20.64%	20.09%

SOMERSET AREA SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – PSERS  
 PLAN  
 JUNE 30, 2024

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
School's proportion of the net OPEB liability	0.1089%	0.1043%	0.1052%	0.1049%	0.1074%	0.1096%	0.1074%
School's proportionate share of the net OPEB liability	\$ 2,218,742	\$ 2,174,602	\$ 2,237,438	\$ 2,266,571	\$ 2,545,469	\$ 2,017,485	\$ 1,943,109
School's covered payroll	\$14,045,173	\$14,472,773	\$14,502,051	\$14,707,272	\$15,277,953	\$16,145,370	\$16,454,137
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.80%	15.03%	15.43%	15.41%	16.66%	12.50%	11.81%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%	5.56%	5.56%	5.69%	5.30%	6.86%	7.22%

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

SOMERSET AREA SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS – PSERS PLAN  
JUNE 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually determined contribution	\$ 107,218	\$ 122,580	\$ 128,385	\$ 124,687	\$ 123,500	\$ 120,124	\$ 116,033	\$ 120,398
Contributions in relation to the contractually determined contribution	<u>107,218</u>	<u>122,580</u>	<u>128,385</u>	<u>124,687</u>	<u>123,500</u>	<u>120,124</u>	<u>116,033</u>	<u>120,398</u>
Contribution deficiency (excess)	<u>\$ -</u>							
Covered payroll	\$ 16,454,137	\$ 16,145,370	\$ 15,277,953	\$ 15,264,183	\$ 14,707,272	\$ 14,742,062	\$ 14,472,773	\$ 14,045,173
Contributions as a percentage of covered payroll	0.65%	0.76%	0.84%	0.82%	0.84%	0.81%	0.80%	0.86%

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

**SOMERSET AREA SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY – LAST 10 YEARS  
JUNE 30, 2024**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1076%	0.1098%	0.1077%	0.1050%	0.1052%	0.1043%	0.1089%	0.1094%	0.1088%	0.1144%
District's proportionate share of the net pension liability	\$47,867,345	\$48,815,677	\$44,218,098	\$51,700,967	\$49,215,304	\$50,069,178	\$ 53,783,973	\$ 54,215,169	\$ 43,513,406	\$ 41,277,594
District's covered-employee payroll	\$16,145,370	\$15,277,953	\$15,264,183	\$14,707,272	\$14,742,062	\$14,472,773	\$ 14,045,173	\$ 14,499,037	\$ 14,164,519	\$ 14,216,486
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	296.48%	319.52%	289.69%	351.53%	333.84%	345.95%	382.94%	373.92%	307.20%	290.35%
Plan fiduciary net position as a percentage of the total pension liability	61.85%	61.34%	63.37%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

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

**SOMERSET AREA SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS – LAST 10 YEARS**  
**JUNE 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,588,738	\$ 5,640,306	\$ 5,478,836	\$ 5,122,808	\$ 4,917,542	\$ 4,718,124	\$ 4,437,207	\$ 4,302,123	\$ 3,613,594	\$ 2,815,406
Contributions in relation to the contractually required contribution	5,588,738	5,640,306	5,478,836	5,122,808	4,917,542	4,718,124	4,437,207	4,302,123	3,613,594	2,815,406
Contribution deficiency (excess)	<u>\$ -</u>									
School's covered-employee payroll	\$ 16,454,137	\$ 16,145,370	\$ 15,277,953	\$ 15,264,183	\$ 14,707,272	\$ 14,742,062	\$ 14,472,773	\$ 14,045,173	\$ 14,499,037	\$ 14,164,519
Contributions as a percentage of covered-employee payroll	33.97%	34.93%	35.86%	33.56%	33.44%	32.00%	30.66%	30.63%	24.92%	19.88%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively.

This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**APPENDIX F**  
**BOND AMORTIZATION SCHEDULE**

**APPENDIX G**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By \_\_\_\_\_  
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)