

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 2, 2024**

NEW ISSUE-BOOK ENTRY ONLY

**RATINGS: S&P: "A+" (Negative Outlook) (Underlying)  
See "RATINGS" herein**

*In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excludable from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. This opinion of Bond Counsel is subject to continuing compliance by the School District with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.*

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

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

*For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Other Tax Matters" herein.*

**\$3,140,000\***

**Saint Marys Area School District  
Elk County, Pennsylvania  
General Obligation Bonds, Series of 2024**

**Dated:** Date of Delivery

**Interest Due:** March 1 and September 1

**Principal Due:** March 1

**First Interest Payment:** September 1, 2024

The General Obligation Bonds, Series of 2024, in the aggregate principal amount of \$3,140,000\* (the "Bonds"), will be issued in registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent and sinking fund depository, at its specified corporate trust office in Harrisburg, Pennsylvania. Interest on the Bonds is payable initially on September 1, 2024, and thereafter, semiannually on March 1 and September 1 of each year, until the principal sum thereof is paid. Payment of interest on the Bonds will be made by check drawn on the Paying Agent mailed to the registered owners of the Bonds as of the Record Date (see "THE BONDS" *infra*).

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

The Bonds are general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will, to the fullest extent permitted under applicable law, provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, within the limits provided by law. (See "Security for the Bonds" and "School District Taxing Powers and Limits" herein).

Proceeds of the Bonds will be used towards (1) various capital improvements to school facilities and school buildings owned and operated by the School District; and (2) pay the costs of issuing the Bonds.

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Preliminary Official Statement to obtain information essential to the making of an informed investment decision.**

**MATURITIES, AMOUNTS, RATES AND YIELDS/PRICES**

**See Inside Front Cover**

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Knox McLaughlin Gornall & Sennett, P.C., of Erie, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Richard R. Brown, Esquire, Meyer Wagner Brown & Kraus Attorneys, of St. Marys, Pennsylvania, School District Solicitor. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, serves as Financial Advisor to the School District in connection with the Bonds. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about February 13, 2024.

**PFM FINANCIAL ADVISORS LLC**

**Financial Advisor to the School District**

Dated:

\* Estimated, subject to change.

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

**\$3,140,000\***  
**Saint Marys Area School District**  
**Elk County, Pennsylvania**  
**General Obligation Bonds, Series of 2024**

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

**Principal Due:** March 1  
**First Interest Payment:** September 1, 2024

<b>March 1 Year</b>	<b>Principal Amount</b>	<b>Amount Rate</b>	<b>Yield</b>	<b>CUSIP Numbers<sup>(1)</sup></b>
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				

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

\*Estimated, subject to change.

**SAINT MARYS AREA SCHOOL DISTRICT**

Elk County, Pennsylvania

**BOARD OF SCHOOL DIRECTORS**

---

Stacy McKee.....	President
Clythera Hornung.....	Vice-President
Julie Bish.....	Member
Amy Klaiber .....	Member
Lewis Murray.....	Member
Melissa Lundin.....	Member
Timothy Frey .....	Member
Christine Keebler .....	Member
Eric Wonderling.....	Member

---

**SUPERINTENDENT**

DR. HARLEY RAMSEY

**BUSINESS MANAGER**

GINGER WILLIAMS

**SCHOOL DISTRICT SOLICITOR**

RICHARD R. BROWN, ESQUIRE  
MEYER WAGNER BROWN & KRAUS ATTORNEYS  
St. Marys, Pennsylvania

**BOND COUNSEL**

KNOX MCLAUGHLIN GORNALL & SENNETT, P.C.  
Erie, Pennsylvania

**FINANCIAL ADVISOR**

PFM FINANCIAL ADVISORS LLC  
Harrisburg, Pennsylvania

**PAYING AGENT**

MANUFACTURERS AND TRADERS TRUST COMPANY  
Harrisburg, Pennsylvania and Buffalo, New York

**SCHOOL DISTRICT ADDRESS**

977 S. SAINT MARYS ROAD  
ST. MARYS, PENNSYLVANIA 15857

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

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**PRELIMINARY OFFICIAL STATEMENT**

**\$3,140,000\***

**Saint Marys Area School District**

**Elk County, Pennsylvania  
General Obligation Bonds, Series of 2024**

**INTRODUCTION**

**General**

This Preliminary Official Statement, including the cover and inside cover page hereof and Appendices hereto, is furnished by Saint Marys Area School District, Elk County, Pennsylvania (the "School District"), in connection with the offering of its \$3,140,000\* aggregate principal amount General Obligation Bonds, Series of 2024, dated as of February 13, 2024 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors to be adopted on December 6, 2023 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. C.S. Chs. 80-82 (the "Act").

**PURPOSE OF THE ISSUE**

Proceeds of the Bonds will be used towards (1) various capital improvements to school facilities and school buildings owned and operated by the School District; and (2) pay the costs of issuing the Bonds.

**Sources and Uses of Bond Proceeds**

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

---

**Source of Funds:**

Bond Par Amount .....	
Plus/Less: Net Original Issue Premium/(Discount) .....	_____
<b>Total Source of Funds</b> .....	=====

**Use of Funds:**

Construction Fund Deposit .....	
Costs of Issuance <sup>(1)</sup> .....	_____
<b>Total Use of Funds</b> .....	=====

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<sup>(1)</sup>Includes bond discount, legal, financial advisor, CUSIP, printing, rating, municipal bond insurance policy, paying agent, and miscellaneous fees.

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\*Estimated, subject to change.

## THE BONDS

### Description

The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof, will be in the aggregate principal amount of \$3,140,000\*, will be dated as of the date of delivery and will bear interest at the rates and mature in the amounts and at the times set forth on the inside cover page of this Preliminary Official Statement. Interest on the Bonds will be payable initially September 1, 2024, and thereafter, semiannually on March 15 and September 15.

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

### Payment of Principal and Interest

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

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding September 1, 2024, in which event such Bond shall bear interest from the Date of Delivery, or (d) as shown by the records of the Paying Agent, interest on the 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 shall be paid initially September 1, 2024, and thereafter semiannually on March 1 and September 1 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) day next preceding the applicable interest payment date (the “Record Date”), on the Bond Register maintained by the Paying Agent, irrespective of any transfer or exchange of the Bonds 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 Bonds 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 owner of such Bonds net less than fifteen (15) days preceding such special record date. Such notice shall be mailed by the Paying Agent to the registered owners shown on the Bond Register at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized 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 to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

### Transfer, Exchange and Registration of Bonds

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

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

\*Estimated, subject to change.

## SECURITY FOR THE BONDS

### General Obligation Pledge

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

### 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"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness 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 shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such Bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

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

### Pennsylvania Budget Adoption

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

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

After a week's delay, a \$45.2 billion budget for the state's 2022-2023 fiscal year was signed by then Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement those school districts with a higher at risk student population. The total amount was a \$767.8 million (10.83%) increase over the 2021-2022 fiscal year appropriation.

After over a month delay, a \$45.5 billion budget for the state's 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which includes \$8.4 billion for the basic education funding appropriation. The total amount is a \$796.6 million (10.45%) increase over the 2022-2023 fiscal year appropriation. The budget also provides \$50 million in additional aid to school districts for special education services for a total of \$1.3 billion. Certain funds authorized within the 2023-2024 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023 multiple code bills were passed finalizing the 2023-24 Budget for education.

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

## Act 85 of 2016

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

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

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

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

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

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

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

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

### Sinking Fund

A sinking fund for the payment of debt service on the Bonds, designated "Sinking Fund - General Obligation Bonds, Series of 2024" (the "Sinking Fund"), created under the Resolution shall be held by the Paying Agent as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay in full interest and/or principal then due on the Bonds.

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

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

### BOOK-ENTRY ONLY SYSTEM

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 of any particular maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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).

Payments of Principal, interest and redemption premium, if any, 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 Issuer or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of Principal, interest and redemption premium, if any, on the Bonds, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

## **REDEMPTION OF BONDS**

### **Mandatory Redemption**

Bidders may elect to structure the issue to include term bonds, which term bonds, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts as shown in the Invitation to Bid, upon payment of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Bonds to be redeemed shall be selected by lot by the Paying Agent.

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

### **Optional Redemption**

The Bonds maturing on or after March 1, 2030, shall be subject to redemption, prior to maturity, at the option of the School District, in whole or in part, in any order of maturities, at any time on or after March 1, 2029, at a price equal to 100% of the principal amount of the Bonds to be redeemed and 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 to be redeemed shall be drawn by lot by the Paying Agent.

### **Notice of Redemption**

Notice of any redemption shall be given by mailing a copy of the redemption notice not less than 30 days nor more than 45 days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for redemption of any Bonds called for redemption.

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

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

### **Manner of Redemption**

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

## **THE SCHOOL DISTRICT**

### **Introduction**

Saint Marys Area School District (the "School District") is a school district of the third class, organized and existing under the laws of the Commonwealth of Pennsylvania.

The School District is governed by a board of nine School Directors who are citizens of the School District and who are 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, Assistant Superintendent and the Business Manager who are appointed by the Board of School Directors.

The School District encompasses an area of 341.2 square miles and is coterminous with the Townships of Benezette, Fox and Jay and the City of Saint Marys (the “Municipalities”), located in central Elk County, Pennsylvania (the “County”). The County seat is the Borough of Ridgway.

The area in which the School District lies is approximately 150 miles northeast of the City of Pittsburgh, approximately 30 miles northeast of City of DuBois, within the Allegheny Plateau Region of the Commonwealth of Pennsylvania. The City of Saint Marys was incorporated in January of 1994, making it Pennsylvania’s “newest city.” The five major geological formations found in the School District include the Allegheny formation, the Pocono, Knapp and Oswayo Formation and the Pottsville Formation.

**School Facilities**

The School District presently owns and operates two elementary schools, one middle school, and one high school, all described on the following tables.

**TABLE 1  
SAINT MARYS AREA SCHOOL DISTRICT FACILITIES**

<b>Building</b>	<b>Original Construction Date</b>	<b>Renovation Date(s)</b>	<b>Grades</b>	<b>Rated Pupil Capacity</b>	<b>2023-24 Enrollment</b>
<b><u>Elementary:</u></b>					
Fox Township Elementary .....	1963	1968, 1970, 1992	K-5	275	247
South Saint Marys Street Elementary .....	1924	1954, 1960, 1992, 2005	K-5	650	569
<b><u>Secondary:</u></b>					
Saint Marys Area Middle School.....	1973	2009	6-8	667	441
Saint Marys Area High School .....	1968	1992	9-12	1,037	579

Source: School District Officials.

**Enrollment Trends**

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

**TABLE 2  
SAINT MARYS AREA SCHOOL DISTRICT ENROLLMENT TRENDS**

<b>School Year</b>	<b>Actual Enrollments</b>			<b>Projected Enrollments</b>			
	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>	<b>School Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>
2019-20	982	1,007	1,989	2024-25	816	982	1,798
2020-21	811	1,090	1,901	2025-26	804	957	1,761
2021-22	843	1,022	1,865	2026-27	808	946	1,754
2022-23	830	1,024	1,854	2027-28	783	971	1,754
2023-24	816	1,020	1,836	2028-29	773	983	1,756

Source: School District Officials.

**SCHOOL DISTRICT FINANCES**

**Introduction**

The School District budgets and expends funds pursuant to the Public School Code, and according to procedures mandated by the Pennsylvania Department of Education (“PDE”). An annual operating budget is prepared by the Superintendent and Director of Business Services and submitted to the School Board for approval prior to the beginning of each fiscal year beginning on July 1.

**Financial Reporting**

As of July 1, 2002, the School District adopted provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis For State and Local Governments, Statement No. 37, Basic Financial Statements and Management Discussion and Analysis For State and Local Governments: Omnibus, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Balance Statements. The School District kept its books and prepared its financial reports according to a modified accrual basis of accounting. Its financial statements are audited annually by an independent certified public accountant, as required by State law. The current local auditor for the School District is Zelenkofske Axelrod LLC of Pittsburgh, Pennsylvania.

Financial statements of the School District are attached as Appendix E hereto and have been audited by Zelenkofske Axelrod LLC statements speak only as of their date and have been included as a matter of public record. Zelenkofske Axelrod LLC (1) has not been engaged to perform and

has not performed since the date of its report on such statements any procedures with respect to such financial statements and (2) has not performed any procedures relating to this Preliminary Official Statement.

### **Budgeting Process as modified by 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 each fiscal year on which commences 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 primary election immediately preceding the beginning of each 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’ 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 School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the School Code.

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

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

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

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

## Summary and Discussion of Financial Results

A summary of the General Fund balance sheet and changes in fund balances is presented in the following Tables. The budget for 2023-24, as adopted June 12, 2023, has budgeted \$32,705,335 in revenue and \$34,459,008 in expenditures for the school year.

Table 3 shows the General Fund Balance Sheet for the past four audited year's balance sheet. Tables 4 and 5 show annual changes in ending general fund balances during the past four years, estimated 2022-23 for revenue and expenditures, 2023-24 budgeted.

**TABLE 3**  
**SAINT MARYS AREA SCHOOL DISTRICT**  
**SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET**  
**(Years ending June 30)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>ASSETS</b>				
Cash and Investments .....	\$6,477,328	\$5,737,554	\$6,471,276	\$6,230,632
Investment .....	2,734,033	2,919,937	2,251,813	3,873,224
Taxes Receivable.....	535,939	644,512	517,642	474,019
Interfund Receivables .....	0	0	0	12,207
Intergovernmental Receivables.....	2,218,629	2,053,260	3,051,829	2,758,201
Prepaid Expenses.....	31,987	102,776	51,739	226,273
Other Current Assets.....	562,119	686,884	66,482	0
Other Receivables.....	10,979	19,023	3,713	0
<b>TOTAL ASSETS.....</b>	<u>\$12,571,014</u>	<u>\$12,163,946</u>	<u>\$12,414,494</u>	<u>\$13,574,556</u>
<b>LIABILITIES</b>				
Accounts Payable.....	\$1,232,980	\$1,458,321	\$1,666,769	\$417,635
Accrued Salaries and Benefits .....	2,439,248	2,706,762	2,754,638	4,087,198
Payroll Deductions and Withholdings .....	110,724	72,800	80,802	0
Unearned Revenue.....	58,836	69,391	71,216	91,602
Other Current Liabilities.....	9,643	131,185	0	0
<b>TOTAL LIABILITIES.....</b>	<u>\$3,851,431</u>	<u>\$4,438,459</u>	<u>\$4,573,425</u>	<u>\$4,596,435</u>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	\$535,939	\$644,512	\$517,642	\$474,019
<b>FUND EQUITIES</b>				
Restricted Fund Balance .....	\$531,656	\$656,421	\$36,018	\$22,263
Committed Fund Balance .....	5,470,634	4,324,457	5,018,765	6,247,239
Unassigned Fund Balance.....	2,181,354	2,100,097	2,268,644	2,234,600
<b>TOTAL FUND EQUITIES .....</b>	<u>\$8,183,644</u>	<u>\$7,080,975</u>	<u>\$7,323,427</u>	<u>\$8,504,102</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITIES.....</b>	<u>\$12,571,014</u>	<u>\$12,163,946</u>	<u>\$12,414,494</u>	<u>\$13,574,556</u>

Source: School District Annual Financial Reports – PDE Form 2057.

**TABLE 4**  
**SAINT MARYS AREA SCHOOL DISTRICT GENERAL FUND**  
**SUMMARY OF CHANGES IN FUND BALANCE\***

	<u>Actual</u>				<u>Estimated</u>	<u>Budgeted</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023<sup>(1)</sup></u>	<u>2024<sup>(2)</sup></u>
<b>Beginning Fund Balance</b>	\$9,073,462	\$8,183,644	\$7,080,975	\$7,323,427	\$8,369,391	\$8,047,397
Surplus (Deficit) of Revenue over						
Expenditures	(\$889,818)	(\$1,102,669)	\$242,452	\$1,180,674	(\$321,994)	(\$1,753,673)
<b>Ending Fund Balance</b>	<u>\$8,183,644</u>	<u>\$7,080,975</u>	<u>\$7,323,427</u>	<u>\$8,504,101</u>	<u>\$8,047,397</u>	<u>\$6,293,724</u>

\*Totals may not add due to rounding.

<sup>(1)</sup>Estimated, subject to change and final audit.

<sup>(2)</sup>Budget, as adopted June 12, 2023.

Source: School District Annual Financial Reports – PDE Form 2057 and Budget.

**General Fund Revenue**

The School District received an estimated \$32,105,742 in revenue in 2022-23 and has budgeted revenue of \$32,705,335 in 2023-24. Local sources have decreased as a percentage of total revenue in the past five years, from 54.8 percent in 2018-19 to an estimated 52.6 percent in 2022-23. Revenue from Commonwealth sources decreased as a percentage of total revenue in the past five years, from 43.0 percent to an estimated 42.2 percent over this period. Federal sources increased as a percentage of total revenue from 2.2 percent to an estimated 5.2 percent in 2022-23 over this period.

**TABLE 5  
SAINT MARYS AREA SCHOOL DISTRICT  
SUMMARY OF SCHOOL DISTRICT GENERAL FUND  
REVENUES\*  
(For years ending June 30)**

REVENUE:	Actual				Estimated 2023 <sup>(1)</sup>	Budgeted 2024 <sup>(2)</sup>
	2019	2020	2021	2022		
<b>Local Sources:</b>						
Current Real Estate.....	\$10,039,612	\$9,958,424	\$10,091,442	\$10,602,624	\$11,040,898	\$11,645,138
Interim Real Estate.....	30,141	\$21,811	\$17,727	\$61,112	\$67,484	\$17,000
Public Utility Realty Taxes.....	14,647	\$13,500	\$14,452	\$14,650	\$14,830	\$14,800
Payments in Lieu of Taxes.....	154,111	154,111	154,111	155,236	155,242	155,241
Per Capita Taxes.....	30,883	32,187	32,785	32,178	31,588	30,000
Total Act 511.....	3,659,666	3,749,163	3,630,373	3,831,342	4,091,094	3,775,000
Delinquency on Taxes Levied.....	947,396	909,037	998,882	700,849	716,848	775,000
Earnings from Temporary Deposits & Investments.....	268,674	197,061	23,956	13,445	179,187	189,650
Tuition from Patrons/Other.....	450	80	0	0	0	0
Revenue from Community Service.....	24,584	22,475	16,533	11,296	17,715	14,000
Rentals.....	7,790	8,841	4,800	9,305	5,475	5,000
Contributions and Donations.....	2,000	41,293	288,071	35,478	21,661	95,000
Receipts from Other LEAS - PA-Ed.....	49,916	46,195	13,743	75,268	122,314	162,000
Federal IDEA Pass Through Revenue.....	369,986	340,876	420,343	517,229	418,740	412,000
Other Sources.....	40,951	2,128	0	0	0	20,000
<b>Total Local Sources.....</b>	<b>\$15,640,807</b>	<b>\$15,497,182</b>	<b>\$15,707,218</b>	<b>\$16,060,011</b>	<b>\$16,883,075</b>	<b>\$17,309,829</b>
<b>State Sources:</b>						
Instructional Subsidy.....	\$6,652,404	\$6,746,727	\$6,746,722	\$6,842,673	\$7,120,308	\$7,100,000
Tuition for Orphans and Children Placed in Private Homes.....	1,913	0	0	0	0	0
Vocational Education.....	29,753	58,800	74,484	57,917	72,403	59,112
Special Education.....	1,309,951	1,346,866	1,346,818	1,385,281	1,484,772	1,484,810
Transportation.....	1,059,599	1,032,271	991,544	955,239	978,266	1,268,434
Health Services.....	48,616	46,629	46,830	44,329	43,989	43,989
Safe Schools.....	25,000	32,000	3,000	0	0	178,452
State Property Tax Reduction Allocation.....	348,434	348,321	348,635	349,348	440,203	438,977
PA Accountability/Ready to Learn Grant.....	306,366	306,366	306,366	306,366	306,366	306,366
Extra Grants.....	0	44,424	0	8,403	230,302	10,000
Other Sources.....	0	6,412	1,549	50,000	0	56,830
Revenue for Social Security.....	441,473	449,713	454,041	434,069	461,580	517,714
Revenue for Retirement Contributions.....	2,064,329	2,130,396	2,217,451	2,250,104	2,421,266	2,279,085
<b>Total State Sources.....</b>	<b>\$12,287,838</b>	<b>\$12,548,925</b>	<b>\$12,537,440</b>	<b>\$12,683,730</b>	<b>\$13,559,455</b>	<b>\$13,743,769</b>
<b>Federal Sources:</b>						
<b>Total Federal Sources.....</b>	<b>\$630,601</b>	<b>\$599,135</b>	<b>\$2,136,282</b>	<b>\$1,477,961</b>	<b>\$1,663,211</b>	<b>\$1,501,737</b>
<b>Other Sources:</b>						
<b>Total Other Sources.....</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$150,000</b>
<b>TOTAL REVENUE.....</b>	<b>\$28,559,246</b>	<b>\$28,645,242</b>	<b>\$30,380,940</b>	<b>\$30,221,702</b>	<b>\$32,105,742</b>	<b>\$32,705,335</b>
<b>EXPENDITURES:</b>						
Instruction.....	\$17,007,260	\$17,486,288	\$18,643,164	\$18,163,766	\$10,202,197	\$20,954,436
Pupil Personnel.....	943,826	957,616	1,073,255	1,077,994	1,162,259	1,281,008
Instructional Staff.....	1,019,732	875,810	1,336,718	939,769	9,651,416	1,165,695
Administration.....	2,590,735	2,643,776	2,632,829	2,340,535	1,729,136	3,132,546
Pupil Health.....	463,287	501,876	555,808	601,089	595,457	558,661
Business.....	486,435	557,619	511,527	537,159	662,670	619,330
Operation and Maintenance.....	2,483,384	2,459,717	2,627,115	2,630,544	2,826,873	2,801,175
Student Transportation.....	1,875,318	1,786,119	1,908,281	1,797,451	2,108,614	2,295,735
Central.....	142,916	155,047	179,782	168,220	451,756	194,020
Other Support Service.....	166,238	133,453	140,153	140,544	1,707,705	150,000
Operation of Noninstructional Services.....	659,096	581,242	529,855	643,958	727,503	704,937
Debt Service.....	1,610,839	1,609,349	0.00	0	602,150	601,465
Fund Transfers.....	0	0	0	0	0	0
Budgetary Reserve.....	0	0	0	0	0	0
<b>TOTAL EXPENDITURES.....</b>	<b>\$29,449,064</b>	<b>\$29,747,911</b>	<b>\$30,138,487</b>	<b>\$29,041,028</b>	<b>\$32,427,736</b>	<b>\$34,459,008</b>
<b>SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES.....</b>	<b>(\$889,818)</b>	<b>(\$1,102,669)</b>	<b>\$242,452</b>	<b>\$1,180,674</b>	<b>(\$321,994)</b>	<b>(\$1,753,673)</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Estimated, subject to change and final audit.

<sup>(2)</sup>Budget, as adopted June 12, 2023.

Source: School District Annual Financial Reports – PDE Form 2057 and Budget.

## SCHOOL DISTRICT TAXING POWERS AND LIMITS

### In General

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

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - a. for minimum salaries and increments of the teaching and supervisory staff;
  - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
  - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not 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 by Act 32 of 2008, enacted July 2, 2008 (53 P.S. §6924.101) the ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax, and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

### The Taxpayer Relief Act (Act 1)

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 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); to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

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

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

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

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

<b>Fiscal Year</b>	<b>Index %</b>
2024-25	6.8%
2023-24	5.3%
2022-23	4.3%
2021-22	3.8%
2020-21	3.3%

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum question on the ballot for the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) its 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. The referendum was **NOT** approved by the voters.

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

**The Bonds are Not Expected to be Eligible for Act 1 Exceptions**

The Bonds constitute indebtedness incurred after the effective date of Act 1 and, therefore, no exception to the referendum requirement is expected for new taxes to pay the debt service on the Bonds if a tax increase greater than the Index is required.

**THE INFORMATION SET FORTH ABOVE IS A SUMMARY OF ACT 1 AND ITS IMPACT. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 1 NOR A LEGAL INTERPRETATION OF ANY PROVISION OF ACT 1, AND A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 1 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.**

**Act 48 of 2003 – Limitation on School District Fund Balances**

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 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:

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

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

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 48. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 48 NOR 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.

\*GASB 54 required effective with the June 30, 2011 financial statements, fund balances are designated as assigned or unassigned, not reserved and unreserved.

**Tax Levy Trends**

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

**TABLE 6  
SAINT MARYS AREA SCHOOL DISTRICT TAX RATES**

<b>Fiscal Year</b>	<b>Real Estate (mills)</b>	<b>Earned Income (%)</b>	<b>Real Estate Transfer (%)</b>	<b>Local Services (\$)</b>	<b>Per Capita (\$)</b>
2019-20.....	34.1400	0.50	0.50	5.00	10.00
2020-21.....	34.1400	0.50	0.50	5.00	10.00
2021-22.....	35.4300	0.50	0.50	5.00	10.00
2022-23.....	36.9500	0.50	0.50	5.00	10.00
2023-24.....	38.9080	0.50	0.50	5.00	10.00

Source: School District Officials.

**TABLE 7  
SAINT MARYS AREA SCHOOL DISTRICT  
COMPARATIVE REAL PROPERTY TAX RATES  
(Mills on Assessed Value)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<i>School District</i> .....	34.1400	34.1400	35.4300	36.9500	38.9080
<i>Benezette Township</i> .....	3.4000	3.4000	3.4000	3.4000	3.4000
<i>Fox Township</i> .....	2.8000	2.8000	2.8000	2.8000	2.8000
<i>Jay Township</i> .....	5.6000	5.6000	5.6000	5.6000	5.6000
<i>Saint Marys City</i> .....	18.5362	18.5362	18.5362	18.5362	18.5362
<i>Elk County</i> .....	14.6500	16.1500	16.1500	16.1500	16.1500

Source: Municipal Statistics

**Real Property Tax**

The real property tax (excluding delinquent collections) produced \$11,729,359 in 2022-23, or approximately 36.5 percent of total revenue. The School District fiscal year is from July 1 through June 30 with tax bills issued on August 1 of each year. Taxpayers who remit within 60 days receive a 2 percent discount, and those who remit subsequent to 120 days after August 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data.

**TABLE 8  
SAINT MARYS AREA SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA**

<b>Fiscal Year</b>	<b>Market Value</b>	<b>Assessed Value</b>	<b>Ratio</b>
2018-19 .....	\$966,167,489	\$323,825,546	33.52%
2019-20 .....	972,822,874	325,839,664	33.49%
2020-21 .....	1,007,975,957	324,944,029	32.24%
2021-22 .....	1,009,082,954	325,303,219	32.24%
2022-23 .....	1,095,731,074	327,928,074	29.93%

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

**TABLE 9  
SAINT MARYS AREA SCHOOL DISTRICT  
ASSESSMENT BY LAND USE**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Residential.....	\$202,689,754	\$203,986,842	\$203,914,294	\$204,510,467	\$205,790,967
Trailers .....	2,977,650	2,942,800	2,913,400	2,913,850	2,960,150
Seasonal .....	14,170,095	14,093,695	14,200,795	14,170,092	14,319,242
Lots .....	7,481,325	7,476,030	7,518,930	7,562,035	7,420,535
Industrial .....	28,437,200	28,789,500	27,591,400	26,981,400	26,830,750
Commercial.....	36,573,000	37,032,050	37,403,100	37,842,600	38,805,450
Agriculture .....	24,912,391	24,900,026	24,850,976	24,801,286	25,315,271
Oil/Gas/Mineral.....	110,661	113,246	112,049	112,049	112,154
Land .....	6,473,470	6,505,475	6,439,085	6,409,440	6,373,555
<b>Total.....</b>	<b>\$323,825,546</b>	<b>\$325,839,664</b>	<b>\$324,944,029</b>	<b>\$325,303,219</b>	<b>\$327,928,074</b>

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

**TABLE 10  
SAINT MARYS AREA SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

School District, Municipalities & County	2021	2021	2022	2022
	Market Value	Assessed Value	Market Value	Assessed Value
<i>Saint Marys Area School District.....</i>	\$1,009,082,953	\$127,303,219	\$1,095,731,074	\$327,928,074
Benezette Township .....	\$44,882,546	\$11,537,997	\$54,225,377	\$11,961,097
Fox Township.....	\$199,934,351	\$64,646,070	\$216,158,659	\$65,783,815
Jay Township.....	\$70,324,076	\$29,044,907	\$81,344,215	\$29,296,737
Saint Marys City.....	\$693,941,980	\$22,074,245	\$744,002,823	\$220,886,425
Elk County .....	\$1,503,382,232	\$521,684,313	\$1,637,953,240	\$524,896,834

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

**TABLE 11  
SAINT MARYS AREA SCHOOL DISTRICT  
REAL PROPERTY TAX COLLECTION DATA**

Fiscal Year	Gross Tax Levy	Actual Taxes Collected	Percent Collected	Real Estate plus Actual Collections	Real Estate plus Actual Collections (%)
2018-19	\$11,055,404	\$10,665,731	96.5%	\$11,014,165	99.6%
2019-20	11,146,497	10,643,185	95.5%	10,991,506	98.6%
2020-21	11,127,787	10,839,514	97.4%	11,188,149	100.5%
2021-22	11,629,136	11,260,571	96.8%	11,609,919	99.8%
2022-23	12,232,968	11,729,359	95.9%	12,169,562	99.5%

Source: School District Officials

The ten largest real property taxpayers, together with their assessed values, are shown on Table 12. The aggregate assessed value of these ten taxpayers totals approximately 4.0 percent of total assessed value.

**TABLE 12  
SAINT MARYS AREA SCHOOL DISTRICT  
TEN LARGEST REAL PROPERTY TAXPAYERS**

<b>Owner</b>	<b>2023-24 Assessed Value</b>
Wal-Mart Realty Co	\$2,470,650
Phoenix St Marys Industrial	2,321,550
GE Thermometrics Inc	1,532,050
Graftech USA LLC	1,338,950
M A Bucktail Village LLC	1,300,650
Mersen USA St Marys PA Corp	1,182,400
Keystone Powdered Metal Co	1,064,850
Terbovich George D + Beatrice D	944,550
SGL Carbon LLC	835,300
Eastern Sintered Alloys Inc	827,400
<b>Total</b>	<b>\$13,818,350</b>

Source: Local Government officials.

### Other Taxes

Under Act 511, the School District has to collect an estimated \$4,091,094 in other taxes in 2022-23. Among the taxes authorized by Act 511, the Per Capita Tax, Local Services Tax, Occupation Tax, Real Estate Transfer Tax, and Earned Income Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$13,148,773.

### COMMONWEALTH AID TO SCHOOL DISTRICTS

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

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

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

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

### Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (24.50%) or the wealth based Market Value Aid Ratio ("MVAR") currently (54.151%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

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

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and has been extended several time with the most recent occurring on June 30, 2021 when the Governor approved and signed Senate Bill 381, known as Act 26 of 2021, which extended the moratorium on new PlanCon Part A submittals through the end of the 2021-2022 fiscal year, and the 2022-23 Commonwealth Budget, as adopted, extended it once again through June 30, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenues Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain

that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

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

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

**DEBT AND DEBT LIMITS**

**Debt Statement**

Table 13 which follows shows the debt of the Saint Marys Area School District as of November 27, 2023, including the issuance of the Bonds.

**TABLE 13  
SAINT MARYS AREA SCHOOL DISTRICT  
DEBT STATEMENT  
(As of November 27, 2023)\***

<b>NONELECTORAL DEBT</b>	<b>Gross Outstanding</b>
General Obligation Bonds, Series of 2024.....	\$3,140,000
General Obligation Bonds, Series of 2020.....	3,085,000
General Obligation Bonds, Series of 2015 (remaining portion).....	1,460,000
<b>TOTAL NONELECTORAL DEBT</b> .....	<u>\$7,685,000</u>
<b>LEASE RENTAL DEBT</b>	
<b>TOTAL LEASE RENTAL DEBT</b> .....	<u>\$0</u>
<b>TOTAL PRINCIPAL OF DIRECT DEBT</b> .....	<u><u>\$7,685,000</u></u>

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

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$7,685,000.

**TABLE 14**  
**SAINT MARYS AREA SCHOOL DISTRICT**  
**BONDED INDEBTEDNESS AND DEBT RATIOS**  
**(As of November 27, 2023)\***

	<b>Gross Outstanding</b>	<b>Local Effort or Net of Available Funds and Estimated State Aid<sup>(1)</sup></b>
<b>DIRECT DEBT</b>		
Nonelectoral Debt.....	\$7,685,000	\$7,685,000
Lease Rental Debt.....	0	0
<b>TOTAL DIRECT DEBT</b> .....	<b>\$7,685,000</b>	<b>\$7,685,000</b>
<b>OVERLAPPING DEBT</b>		
Municipal Debt, General Obligation.....	\$8,503,351	\$8,503,351
Elk County, General Obligation Bonds <sup>(2)</sup> .....	999,432	999,432
<b>TOTAL OVERLAPPING DEBT</b> .....	<b>\$9,502,783</b>	<b>\$9,502,783</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b> .....	<b>\$17,187,783</b>	<b>\$17,187,783</b>
<b>DEBT RATIOS</b>		
Per Capita .....	\$836.10	\$836.10
Percent 2022-23 Assessed Value .....	5.24%	5.24%
Percent 2022-23 Market Value .....	1.57%	1.57%

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

<sup>(1)</sup>Gives effect to current appropriations for payment of debt service, and expected future Commonwealth reimbursement of School District sinking fund payments based on current Aid Ratio. "See "COMMONWEALTH AID TO SCHOOL DISTRICTS".

<sup>(2)</sup>Pro rata 66.9% share of \$1,494,000 principal amount outstanding.

**Debt Limit and Remaining Borrowing Capacity**

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

Total Revenue for 2020-21 .....	\$28,861,343
Total Revenue for 2021-22 .....	\$29,314,367
Total Revenue for 2022-23 (estimated).....	<u>\$31,083,724</u>
<i>Total Revenue, Past Three Years</i> .....	\$89,259,434
 Annual Arithmetic Average (Borrowing Base).....	 \$29,753,145

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

	<b>Legal Limit</b>	<b>Net Debt Outstanding*</b>	<b>Remaining Borrowing Capacity</b>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$66,944,576	\$7,685,000	\$59,259,576

\*Includes the estimated Bonds offered through this Preliminary Official Statement. Does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth aid.

**Debt Service Requirements**

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

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

**TABLE 15  
SAINT MARYS AREA SCHOOL DISTRICT  
DEBT SERVICE REQUIREMENTS\***

<u>Year</u>	<u>Outstanding Requirements</u>	<u>Series of 2024</u>			<u>Total Requirements</u>
		<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	
2023-24	\$601,465				
2024-25	600,065				
2025-26	597,000				
2026-27	599,550				
2027-28	598,550				
2028-29	602,300				
2029-30	600,800				
2030-31	599,100				
2031-32	161,600				
2032-33	0				
2033-34	0				
2034-35	0				
2035-36	0				
<b>Total</b>	<b>\$4,960,430</b>				

\*Totals may not add due to rounding.

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

**TABLE 16  
SAINT MARYS AREA SCHOOL DISTRICT  
COVERAGE OF DEBT SERVICE AND LEASE RENTAL  
REQUIREMENTS BY STATE AID\***

2022-23 (estimated) State Aid Received .....	\$13,559,456
2022-23 (estimated) Debt Service Requirements .....	\$602,150
Maximum Future Debt Service Requirements after Issuance of Bonds .....	
Coverage of 2022-23 (estimated) Debt Service Requirements .....	22.52 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds....	times

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

**Future Financing**

The School District does not currently anticipate issuing any long term debt in the next 1-3 years.

**LABOR RELATIONS**

**School District Employees**

There are presently approximately 245 employees of the School District, including 146 teachers, 14 administrators and 67 support personnel including secretaries, maintenance staff, cafeteria staff and aides.

The School District's teachers are represented by the St. Marys Area Education Association, an affiliate of the Pennsylvania State Education Association ("PSEA") under a contract which expires on June 30, 2029.

**Pension Program**

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

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 34.0% for the fiscal year 2023-24.

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

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

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

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

Annual School District contributions have been as follows:

2018-19	\$3,893,243
2019-20	4,080,416
2020-21	4,346,064
2021-22	4,355,244
2022-23 (estimated)	4,592,422
2023-24 (budgeted)	4,463,372

At June 30, 2022, the School District reported a liability of \$36,294,149 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2021, the School District's proportion was 0.0884% which was a decrease of 0.0044% from its proportion measured as of June 30, 2020.

As of June 30, 2022, the PSERS plan was 61.34% funded, with an unfunded actuarial accrued liability of approximately \$45.5 billion. PSERS' rate of return for fiscal year ended June 30, 2022 was 2.23%. The Fund had plan net assets of \$71.2 billion at June 30, 2022. 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 Administrative Officials and PSERS.

### Other Post-Employment Benefits

The School District is obligated under collective bargaining agreements to provide in the future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The School District became subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District's annual financial statements for the fiscal year ending June 30, 2009. For a full detailed description of these benefits see Appendix E herein – Audited Financial Statements for the year ended June 30, 2022.

### INFECTIOUS DISEASE OUTBREAK – COVID-19

The 2019 Novel Coronavirus (COVID-19) global pandemic (the Pandemic) is a lifetime event that has impacted every state of the United States including the Commonwealth of Pennsylvania. The Commonwealth has responded aggressively to slow and impede the spread of COVID-19, with the cooperation of all levels of government including all school districts. The Commonwealth's and local governments' actions have proven to be an essential and effective measure to reduce the spread of COVID-19.

In accordance with Orders, guidance or recommendations issued by the Centers for Disease Control and Prevention (CDC), the Pennsylvania Governor, the Pennsylvania Department of Health, the Pennsylvania Department of Education, and local health professionals the School District adopted a Health & Safety Plan for school year 2020-2021. Because COVID-19 continues to spread in the form of variant(s), the School District again adopted a Health & Safety Plan for school year 2023-24 (the Plan and collectively the Plans). The Plans are designed to take into account the

health and safety of students, staff and others and aims to balance the educational imperative to open schools for in-person instruction with the public imperative to mitigate COVID-19 infection and transmission rates. The Plan has been posted on the School District's publicly available website.

As a result of COVID-19, the School District has needed to include in its budget for fiscal years 2020-2021, 2021-2022, and 2022-23, and its current budget for fiscal year 2023-24, expenditures to implement mitigation measures to minimize the risks of COVID-19. The categories of additional expenditures are described in the budgets and in part in the School District's Health and Safety Plans. Also the budgets take into account that the School District has received significant financial assistance from the federal government through multiple COVID-19 related relief bills passed by Congress. As of the date of this Official Statement, the School District's revenue sources have been adequate to support the School District's added expenditures for COVID-19. While the potential impact of COVID-19 on the School District cannot be quantified into the future, the continuation of the pandemic could have an adverse effect on the School District's operations and financial condition, and the effect could be material.

Additional information with respect to events surrounding the continuing outbreak of COVID-19 and responses thereto can be found on Commonwealth websites, including but not limited to the Governor's office (<http://www.pa.gov/>), the Pennsylvania Department of Health (<http://www.health.pa.gov/>), and the Pennsylvania Department of Education (<http://www.education.pa.gov/>). The School District makes reference to these websites, not for the purpose of incorporating them into this Official Statement, but only for informational purposes. The School District does not assume any responsibility for the accuracy of the information on such websites.

### CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of the Rule 15c2-12 (the "Rule") promulgated by the 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 the following 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:

- (A) Annually, not later than **270 days** following the end of each fiscal year, beginning with the fiscal year ending June 30, 2023, the following financial information and operating information for the School District:
  - (1) financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units
  - (2) a summary of the budget for the current fiscal year (i.e. the fiscal year following the fiscal year of the financial statements being provided)
- (B) If not submitted as part of the annual financial information, then when and if available, audited financial statements for the School District;
- (C) In a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:
  - (1) principal and interest payment delinquencies;
  - (2) non-payment related defaults, if material;
  - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (5) substitution of credit or liquidity providers, or their failure to perform;
  - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
  - (7) modifications to rights of holders of the Bonds, if material;
  - (8) bond calls, if material, and tender offers;
  - (9) defeasances;
  - (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
  - (11) rating changes;
  - (12) bankruptcy, insolvency, receivership or similar event of the School District;
  - (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, 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; and
  - (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
  - (15) incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
  - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties and
- (D) in a timely manner, notice of a failure of the School District to provide the required annual financial information specified above, on or before the date specified above.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information 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 events listed in (C) above are those specified in the Rule, not all of which may be relevant to the Bonds. The School District may from time to time choose to file notice of the occurrence of other events, in addition to the events listed in (C) above, but the School District does not commit to provide notice of the occurrence of any events except those specifically listed in (C) above.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners 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 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 “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>.

Certain operating data of the School District may be inherently included in the annual filings of financial statements, the summary of the budget, contents in Official Statements of future bond issues as well as publicly available information.

**Existing Continuing Disclosure Filing History**

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 table below.

Fiscal Year Ending	Filing Deadline <sup>[1]</sup>	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>
6/30/2018	3/26/2019	12/06/2018	EP807568	12/06/2018	EP807572	12/06/2018	EP807561
6/30/2019	3/26/2020	1/14/2020	ER998545	12/21/2019	ES1023774	12/21/2019	ES1023775
6/30/2020	3/27/2021	2/09/2021	P31081022	11/16/2020	P11099361	11/16/2020	P11099345
6/30/2021	3/27/2022	2/25/2022	P11194254	11/18/2021	P21153226	11/18/2021	P21153243
6/30/2022	3/27/2023	2/15/2023	P21260468	11/22/2022	P21241355	11/22/2022	P21241347

**Notes**

<sup>[1]</sup> For these purposes, assumes the shortest filing deadline of the School District’s previous Continuing Disclosure Agreements

<sup>[2]</sup> Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:  
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

Based on the information above, the School District’s annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2019, through June 30, 2022, the School District filed the Financial Statements, Budget, and Operating Data timely.

**Future Continuing Disclosure Compliance**

In an effort to augment the School District’s procedures and policies to maintain future compliance, the School District has taken additional steps intended to assure future compliance with its Continuing Disclosure Agreements. These steps include implementing the MSRB’s EMMA’s internal notification system whereby the School District will receive timely email reminders a month in advance for all of the School District’s annual disclosure filings and coordinating with the School District’s financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District’s business office will be responsible for ensuring ongoing continuing disclosure compliance. Members of the School District’s business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District’s need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its State Form

PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

## LITIGATION

At the time of settlement, the School Board and the Solicitor will deliver a certificate stating that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue the Bonds.

## TAX EXEMPTION AND OTHER TAX MATTERS

### Federal Income Tax Matters

On the date of delivery of the Bonds, Knox McLaughlin Gornall & Sennett, P.C., of Erie, Pennsylvania, as Bond Counsel, will issue an opinion to the effect that under existing statutes, regulations and judicial decisions, interest on the Bonds is excludable from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. This opinion of Bond Counsel will assume the accuracy of certifications made by the School District and will be subject to the condition that the School District will comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with all such requirements, which include, among others, restrictions upon the yield at which proceeds of the Bonds and other money held for the payment of the Bonds and deemed to be "proceeds" thereof may be invested and the requirement to calculate and rebate any arbitrage that may be generated with respect to investments allocable to the Bonds. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than the stated redemption price of such Bonds at maturity (that is, at less than par or the stated principal amount), the difference being "original issue discount". Generally, original issue discount accruing on a tax-exempt obligation is treated as interest excludable from gross income for federal income tax purposes. In addition, original issue discount that has accrued on a tax-exempt obligation is treated as an adjustment to the issue price of the obligation for the purpose of determining taxable gain upon sale or other disposition of such obligation prior to maturity. The Internal Revenue Code of 1986, as amended, provides specific rules for the accrual of original issue discount on tax-exempt obligations for federal income tax purposes. Prospective purchasers of Bonds being sold with original issue discount should consult their tax advisors for further information.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain Subchapter S corporations with substantial passive income and Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion as to such collateral tax consequences, and prospective purchasers of the Bonds should consult their tax advisors.

No representation is made or can be made by the School District or any other party associated with the issuance of the Bonds as to whether or not any legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to inclusion in gross income for Federal income tax purposes or so as to otherwise affect the marketability or market value of the Bonds. Enactment of any legislation that subjects the interest on the Bonds to inclusion in gross income for federal income tax purposes or otherwise imposes taxation on the Bonds or the interest paid thereon may have an adverse effect on the market value or marketability of the Bonds.

### Pennsylvania Tax Matters

On the date of delivery of the Bonds, Bond Counsel will issue an opinion to the effect that under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as presently enacted and construed, the Bonds are exempt from personal property taxes within the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

Profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to state and local taxation within the Commonwealth, in accordance with Pennsylvania Act No. 1993-68.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than their stated redemption price at maturity (that is, at an "original issue discount"). For Pennsylvania Personal Income Tax purposes, original issue discount on publicly offered obligations is treated under current regulations of the Pennsylvania Department of Revenue as interest and, for purposes of determining taxable gain upon sale or other disposition of an obligation the interest on which is exempt from income taxation by the Commonwealth, as an adjustment to basis. For Pennsylvania Corporate Net Income Tax purposes, original issue discount is to be accorded similar treatment, according to a Private Letter Ruling issued by the Office of the Chief Counsel of the Pennsylvania Department of Revenue dated December 2, 1993.

Prospective purchasers of Bonds issued with original issue discount should consult their tax advisors for further information and advice concerning the reporting of profits, gains or other income related to a sale, exchange or other disposition of such bonds for Pennsylvania tax purposes.

### Federal Income Tax Interest Expense Deductions for Financial Institutions

Under the Internal Revenue Code of 1986, as amended (the "Code"), financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the

disallowance, is provided for certain tax-exempt obligations that are designated or "deemed designated" by the issuer as "qualified tax-exempt obligations" under Section 265 of the Code.

Each of the Bonds have been designated, or is "deemed designated", as a "qualified tax-exempt obligation" for purposes and effect contemplated by Section 265 of the Code (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

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

### **RATINGS**

S&P Global Ratings has assigned an underlying rating of "A+" (negative outlook) to the Bonds. S&P Global Ratings is expected to assign its municipal bond insurance rating of "\_\_\_" to this issue of Bonds and has done so with the understanding that upon delivery of the Bonds, the municipal bond insurance policy will be issued by \_\_\_. Such ratings reflect only the view of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: S&P Global Ratings, 25 Broadway, New York, NY 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the credit rating will be maintained for any given period of time, or that it may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such credit rating may have an adverse effect on the market price of the Bonds.

### **UNDERWRITING**

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased by the Underwriter for a purchase price of \$\_\_\_\_\_, equal to the par value of the Bonds less an underwriters' discount of \$\_\_\_\_\_ plus a net original issue premium of \$\_\_\_\_\_.

### **LEGAL OPINION**

The Bonds are offered subject to the receipt of the unqualified approving legal opinion of Knox McLaughlin Gornall & Sennett, P.C., Bond Counsel, of Erie, Pennsylvania. Certain other legal matters will be passed upon for the School District by Richard R. Brown, Esquire, Meyer Wagner Brown & Kraus Attorneys, of St. Marys, Pennsylvania, School District Solicitor.

### **FINANCIAL ADVISOR**

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

### **MISCELLANEOUS**

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

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

SAINT MARYS AREA SCHOOL DISTRICT  
Elk County, Pennsylvania

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

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**APPENDIX A**  
**Demographic and Economic Information**  
**Relating to the Saint Marys Area School District**

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**Population**

Table A-1 which follows shows population trends for the School District, Elk County and the Commonwealth of Pennsylvania. Table A-2 shows 2020 age composition and average number of persons per household in Elk County and for the State.

**TABLE A-1  
POPULATION TRENDS**

<u>Area</u>	<u>2010</u>	<u>2020</u>	<u>Compound Average Annual Percentage Change 2010-2020</u>
Elk County.....	919,143	919,143	-0.32%
Pennsylvania.....	12,702,379	13,002,700	0.23%

Source: US Bureau of the Census, Decennial Census and Pennsylvania State Data Center, and ACS.

**TABLE A-2  
AGE COMPOSITION**

	<u>0-19 Years</u>	<u>20-64 Years</u>	<u>65+ Years</u>	<u>Persons Per Household</u>
Elk County.....	24.5%	58.0%	14.2%	4.25
Pennsylvania.....	25.7%	60.5%	15.5%	3.05

Source: Pennsylvania State Data Center, Census 2020.

**Employment**

Table A-3 shows non-farm employment for the Elk County Labor Market Area as of March 2022.

**TABLE A-3  
DISTRIBUTION OF EMPLOYMENT BY INDUSTRY**

<u>ESTABLISHMENT DATA</u>	<u>Industry Employment</u>			<u>Net Change From:</u>		
	<u>Oct-23</u>	<u>Sep-23</u>	<u>Aug-23</u>	<u>Oct-22</u>	<u>Sep-23</u>	<u>Oct-22</u>
<b>Total Nonfarm</b>	13,500	13,600	13,700	13,700	-100	-200
<b>Total Private</b>	12,200	12,300	12,400	12,400	-100	-200
<b>Goods-Producing</b>	6,100	6,100	6,200	6,200	0	-100
Manufacturing	5,400	5,400	5,500	5,600	0	-200
<b>Service-Providing</b>	7,400	7,500	7,500	7,500	-100	-100
Trade, Transportation, and Utilities	2,000	2,000	2,000	2,000	0	0
Trade	1,500	1,500	1,600	1,500	0	0
Educational and Health Services	1,700	1,700	1,700	1,800	0	-100
Leisure and Hospitality	800	900	900	800	-100	0
Government	1,300	1,300	1,300	1,300	0	0
Local Government	1,000	1,000	1,000	1,000	0	0

Source: Pennsylvania State Employment Service.

Major employers located within or near the School District for the 2nd quarter of 2023 include:

Elk Regional Health Center Inc.  
 Domtar Paper Company LLC  
 SGL Carbon LLC  
 Keystone Powdered Metal Company  
 Wal-Mart Associates Inc.  
 Saint Marys Area School District  
 Amphenol Thermometrics Inc.  
 Eastern Sintered Alloys Inc.  
 Mersen USA Saint Marys-PA Corp  
 Morris Compressors

Source: Quarterly Census of Employment and Wages for the Center for Workforce Information & Analysis.

Table A-4 shows recent trends in labor force, employment and unemployment for Elk County and the Commonwealth.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023<sup>(1)</sup></u>	<b>Compound Average Annual % Rate</b>
<b><i>Elk County</i></b>						
Civilian Labor Force (000)	15.9	15.5	14.5	14.7	13.8	2.87%
Employment (000)	15.2	13.6	13.5	14	13.4	2.55%
Unemployment (000)	7	1.9	1	7	4	11.84%
Unemployment Rate	4.6	6.9	6.8	4.8	3	
<b><i>Pennsylvania</i></b>						
Civilian Labor Force (000)	6,574.00	6,515.00	6,455.00	6,479.00	6,543.00	0.09%
Employment (000)	6,288.00	5,933.00	6,059.00	6,196.00	6,323.00	-0.11%
Unemployment (000)	286	581	386	283	211	6.27%
Unemployment Rate	4.3	8.9	6	4.4	3.2	

<sup>(1)</sup>As of October 2023.

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

**Income**

The data on Table A-5 shows trends in per capita income for the School District and Pennsylvania over the 2000-2015 period. Per capita income in the School District is lower than average per capita income in the State and increased at a slower rate over this period than per capita income for the State.

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

	<u>2010</u>	<u>2020</u>	<b>Percentage Change 2010-2020</b>
Elk County.....	\$32,064	\$33,101	0.32%
Pennsylvania.....	26,678	29,291	0.94%

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

Source: 2010-2020 U.S. Census Bureau –

## Commercial Activity

Table A-6 presents total retail sales over the past five years for the County and for Pennsylvania.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2022</u>
Elk County .....	\$332,667	\$435,110	\$437,485	\$436,295	481,332
Pennsylvania .....	188,389,810	244,709,540	251,185,116	274,685,600	297,770,326

Source: The Nielson Company.

## Recreational

Elk County has an excellent park system and recreational programs. Through local efforts and foundations, a wide variety of recreational interests are served. The area has an additional advantage of numerous state and federal recreational facilities and programs within the County or nearby. Due to the wide expanse of state forest and game lands, hunting and fishing are primary recreational activities.

## Transportation and Highway Services

*Highways.* Five major highways traverse the County. U.S. Route 120 (east/west) bisects St. Marys and Pennsylvania Route 255 (north/south) connects St. Marys with Johnsonburg, intersecting U.S. Route 219 at Johnsonburg. The School District is approximately 25 miles north of Interstate 80. The area is also serviced by State highways 948 and 949.

*Air Service.* The St. Marys Airport, located in the County, is utilized primarily for private and industrial aircraft. County Residents are also served by the Bradford Regional Airport and the DuBois-Jefferson County Airport., both of which have commercial air service.

*Bus Service.* Public bus transportation is provided to area residents by the Area Transportation Authority of North Central Pennsylvania (the "ATA").

## Utilities and Communications

Allegheny Power provides electric service to the region. Telephone service is provided by Verizon and ALL-TEL. National Fuel Gas Distribution Company provides natural gas to the residents of the School District. Water service is provided by the St. Marys Area Joint Water Authority. Sewer service is provided by the St. Marys Sewage Treatment Authority.

## Health Care

There is one general acute care hospital that serves Elk County, Elk Regional Health Center and it is located in St. Marys.

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**APPENDIX B**  
**Form of Bond Counsel Opinion**



**Knox McLaughlin Gornall & Sennett, P.C.**  
120 West Tenth Street | Erie, Pennsylvania 16501-1461  
814-459-2800 | 814-453-4530 fax | www.kmgslaw.com

**Timothy M. Sennett**  
tsennett@kmgslaw.com

\_\_\_\_\_, 2024

Saint Marys Area School District  
977 S Saint Marys Rd.  
Saint Marys, PA 15857

Manufacturers and Traders Trust Company  
213 Market Street  
Harrisburg, PA 17101

\_\_\_\_\_

RE: Saint Marys Area School District, Elk County, Pennsylvania  
\$ \_\_\_\_\_ General Obligation Bonds, Series of 2024 (the “Bonds”)

Ladies and Gentlemen:

We have acted as Bond counsel in connection with the issuance by the Saint Marys Area School District, Elk County, Pennsylvania (the “School District”) of the Bonds in the aggregate principal amount of \$ \_\_\_\_\_. The Bonds are issued for the purpose of financing various capital improvements to School District facilities, including but not limited to, improvements to high school driveway access ramps, improvements to South Saint Marys Elementary School building controls, heating and cooling system upgrades in several school district buildings, central alarm systems at South Saint Marys Elementary School and Saint Marys High School and the pay the costs of issuing the Bonds. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

The Bonds are payable at the designated office of Manufacturers and Traders Trust Company, Harrisburg, Pennsylvania, Sinking Fund Depository and Paying Agent for the Bonds. The Bonds are current interest Bonds in the aggregate principal amount of \$ \_\_\_\_\_. The Bonds are issued pursuant to an Act of the General Assembly of the Commonwealth of Pennsylvania, the Act of December 19, 1996 (No. 177), the Local Government Unit Debt Act (the “Act”), and in accordance with the provisions of a resolution of the School District duly adopted on December 6, 2023 (the “Resolution”), which Resolution authorized the indebtedness and accepted the winning bid of \_\_\_\_\_ to purchase the Bonds.

Reference is made to an opinion of even date herewith of the Solicitor to the School District, with respect, among other matters, to the corporate existence of the School District as a public body corporate and politic with full legal right to adopt the Resolution and to authorize, issue and sell the Bonds.

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

1. The Bonds are valid and binding general obligation of the School District and the Bonds are full faith and credit obligations of the School District, the payment for which the School District is obligated to exercise its ad valorem taxing power, within the limits prescribed by law, upon all taxable property within the School District, and the Bonds are additionally secured by the “state aid intercept” provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.
2. The School District is required by law to include the amount of the debt service coming due on the Bonds for each fiscal year in which such sums are payable in its budget for that year and to appropriate such amounts from its tax revenues for the payment of such debt service coming due on the Bonds to the extent the necessary funds are not provided from other sources.
3. The interest on the Bonds (including the original issue premium properly allocable to the owners of the Bonds) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.
4. Due to designation of the Bonds as a “qualified tax-exempt obligation” under Tax Code Section 265(b)(3), certain financial institutions may be able to deduct 80% of the interest expense incurred to purchase or carry the Bonds.
5. The Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, except that such exemption does not extend to gains from the sale thereof or to gift, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

6. The Bonds, having all the qualities and incidents of securities under Article 8 of the Uniform Commercial Code, are negotiable instruments subject to the registration requirements for the Bonds.

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

Very truly yours,

KNOX McLAUGHLIN GORNALL &  
SENNETT, P.C.

By: \_\_\_\_\_  
Timothy M. Sennett

TMS/smt

# 2461750.v1

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**APPENDIX C**  
**Form of Continuing Disclosure Certificate**

§ \_\_\_\_\_  
**Saint Marys Area School District**  
**Elk County, Pennsylvania**  
**General Obligation Bonds, Series of 2024**

\_\_\_\_\_, 2024

**CONTINUING DISCLOSURE CERTIFICATE**

**THE CONTINUING DISCLOSURE CERTIFICATE** (the “Certificate”) is executed and delivered by Saint Marys Area School District (the “Issuer”) in connection with the issuance of the \$ \_\_\_\_\_, dated \_\_\_\_\_, 2023 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the officers of the Issuer on December 6, 2023 (the “Resolution”). The Issuer certifies, covenants and agrees as follows:

Section 1. Purpose of the Certificate.

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

Section 2. Definitions; Scope of this Certificate.

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

“*Annual Financial Information*” means a copy of the annual audited financial information prepared for the Issuer which includes a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information will be prepared using the modified accrual basis of accounting, provided, however, that the Issuer may change the accounting principles used for preparation of such financial information so long as the Issuer includes, as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for such change and demonstrating a means to compare the financial information provided by the differing financial accounting principles. Any or all of the Annual Financial Information and the Operating Data as defined below may be incorporated by reference from other documents, including Offering Documents of debt issues of the Issuer or related public entities, which have been submitted to the MSRB’s, hereinafter defined, Electronic Municipal Market Access System, hereinafter defined. If the document incorporated by reference is a final offering document, it must be available from the MSRB. The Issuer will clearly identify each such other document so incorporated by reference.

“EMMA” shall mean the continuing disclosure service of 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:

- Debt obligation;
- Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- Guarantee of Debt obligation or Derivative instrument (referred to above);
- The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Operating Data” means data generally consistent in presentation with the information presented in the Official Statement of the Issuer dated \_\_\_\_\_, 2024 with respect to the Bonds:

- Financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units.
- A summary of the budget for the current fiscal year (i.e. the fiscal year of the financial statements being provided).
- If not submitted as part of the annual financial information, then when and if available, audited financial statements for the School District.

“Release” shall mean Securities and Exchange Commission Release No. 34-59061, Release No. 34-59062 and Release No.34-58256.

“Reportable Event” shall mean those events that shall be reported to the MSRB through EMMA no later than ten (10) days after each occurrence as listed in Schedule 1 attached hereto and made a part hereof.

“SEC” means the Securities and Exchange Commission.

### Section 3. Disclosure of Information.

(A) Information Provided to the Public. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 4 hereof, the Issuer shall, or shall cause the Disclosure Agent to, make public the information set forth in subsections (i), (ii) and (iii) below:

(i) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 270 days following the fiscal year ending the previous June 30 beginning with fiscal year ending June 30, 2023, and continuing with each fiscal year thereafter. If the Disclosure Agent is an entity or person other than the Issuer, then the Issuer shall provide the Annual Financial Information to the Disclosure Agent not later than fifteen (15) Business Days prior to the disclosure date referenced above. The Annual Financial Information and Operating Data may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information and Operating Data.

(ii) Reportable Event Notices. Notice of the occurrence of a Reportable Event.

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

(B) Information Provided to Public and Bondholders.

Annual Financial Information and notice of all Reportable Event occurrences shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required pursuant to the Resolution or the Bonds.

(C) Means of Making Information Public.

(i) Information will be deemed to be made public by the Issuer or the Disclosure Agent under this Certificate if it is transmitted to one or more of the following as provided in this subsection:

- (a) to the MSRB, solely using the EMMA system created by the MSRB, and
- (b) Any filing under this Certificate shall be made solely by transmitting by electronic transmissions in word searchable pdf format at [www.emma.msrb.org](http://www.emma.msrb.org).

(ii) To the extent any Annual Financial Information or Operating Data is included in a document filed with EMMA or in a final official statement (as that term is defined in Rule 15c2-12(f)(3)), the Issuer shall have been deemed to have provided that information if a statement specifically referencing the filed document or final official statement is filed with EMMA as part of the Issuer's obligation to file Annual Financial Information and Operating Data pursuant to this Certificate. Additionally, if the referenced document is a final official statement (as that term is defined in Rule 15c2-12(f)(3)), it must be available from the MSRB.

Section 4. Amendment or Modification.

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate and any provision of this Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel 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 5. Miscellaneous.

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

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

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

(D) Beneficiaries. This Certificate inures solely to the benefit of the Issuer, the Disclosure Agent, and Bondholders and creates no rights in any other person or entity.

Section 6. Additional Disclosure Obligations.

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

IN WITNESS WHEREOF, the Issuer has caused its duly authorized officer to execute this Certificate as of this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

SAINT MARYS AREA SCHOOL DISTRICT  
ISSUER

By: \_\_\_\_\_  
President

# 2461754.v1

## SCHEDULE 1

### **Reportable Events**

The following events with respect to the Bonds shall constitute Reportable Events and shall be provided to the MSRB no later than ten (10) business days after the occurrence:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determination with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights or security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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 the terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The SEC requires the listing of (1) through (16) although some of such events may not be applicable to the Bonds.

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**APPENDIX D**  
**Specimen Municipal Bond Insurance Policy**

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**APPENDIX E**  
**Audited Financial Statements**

**SAINT MARYS AREA SCHOOL DISTRICT**

**SAINT MARYS, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

SAINT MARYS AREA SCHOOL DISTRICT  
YEAR ENDED JUNE 30, 2022

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# *Zelenkofske Axlerod LLC*

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## Independent Auditor's Report

Members of the Board  
Saint Marys Area School District  
Saint Marys, Pennsylvania

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of SAINT MARYS AREA SCHOOL DISTRICT (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SAINT MARYS AREA SCHOOL DISTRICT'S basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 related 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 these 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 where 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.

#### ***Auditor's Responsibility for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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



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Saint Marys Area School District  
Page 2

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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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.
- Obtaining 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 judgement, 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 to 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 have identified during the audit.

### ***Adoption of New Governmental Accounting Standards Board Pronouncements***

As described in Note 1 to the financial statements, in 2022 the District adopted the provisions of Governmental Accounting Standards Board's Statements No. 87, "Leases", Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", Statement No. 92, "Omnibus 2020", and part of Statement No. 99 "Omnibus 2022". Our opinion is not modified with respect to these matters.



# *Zelenkofske Axlerod LLC*

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Saint Marys Area School District  
Page 3

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required Pension and OPEB Schedules (listed as Required Supplementary Information in the table of contents) accompany the 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, 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 December 22, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Zelenkofske Axlerod LLC*  
ZELENKOFKSKE AXELROD LLC

December 22, 2022  
Pittsburgh, Pennsylvania

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022**

SAINT MARYS AREA SCHOOL DISTRICT, hereafter referred to as the "SCHOOL DISTRICT", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the DISTRICT's financial performance during the year that ended on June 30, 2022. Please read this Management Discussion and Analysis in conjunction with the DISTRICT's financial statements that follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of the following three parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information

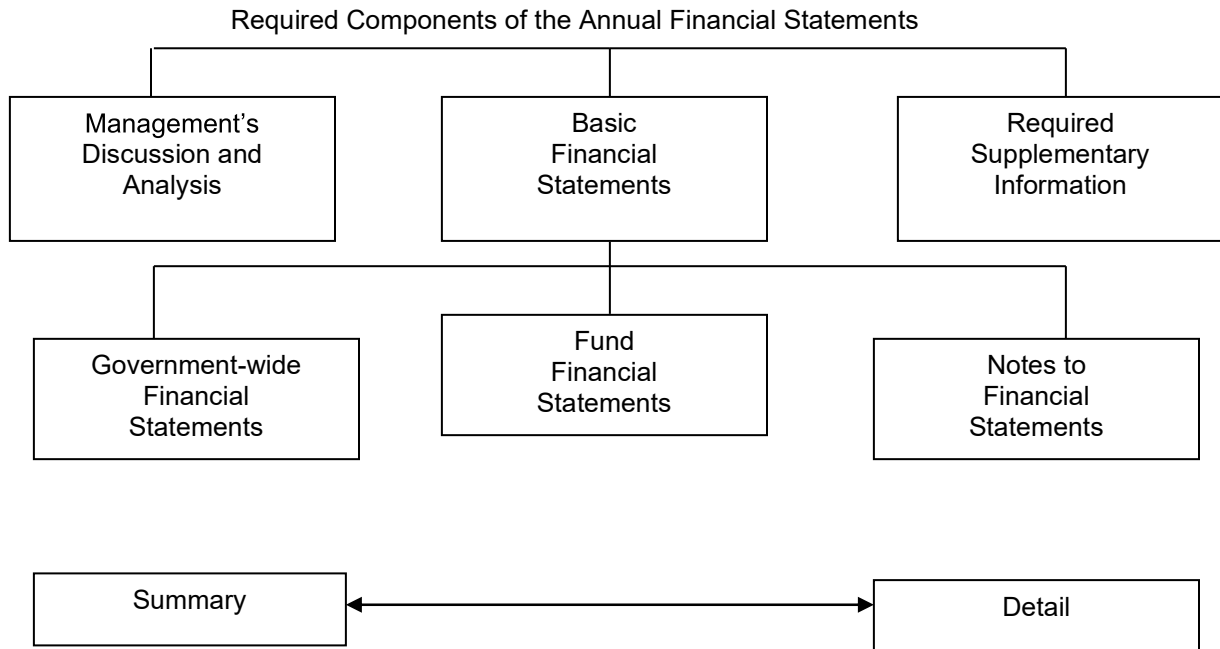
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the DISTRICT's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the DISTRICT's budget to actual figures for the general fund as well as certain pension and other postretirement benefit schedules.

The basic financial statements present two different views of the DISTRICT.

- *Government-wide financial statements*, the first two statements, provide information about the DISTRICT's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of the DISTRICT's government. They provide more detail on operations than the government-wide statements. There are two types of fund financial statements:
  - *Governmental funds statements* show how services such as instruction, support services, and non-instructional services are financed in the short term, as well as what remains for future spending.
  - *Proprietary fund statements* offer short-term and long-term financial information about the activities the DISTRICT operates like a business, like the Food Service Fund.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Table A-1: Organization of the District's annual financial report**



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

Table A-2 summarizes the major features of the DISTRICT's financial statements, including the area of the DISTRICT's activities they cover and the types of information they contain.

**Table A-2: Major features of the government-wide and fund financial statements**

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental</b>	<b>Proprietary</b>
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the DISTRICT, such as instruction and support services.	The activities of the DISTRICT, such as the Food Service Fund
Required Financial Statements	-Statement of Net Position -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of Net Position -Statement of revenues, expenses and changes in Net Position -Statement of cash flows
Accounting basis and measurement focus	Accrual	Modified Accrual	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

### **Government-wide financial statements**

Government-wide financial 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 the DISTRICT's assets, deferred outflows of resources, deferred inflows of resources and liabilities, with the difference reported as Net Position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The Statement of Activities focuses on how the DISTRICT's Net Position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to Net Position are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

Net Position is one way to measure the DISTRICT's financial position. Over time, increases or decreases in the DISTRICT's Net Position are one indicator of whether the DISTRICT's financial position is improving or deteriorating. However, other non-financial factors such as changes in the DISTRICT's property tax base and general economic conditions must be considered to assess the overall position of the DISTRICT.

There are two categories of activities for the primary government:

- *Governmental activities* include the DISTRICT's basic services such as instruction, support services, and non-instructional services.
- *Business-type activities* such as the Food Service Fund charge a fee to customers to help cover the costs of services.

Net Position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

Government wide statements are reported on the accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net position balances as follows:
  - Net Investment in Capital Assets
  - Restricted Net Position are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
  - Unrestricted Net Position is Net Position that does not meet any of the above restrictions

**Fund Financial Statements**

Fund financial statements provide more detailed information on the DISTRICT's most significant funds, not the DISTRICT as a whole. Funds are accounting devices, i.e., a group of related accounts, the DISTRICT uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using the modified accrual basis of accounting.

The DISTRICT has two kinds of funds:

- *Governmental funds* include most of the DISTRICT's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The DISTRICT adopts an annual budget for the general fund, as required by state law. A budgetary comparison of the DISTRICT's general fund is presented as required supplementary information.

- *Proprietary Funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. The proprietary funds report using the accrual basis of accounting.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net Position**

The DISTRICT's total assets for governmental activities were \$34,456,909 at June 30, 2022. Of this amount, \$17,409,007 was capital assets.

GASB No. 34 required that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The DISTRICT adopted the provisions of GASB 34 related to infrastructure on the retroactive basis.

**Condensed Statement of Net Position – 2022/2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2022 Total</u>	<u>2021 Total</u>
Current and other assets	\$ 17,047,902	\$ 842,707	\$ 17,890,609	\$ 16,632,777
Capital assets	<u>17,409,007</u>	<u>181,470</u>	<u>17,590,477</u>	<u>18,857,219</u>
Total Assets	<u>\$ 34,456,909</u>	<u>\$ 1,024,177</u>	<u>\$ 35,481,086</u>	<u>\$ 35,489,996</u>
Deferred Outflows of Resources	<u>\$ 8,244,271</u>	<u>\$ -</u>	<u>\$ 8,244,271</u>	<u>\$ 6,920,292</u>
Current and other liabilities	\$ 5,091,433	\$ 68,247	\$ 5,159,680	\$ 4,940,615
Long-term liabilities	<u>45,030,049</u>	<u>-</u>	<u>45,030,049</u>	<u>50,592,392</u>
Total liabilities	<u>50,121,482</u>	<u>68,247</u>	<u>50,189,729</u>	<u>55,533,007</u>
Deferred Inflows of Resources	<u>\$ 7,559,521</u>	<u>\$ -</u>	<u>\$ 7,559,521</u>	<u>\$ 2,529,306</u>
Net Position:				
Net Investment in Capital Assets	12,260,770	181,470	12,442,240	13,213,158
Restricted for Program purposes	187,635	-	187,635	729,784
Unrestricted	<u>(27,428,228)</u>	<u>774,460</u>	<u>(26,653,768)</u>	<u>(29,594,967)</u>
Total Net Position	<u>\$ (14,979,823)</u>	<u>\$ 955,930</u>	<u>\$ (14,023,893)</u>	<u>\$ (15,652,025)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**Change in Net Position**

The following Statement of Activities represents the Change in Net Position for the years ended June 30, 2022 and 2021. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

**Condensed Statement of Activities**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>2022 Total</u>	<u>2021 Total</u>
Revenues:				
Charges for Services	\$ -	\$ 268,582	\$ 268,582	\$ 126,978
Operating grants and contributions	7,474,054	-	7,474,054	7,474,054
General revenues:				
Taxes	16,082,164	-	16,082,164	15,585,239
Unrestricted grants, subsidies, and contributions	6,687,878	1,229,903	7,917,781	7,885,461
Investment Earnings	-	90	90	54
Miscellaneous	217,508	-	217,508	19,776
Total Revenues	<u>30,461,604</u>	<u>1,498,575</u>	<u>31,960,179</u>	<u>31,091,562</u>
Expenses:				
Instruction	17,505,220	-	17,505,220	17,872,235
Support	9,837,064	-	9,837,064	10,618,528
Student Activities	206,461	-	206,461	36,832
Noninstructional Services	1,664,816	-	1,664,816	1,636,585
Interest on long-term debt	106,556	-	106,556	132,094
Food services	-	1,122,856	1,122,856	895,790
Total expenses	<u>29,320,117</u>	<u>1,122,856</u>	<u>30,442,973</u>	<u>31,192,064</u>
Change in Net Position	\$ 1,141,487	\$ 375,719	\$ 1,517,206	\$ (100,502)
Net Position - July 1	<u>(16,121,310)</u>	<u>580,211</u>	<u>(15,541,099)</u>	<u>(15,440,597)</u>
Net Position - June 30	<u>\$ (14,979,823)</u>	<u>\$ 955,930</u>	<u>\$ (14,023,893)</u>	<u>\$ (15,541,099)</u>

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**Net Program Expenses**

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2022, taxes brought in \$16,082,164.

**Net Cost of Governmental and Business-type Activities**

Program:	2022 Total Cost of Services	2021 Total Cost of Services	2022 Net Cost of Services	2021 Net Cost of Services
Instruction	\$ 17,505,220	\$ 17,872,235	\$ (12,957,690)	\$ (13,324,705)
Support	9,837,064	10,618,528	(7,218,455)	(7,999,919)
Student Activities	206,461	36,832	(206,461)	(36,832)
Noninstructional Services	1,664,816	1,636,585	(1,356,901)	(1,328,670)
Interest on long-term debt	106,556	132,094	(106,556)	(132,094)
Food services	<u>1,122,856</u>	<u>895,790</u>	<u>(854,274)</u>	<u>(768,812)</u>
<b>Total</b>	<b><u>\$ 30,442,973</u></b>	<b><u>\$ 31,192,064</u></b>	<b><u>\$ (22,700,337)</u></b>	<b><u>\$ (23,591,032)</u></b>

The DISTRICT relied on property taxes and other general revenues to fund 74.57% of its governmental and business-type activities in 2022.

**Capital Assets**

The DISTRICT's investment in capital assets in its Governmental Activities at June 30, 2022, net of accumulated depreciation, was \$17,409,007. Capital assets consist primarily of land, buildings, equipment, and books. The following is a summary of capital assets at June 30, 2022:

**Capital Assets**

Capital Assets (Net of Depreciation)	Land & Site Improvements	Buildings & Building Improvement	Furnitures, Fixtures & Equipment	June 30, 2022 Total	June 30, 2021 Total
Governmental Activities	\$ 2,510,752	\$ 12,954,491	\$ 1,943,764	\$ 17,409,007	\$ 18,725,348
Business-Type Activities	\$ -	\$ -	\$ 181,470	\$ 181,470	\$ 131,871

Detailed information about the DISTRICT's capital assets can be found in Note 4, Notes to the financial statements.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**Debt Administration**

At June 30, 2022, the DISTRICT had \$5,534,613 of long-term liabilities outstanding. Long-term liabilities decreased 9.8% from the previous year. The following is a summary of long-term liabilities for the 2022 year:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Series of 2015A	\$ 2,430,000	\$ -	\$ 480,000	\$ 1,950,000	\$ 490,000
Series of 2020	3,095,000	-	5,000	3,090,000	5,000
Compensated Absences	610,288	-	115,675	494,613	-
Total	<u>\$ 6,135,288</u>	<u>\$ -</u>	<u>\$ 600,675</u>	<u>\$ 5,534,613</u>	<u>\$ 495,000</u>
Bond Premium				<u>108,237</u>	
				<u>\$ 5,642,850</u>	

Detailed information on the DISTRICT's long-term liabilities can be found in Note 4, Notes to the financial statements.

**Governmental Funds**

The DISTRICT uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the DISTRICT's financing requirements. In particular, unreserved/undesignated fund balance may serve as a useful measure of the DISTRICT's net resources available for spending at the end of the year.

The DISTRICT's governmental funds include the general fund, capital projects fund and student activity fund. The general fund is the chief operating fund for the DISTRICT. Capital projects fund funds are restricted to specific legislated use and student activity funds are restricted to use on student activities.

**Governmental Fund Revenues**

Governmental fund revenues by source at June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Revenues:		
Local sources	\$ 16,125,788	\$ 15,712,108
Student Activities	217,508	19,776
State revenue sources	12,683,749	12,537,440
Federal revenue sources	<u>1,478,183</u>	<u>2,031,971</u>
	<u>\$ 30,505,228</u>	<u>\$ 30,301,295</u>

General Fund revenues for 2022 decreased by \$159,237 or 0.5% from 2021. This was due to a decrease of \$658,321 or 31% in federal funds, primarily ESSER funds, which was offset by increase of \$352,793 or 2% in local funds and \$146,291 or 1% of state funds.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**Governmental Fund Expenditures**

Governmental fund expenditures by function at June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Expenditures		
Instruction	\$ 18,163,772	\$ 18,660,865
Support services	10,233,310	11,058,970
Noninstructional services	643,960	529,857
Student Activities	206,461	36,832
Debt Service		
Principal & interest	<u>602,380</u>	<u>5,622,194</u>
	<u>\$ 29,849,883</u>	<u>\$ 35,908,718</u>

Total expenditures for the year decreased \$6,058,835 or 17%, primarily as a result of the debt refunding in 2021, which was not a factor in 2022. This decrease alone was approximately \$5 million. Instruction and Support Services make up the bulk of the remaining variance, showing a combine decrease of over \$1 million as a result of expenses returning to more pre-pandemic levels.

**Governmental Fund Balances And Proprietary Fund Net Position**

Ending fund balances for governmental funds and net position for proprietary funds at June 30, 2022 and 2021 were as follows:

<b>Fund</b>	<u>2022</u> <u>Governmental</u>	<u>2021</u> <u>Governmental</u>	<u>2022</u> <u>Proprietary</u>	<u>2021</u> <u>Proprietary</u>
General Fund	\$ 8,504,326	\$ 7,262,837	\$ -	\$ -
Capital Projects	3,321,507	3,918,698	-	-
Student Activity Fund	151,617	140,570		
Cafeteria Fund	<u>-</u>	<u>-</u>	<u>955,930</u>	<u>580,211</u>
	<u>\$ 11,977,450</u>	<u>\$ 11,322,105</u>	<u>\$ 955,930</u>	<u>\$ 580,211</u>

The reasons for the changes in governmental fund balances are explained above in the governmental funds revenues and expenditures sections.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**

**Budgetary Highlights**

The DISTRICT adopts an annual appropriated budget for its general fund. For the 2021-2022 fiscal year, the administration did not authorize revisions to the original budget. Detailed information about the DISTRICT's 2022 general fund budget can be found in Required Supplemental Information.

Revenue was \$977,047 less than the budget as a result of unused federal funds of \$1,825,549 offset by an increase \$848,502 in local revenue and state revenue. Expenditures also experienced a variance of \$3,368,157 less than the budget, largely resulting from, support services, data processing, vehicle maintenance, and student activities expenditures that were lower than the budget.

**Economic Conditions And Next Year's Budget**

District management anticipates increased state financial support with increased basic and special education subsidies of approximately \$377,000 for the 2022-23 fiscal year. Additionally, District management continues to work to strategically lower expenses and have made significant moves for future cost savings with the recent approval to consolidate the two elementary schools with the lowest enrollments as well as implementing early retirement incentives for professional staff to provide the opportunity of attritional savings.

**Contacting The District's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District finances and to demonstrate the DISTRICT's accountability. Questions concerning this financial information or requests for additional information should be directed to:

SAINT MARYS AREA SCHOOL DISTRICT  
Central Administration Office  
977 S. Saint Marys Road  
Saint Marys, PA 16506  
Phone: 814-834-7831

SAINT MARYS AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 9,703,756	\$ 804,877	\$ 10,508,633
Investments	3,873,224	-	3,873,224
Taxes Receivable	474,019	-	474,019
Due From Other Governments	2,758,422	-	2,758,422
Other Receivables	12,207	18,984	31,191
Prepaid Expense	226,274	-	226,274
Inventory		18,846	18,846
Capital Assets			
Depreciable	17,205,761	-	17,205,761
Non-depreciable	203,246	181,470	384,716
<b>Total Assets</b>	<b>34,456,909</b>	<b>1,024,177</b>	<b>35,481,086</b>
<u>Deferred Outflows of Resources</u>			
Deferred Outflows related to Pensions	7,610,944	-	7,610,944
Deferred Outflows related to OPEB - Health Insurance Premium Assistance Programs	470,811	-	470,811
Deferred Outflows related to OPEB - District Plan	162,516	-	162,516
<b>Total deferred outflows of resources</b>	<b>8,244,271</b>	<b>-</b>	<b>8,244,271</b>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	417,635	-	417,635
Payroll Deductions and Other Withholdings	4,087,197	-	4,087,197
Unearned Revenues	91,601	68,247	159,848
Current Portions of Long-Term Liabilities:			
Bonds and Notes Payable	495,000	-	495,000
Non-Curent Portions of Long-Term Liabilities:			
Bonds and Notes Payable	4,653,237	-	4,653,237
Compensated Absences	494,613	-	494,613
Net Pension Liability	36,294,149	-	36,294,149
Unfunded other postemployment benefits	3,588,050	-	3,588,050
<b>Total Liabilities</b>	<b>50,121,482</b>	<b>68,247</b>	<b>50,189,729</b>
<u>Deferred Inflows of Resources</u>			
Deferred Inflows related to Pensions	6,644,320	-	6,644,320
Deferred Inflows related to OPEB - Health Insurance Premium Assistance Programs	65,593	-	65,593
Deferred OPEB Expense - District Plan	849,608	-	849,608
<b>Total deferred inflows of resources</b>	<b>7,559,521</b>	<b>-</b>	<b>7,559,521</b>
<u>Net Position</u>			
Net Investment in Capital Assets	12,260,770	181,470	12,442,240
Restricted	187,635	-	187,635
Unrestricted	(27,428,228)	774,460	(26,653,768)
<b>Total Net Position</b>	<b>\$ (14,979,823)</b>	<b>\$ 955,930</b>	<b>\$ (14,023,893)</b>

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

SAINT MARYS AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Instructional Services	\$ 17,505,220	\$ -	\$ 4,547,530	\$ (12,957,690)	\$ -	\$ (12,957,690)
Support Services	9,837,064	-	2,618,609	(7,218,455)	-	(7,218,455)
Student Activities	206,461	-	-	(206,461)	-	(206,461)
Noninstructional Services	1,664,816	-	307,915	(1,356,901)	-	(1,356,901)
Interest on Long-Term Debt	106,556	-	-	(106,556)	-	(106,556)
<b>Total Governmental Activities</b>	<b>29,320,117</b>	<b>-</b>	<b>7,474,054</b>	<b>(21,846,063)</b>	<b>-</b>	<b>(21,846,063)</b>
<b>Business-Type Activities:</b>						
Food Service	1,122,856	268,582	-	-	(854,274)	(854,274)
<b>Total Business-Type Activities</b>	<b>1,122,856</b>	<b>268,582</b>	<b>-</b>	<b>-</b>	<b>(854,274)</b>	<b>(854,274)</b>
<b>Total Primary Government</b>	<b>\$ 30,442,973</b>	<b>\$ 268,582</b>	<b>\$ 7,474,054</b>	<b>\$ (21,846,063)</b>	<b>\$ (854,274)</b>	<b>\$ (22,700,337)</b>
<b>General Revenues:</b>						
Taxes				\$ 16,082,164	\$ -	\$ 16,082,164
Grants, Subsidies, and Contributions Not Restricted				6,687,878	1,229,903	7,917,781
Investment Earnings				-	90	90
Miscellaneous				217,508	-	217,508
<b>Total General Revenues</b>				<b>22,987,550</b>	<b>1,229,993</b>	<b>24,217,543</b>
<b>Change in Net Position</b>				<b>1,141,487</b>	<b>375,719</b>	<b>1,517,206</b>
<b>Net Position - Beginning</b>				<b>(16,121,310)</b>	<b>580,211</b>	<b>(15,541,099)</b>
<b>Net Position - Ending</b>				<b>\$ (14,979,823)</b>	<b>\$ 955,930</b>	<b>\$ (14,023,893)</b>

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

SAINT MARYS AREA SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022

	General Fund	Capital Projects	Student Activity	Total Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents	\$ 6,230,632	\$ 3,321,507	\$ 151,617	\$ 9,703,756
Investments	3,873,224	-	-	3,873,224
Taxes Receivable	474,019	-	-	474,019
Due from Other Governments	2,758,422	-	-	2,758,422
Other Receivables	12,207	-	-	12,207
Prepaid Expense	226,274	-	-	226,274
 Total assets	 <u>\$ 13,574,778</u>	 <u>\$ 3,321,507</u>	 <u>\$ 151,617</u>	 <u>\$ 17,047,902</u>
<u>Liabilities</u>				
Accounts Payable	\$ 417,635	\$ -	\$ -	\$ 417,635
Accrued Salaries and Benefits	4,087,197	-	-	4,087,197
Unearned Revenues	91,601	-	-	91,601
 Total liabilities	 <u>4,596,433</u>	 <u>-</u>	 <u>-</u>	 <u>4,596,433</u>
<u>Deferred Inflows of Resources</u>				
Unavailable property tax revenue	474,019	-	-	474,019
Total deferred inflows of resources	<u>474,019</u>	<u>-</u>	<u>-</u>	<u>474,019</u>
<u>Fund Balances</u>				
Nonspendable	226,274	-	-	226,274
Restricted:				
Health Claims	36,018	-	-	36,018
Student Activities	-	-	151,617	151,617
Committed:				
Capital Projects	-	3,321,507	-	3,321,507
Retirement	5,494,341	-	-	5,494,341
Technology	752,898	-	-	752,898
Unassigned	1,994,795	-	-	1,994,795
 Total fund balances	 <u>8,504,326</u>	 <u>3,321,507</u>	 <u>151,617</u>	 <u>11,977,450</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 13,574,778</u>	 <u>\$ 3,321,507</u>	 <u>\$ 151,617</u>	 <u>\$ 17,047,902</u>

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

SAINT MARYS AREA SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2022

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

Total fund balances of governmental funds	\$	11,977,450
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$53,752,746 and the accumulated depreciation is \$36,343,739.</p>		
		17,409,007
<p>Property taxes receivable will be collected, but are not available soon enough to pay for current year's expenditures, and therefore are deferred in the Governmental Funds.</p>		
		474,019
<p>Long-term liabilities such as Debt, Compensated Absences, and Pension Obligations are not due and payable in the current period and accordingly are not reported as fund liabilities. Both current and long-term liabilities are reported in the Statement of Net Position.</p>		
Long-term debt		(5,148,237)
Other Post Employment Benefits		(3,588,050)
Deferred Outflows related to Pension and OPEB		8,244,271
Deferred Inflows related to Pension and OPEB		(7,559,521)
Net pension liability		(36,294,149)
Compensated absences		(494,613)
		(49,830,290)
Total net position of governmental activities	\$	(14,979,823)

SAINT MARYS AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Student Sponsored Activity Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Local Revenue Sources	\$ 16,120,599	\$ 5,189	\$ -	\$ 16,125,788
State Revenue Sources	12,683,749	-	-	12,683,749
Federal Revenue Sources	1,478,183	-	-	1,478,183
Student Activities	-	-	217,508	217,508
Total Revenues	<u>30,282,531</u>	<u>5,189</u>	<u>217,508</u>	<u>30,505,228</u>
<b>Expenditures</b>				
Instruction	18,163,772	-	-	18,163,772
Support Services	10,233,310	-	-	10,233,310
Student Activities	-	-	206,461	206,461
Noninstructional Services	643,960	-	-	643,960
Debt Service:				
Principal	-	485,000	-	485,000
Interest	-	117,380	-	117,380
Total Expenditures	<u>29,041,042</u>	<u>602,380</u>	<u>206,461</u>	<u>29,849,883</u>
Excess (deficiency) of revenues over expenditures	<u>1,241,489</u>	<u>(597,191)</u>	<u>11,047</u>	<u>655,345</u>
Net change in fund balance	<u>1,241,489</u>	<u>(597,191)</u>	<u>11,047</u>	<u>655,345</u>
Fund balance beginning of year	<u>7,262,837</u>	<u>3,918,698</u>	<u>140,570</u>	<u>11,322,105</u>
Fund balance, end of year	<u>\$ 8,504,326</u>	<u>\$ 3,321,507</u>	<u>\$ 151,617</u>	<u>\$ 11,977,450</u>

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

SAINT MARYS 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, 2022

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

Net Change in fund balances - total governmental funds	\$	655,345
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$(279,772) were exceeded by depreciation expense (\$1,596,113) in the current period.</p>		
		(1,316,341)
<p>Payments of long-term debt and certain expenditures of debt issuance are</p>		
Debt Principal Repayments	485,000	
Amortization of Bond Premium	10,824	
Change in Compensated Absences	115,675	
		611,499
<p>Governmental funds do not report the changes in the Other Post Employment Benefit liability:</p>		
		(48,762)
<p>Governmental funds do not report the changes in the Pension expense</p>		
		1,283,370
<p>Real estate taxes reported in the funds include receipt of prior year delinquent taxes and do not include revenue attributable to the current year's delinquent tax receivable. This amount is the net effect of these differences.</p>		
Current year	474,019	
Prior year	(517,643)	(43,624)
Changes in net position of governmental activities	\$	1,141,487

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

SAINT MARYS AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2022

Assets	Business-Type Activities - Enterprise Fund Food Service
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 804,877
Other receivables	18,984
Inventories	18,846
Total current assets	842,707
<b>Non-current Assets:</b>	
Capital Assets (net of accumulated depreciation \$183,697)	181,470
Total non-current assets	181,470
Total assets	\$ 1,024,177
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Unearned revenues	\$ 68,247
Total current liabilities	68,247
Total liabilities	68,247
<b>Net Position</b>	
Net Investment in Capital Assets	181,470
Unrestricted	774,460
Total net position	955,930
Total Liabilities and Net Position	\$ 1,024,177

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

SAINT MARYS AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Fund
	Food Service
Operating Revenues	
Food Service Revenue	\$ 268,582
Total Operating Revenues	268,582
Operating Expenses	
Service Costs	1,122,856
Total Operating Expenses	1,122,856
Operating Loss	(854,274)
Nonoperating Revenues (Expenses)	
Earnings on Investments	90
State Sources	36,104
Federal Sources	1,193,799
Total Nonoperating Revenues (Expenses)	1,229,993
Changes in Net Position	375,719
Net Position - Beginning of Year	580,211
Net Position - End of Year	\$ 955,930

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

SAINT MARYS AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2022

	<u>Business-Type Activities - Enterprise Fund Food Service</u>
Cash flows from operating activities	
Cash received from customers	\$ 316,376
Cash paid to suppliers and for other operating expenses	<u>(1,169,574)</u>
Net cash used in operating activities	<u>(853,198)</u>
Cash flows from non-capital financing activities	
State Subsidies payments received	36,104
Federal Subsidies payments received	<u>1,210,896</u>
Net cash provided by non-capital financing activities	<u>1,247,000</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(73,544)</u>
Net cash used in capital and related financing activities	<u>(73,544)</u>
Cash flows from investing activities	
Earnings on Investments	<u>90</u>
Net cash provided by investing activities	<u>90</u>
Net increase in cash and cash equivalents	320,348
Beginning cash and cash equivalents	<u>484,529</u>
Ending cash and cash equivalents	<u>\$ 804,877</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (854,274)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	23,945
(Increase) decrease in assets	
Inventories	(3,042)
Other Receivables	7,332
Increase (decrease) in liabilities	
Accounts Payable	(67,621)
Unearned Revenues	<u>40,462</u>
Net cash used in operating activities	<u>\$ (853,198)</u>

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

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

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

The Saint Marys Area School District (the "District") operates three elementary schools, a junior high school, and a senior high school in Elk County, Pennsylvania.

The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Law of Pennsylvania. The District operates under a locally elected board form of government.

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 five 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 as defined in GASB Statement No. 61, which are included in the District's reporting entity.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

C.) 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 the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt. Governmental funds include the general fund, capital projects fund, and student activity fund.

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.
2. Capital Projects Fund - This major fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.
3. Student Activity Fund- This fund accounts for the receipts and disbursements of monies from student activity organizations. These organizations exist with the explicit approval and are subject to revocation by the District's governing body.

PROPRIETARY FUNDS – These funds account 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 – Enterprise funds are used to account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Food Service fund is the school district's major enterprise fund.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

D.) 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.

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. Non-major funds are aggregated and presented in a single column. The District has no non-major funds.

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.

E.) 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 are 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.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

E.) Measurement Focus and Basis of Accounting (Continued):

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 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 deferred 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.

F.) Budgetary Data:

An operating budget is adopted prior to the beginning of each year for the general fund on a modified accrual basis of accounting. The general fund is the only fund that is legally required to adopt a budget.

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

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

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

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

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year-end are reported in the fund financial statements as reservations of fund balances. There are no outstanding encumbrances at year end.

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.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

G.) 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.

H.) Investments:

Investments are stated at cost including accrued interest which approximates market.

I.) Receivables/Payables:

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

J.) Accounts Receivable:

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

K.) Inventories and Prepaid Items:

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

A physical inventory of the cafeteria fund food and supplies was taken as of June 30, 2022. The inventory consisted of government donated commodities which were valued at estimated fair value, and purchased commodities and supplies, both valued at cost using first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2022 are included in unearned revenue.

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenditures in the funds when consumed.

L.) 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 \$4,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$4,000 as composite groups for financial reporting purposes. These grouped items are not capitalized for the governmental funds. 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 for entity-wide reporting purposes.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

L.) 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.

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

<u>Assets</u>	<u>Years</u>
Buildings and Infrastructure	50
Building Improvements	20 – 30
Site Improvements	20
Furniture and Vehicles	10
Equipment	5 – 15
Library Books/Workbooks/Software	5

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over the estimated useful life.

M.) Long-Term Obligations:

In the government-wide financial statements and other long-term obligations are reported as liabilities in the governmental activity columns in the statement of net position. Premiums and discounts on debt issuance are deferred and amortized using the straight-line method over the life of the related debt. Bonds payable are reported net of the applicable premium or discount.

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.

N.) 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.

O.) Fund Balance/Net Position:

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

SAINT MARYS AREA SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

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

O.) Fund Balance/Position: (Continued)

- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

*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:

- *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 \$226,274 non-spendable fund balance in the General Fund as of June 30, 2022.
- *Restricted:* This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School District had \$36,018 restricted fund balance as of June 30, 2022 for health claims which represents the amount held by the Plan administrator to fund health claim liabilities, as well as \$151,617 of restricted funds attributable to student activities, and trust funds.
- *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 \$9,568,746 of committed resources as of June 30, 2022.

Capital Projects – \$3,321,507 represents funds committed to future capital projects.

Retirement – \$5,494,341 has been committed to fund the impending increase in employer retirement costs based on PSERS projected cost calculations.

Technology – \$752,898 has been committed to fund future technology upgrades.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

O.) Fund Balance: (Continued)

- *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 \$1,994,795 of unassigned fund balance as of June 30, 2022.

Restricted amounts are considered spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed funds are reduced first, followed by assigned amounts and then unassigned amounts.

P.) Deferred Outflows /Inflows of Resources

The Statement of Net Position reports 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 on refunding bonds, deferred outflows related to OPEB, deferred outflows and inflows related to pensions, and unavailable tax revenue.

Deferred outflows of resources related to OPEB is described further in Note 7. Deferred outflows of resources should be recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The recognition period for the OPEB Plan's change in assumption and differences between expected and actual experience is 11 years.

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 tax revenue, 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.

SAINT MARYS AREA SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

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

Q.) Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 87, "Leases". The adoption of this statement resulted in additional disclosures (see Note 9).

The District adopted the provisions of GASB Statement No.89 "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The adoption of this statement did not result in modification of previously reported amounts.

The District adopted the provisions of GASB Statement No. 92, "*Omnibus 2020*". The adoption of this statement did not result in modification of previously reported amounts.

The District adopted the part of the provisions of GASB issued Statement No. 99, "*Omnibus 2022*". The adoption of this statement did not result in modification of previously reported amounts.

R.) Pending Changes in Accounting Principles

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*". The District is required to adopt the provisions of Statement No. 91 for its fiscal year 2023 financial statements.

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". The District is required to adopt the provisions of Statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". The District is required to adopt the provisions of Statement No. 96 for its fiscal year 2023 financial statements.

In April 2022, the GASB issued Statement No. 99, "*Omnibus 2022*". The provisions of Statement No. 99 are effective as follows:

- The requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements are effective for the District's fiscal year 2023 financial statements.
- The requirements related to financial guarantees and the reporting of derivative instruments are effective for the District's fiscal year 2024 financial statements.

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*". The District is required to adopt the provisions of Statement No. 100 for its fiscal year 2024 financial statements.

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

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

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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.

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.

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.

SAINT MARYS AREA SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

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

*Interest Rate Risk* – The School District’s investment policy manages its exposure to interest rate risk by following section 440.1 of the Public School Code of 1949, as amended. The district’s investment policy does not further restrict investing in specific financial instruments.

*Credit Risk* – The School District’s investment policy manages its exposure to interest rate risk by following section 440.1 of the Public School Code of 1949, as amended. The district’s investment policy does not further restrict investing in specific financial instruments.

*Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2022 the balance on the bank records was \$14,784,395. At June 30, 2022, all deposits were insured or collateralized by securities held by the district’s agent in the district’s name.

*Concentration of Credit Risk* – The School District’s investment policy manages its exposure to interest rate risk by following section 440.1 of the Public School Code of 1949, as amended. The district’s investment policy does not further restrict investing in specific financial instruments.

NOTE 3: REAL ESTATE TAXES RECEIVABLE

The school district real estate tax rate for the year ended June 30, 2022 was 35.43 mills as levied by the Board of School Directors. The Board of School Directors also levies per capita taxes based on the census of residents in the school district. The tax rate under Section 679 is \$5/person and under Act 511 is \$5/person. The total per capita tax levied by the district is \$10/person. The schedule for real estate and per capita taxes levied for each fiscal year is as follows:

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

July 1	Levy Date
July 1 – August 31	2% Discount period
September 1 – October 31	Face payment period
November 1 – December 31	10% Penalty period
December 31	Lien Date

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 3: REAL ESTATE TAXES RECEIVABLE (CONTINUED)

Earned Income Taxes

The School District also levies earned income tax. The earned income tax is 1/2, of 1% of earned wages. This tax is collected by H.A. Berkheimer, Inc. and remitted to the School District. In addition, the District receives \$5 of the local services tax collected per employee residing in the School District.

Tax Abatements

Tax abatements are given to businesses, property owners and residents who qualify for assistance under various community and economic building initiatives. The School offers the Keystone Opportunity Zones (KOZs) and the Local Economic Revitalization Tax Assistance (LERTA) programs. The tax abatement program is an agreement between the Saint Marys Area School District, the City of Saint Marys, and the County of Elk. The majority local taxing authority's having jurisdiction will determine the tax abatement.

KOZ - PA businesses relocating to a KOZ must either, increase their full-time employment by 20% within the first full year of operation, or make a 10% capital investment in the KOZ property based on their prior year's gross revenues. Eligibility for benefits is based upon annual certification. In order to receive benefits, any entity applying must be compliant with all local and state taxes, as well as all building and zoning codes.

The Saint Marys Area School District, in association with the City of Saint Marys and Elk County, has designated four industrial parks as KOZ. A Pennsylvania KOZ is a geographic area designated by local government and approved by the State as virtually tax free. The Saint Marys School District issues abatements for local real property taxes. Total qualified KOZ properties received tax abatements for real estate taxes as of June 30, 2022 of \$159,839.

LERTA was established to allow local taxing authorities to exempt improvements to a business property if such property is located in a deteriorated area. Property improvements eligible for exemption include: repairs, construction or reconstruction, including alterations and additions, rehabilitating a deteriorated property, improvements required to alleviate health concerns, economic use, and improvements necessary to comply with laws, ordinances or regulations. The three local taxing authorities established an exemption schedule with the exemption is realized on a sliding scale beginning with 100% for the first two years in the program; 75% exemption for the 3rd year and 50% exemption for the 4th year of the program. The exemption ends after the 4th year. The Saint Marys Area School District issues abatements for local real property taxes. Total qualified LERTA properties received tax abatements for real estate taxes as of June 30, 2022 of \$10,136.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

## NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 203,246	\$ -	\$ -	\$ 203,246
Total Capital Assets, Not Being Depreciated	<u>203,246</u>	<u>-</u>	<u>-</u>	<u>203,246</u>
Capital Assets, Being Depreciated:				
Site Improvements	5,426,408	29,354	-	5,455,762
Buildings and Improvements	41,029,518	-	-	41,029,518
Furniture, Fixtures, and Equipment	6,034,800	250,418	56,334	6,341,552
Library Books	722,668	-	-	722,668
Total Capital Assets, Being Depreciated	<u>53,213,394</u>	<u>279,772</u>	<u>56,334</u>	<u>53,549,500</u>
Less Accumulated Depreciation For:				
Site Improvements	2,947,083	201,173	-	3,148,256
Buildings and Improvements	27,074,426	1,000,601	-	28,075,027
Furniture, Fixtures, and Equipment	3,947,115	394,339	56,334	4,397,788
Library Books	722,668	-	-	722,668
Total Accumulated Depreciation	<u>34,691,292</u>	<u>1,596,113</u>	<u>56,334</u>	<u>36,343,739</u>
Total Capital Assets Being Depreciated, Net	<u>18,522,102</u>	<u>(1,316,341)</u>	<u>112,668</u>	<u>17,205,761</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,725,348</u>	<u>\$ (1,316,341)</u>	<u>\$ 112,668</u>	<u>\$ 17,409,007</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Equipment	\$ 291,623	\$ 73,544	\$ -	\$ 365,167
Total Capital Assets, Being Depreciated	<u>291,623</u>	<u>73,544</u>	<u>-</u>	<u>365,167</u>
Less Accumulated Depreciation For:				
Equipment	159,752	23,945	-	183,697
Total Accumulated Depreciation	<u>159,752</u>	<u>23,945</u>	<u>-</u>	<u>183,697</u>
Total Capital Assets Being Depreciated, Net	<u>131,871</u>	<u>49,599</u>	<u>-</u>	<u>181,470</u>
Governmental Activities Capital Assets, Net	<u>\$ 131,871</u>	<u>\$ 49,599</u>	<u>\$ -</u>	<u>\$ 181,470</u>

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

## NOTE 4: CAPITAL ASSETS (CONTINUED)

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

## Governmental Activities:

Instruction	\$ 364,714
Support Services	97,220
Non-Instruction Services	<u>1,134,179</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,596,113</u>

## Business Type Activities:

Food Service	<u>\$ 23,945</u>
Total Depreciation Expense - Business Type Activities	<u>\$ 23,945</u>

## NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activity columns in the statement of net position. Premiums and discounts on debt issuance are deferred and amortized using the straight-line method over the life of the related debt. Bonds payable are reported net of the applicable premium or discount.

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

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

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Series of 2015A	\$ 2,430,000	\$ -	\$ 480,000	\$ 1,950,000	\$ 490,000
Series of 2020	<u>3,095,000</u>	<u>-</u>	<u>5,000</u>	<u>3,090,000</u>	<u>5,000</u>
Compensated Absences	610,288	-	115,675	494,613	-
Total	<u>\$ 6,135,288</u>	<u>\$ -</u>	<u>\$ 600,675</u>	<u>\$ 5,534,613</u>	<u>\$ 495,000</u>
Bond Premium				<u>108,237</u>	
				<u>\$ 5,642,850</u>	

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS (CONTINUED)

A summary of changes in long-term debt obligations for 2022 is as follows:

Year Ended June 30	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2023	\$ 495,000	\$ 107,150	\$ 602,150
2024	505,000	96,465	601,465
2025	515,000	85,065	600,065
2026	525,000	72,000	597,000
2027	545,000	54,550	599,550
2028-2032	2,455,000	107,350	2,562,350
	<u>\$ 5,040,000</u>	<u>\$ 522,580</u>	<u>\$ 5,562,580</u>

In 2015, The St. Marys Area School District issued General Obligation Bonds (Limited Tax), Series A of 2015 in the amount of \$9,965,000. The Series A of 2015 has a final maturity of March 2026 and a variable coupon rate of 2.0% - 3.0%. The proceeds of these bonds will be used to (1) design, acquire and construct additions, alterations and improvements to the existing school buildings and related facilities and grounds, and the acquisition of suitable fixtures, furnishings and equipment as necessary; and (2) pay related costs, fees and expenses with respect to the foregoing purpose and to the issuance of the Series A Bonds. At June 30, 2021, all funds have been utilized for these projects.

Also, in 2015, The St. Marys Area School District issued General Obligation Notes, (Federally Taxable)(Limited Tax), Series AA of 2015 in the amount of \$3,895,000. The Series AA of 2015 has a final maturity of March 2020 and a variable coupon rate of 1.0% - 2.25%. The proceeds of these bonds were used to advance refund the General Obligation Bond Series of 2010 in the amount of \$3,834,228 and pay the costs of issuing the Series AA of 2015 series.

In July 2020, the District issued \$3,100,000 General Obligation Bonds (Series of 2020) to currently refund a portion of the General Obligation Bonds, Series A of 2015 and to pay the cost of issuance of the debt. Interest rates range from 2% to 3%, with final maturity in September of 2031.

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 \$(244,462). The refunding also resulted in a net economic loss (difference between the present value of the debt service payments on the old and new debt) of \$181,771. In addition, the District contributed \$2,000,000 of its own resources to retire the 2015 bonds which were callable in August of 2020.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

Compensated Absences:

Under the system of financial accounting and reporting for Pennsylvania School Systems, the school district accrues for certain accumulated employee benefits, such as unpaid vacation and sick pay. Calculation of this amount is determined by the vacation, sick and retirement lump-sum payments which would be available to employees if they retire from the school district and is adjusted for expected turnover rates of employees. Accrued benefit days, multiplied by appropriate salary amounts, are reflected as a long term liability unless retirements are likely within the upcoming fiscal year. Those costs, determined to be current year costs, are reflected as a liability of the General Fund. The school district does not anticipate any retirements in the current year.

## NOTE 6: RISK MANAGEMENT

**Asset Coverage:**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets: errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2022 and the two previous fiscal years, no settlements exceeded insurance coverage.

**Litigation Coverage:**

The District, in the normal course of its activities, is involved in various claims and litigation. As of June 30, 2022, there are no significant outstanding claims or litigation. Per the district's legal counsel, complaints have been received based on activity subsequent to year-end. The resolution of these matters is not expected to have a material adverse effect on the financial condition of the District.

**Health Insurance:**

The District participates in a joint mini-pool for all individual claims greater than \$75,000 but less than \$300,000. Claims greater than \$300,000 are covered by Stop-loss insurance.

The following table presents the components of the self-insurance fund and the related changes in the funds benefit obligations at June 30:

	<u>2022</u>	<u>2021</u>
Claims Payable	586,092	734,838

Changes in benefit obligations are as follows for the year ended June 30:

	<u>2022</u>	<u>2021</u>
Claims payable, beginning of year	\$ 734,838	\$ 707,662
Benefits earned	2,496,503	2,706,499
Claims paid	<u>(2,645,249)</u>	<u>(2,679,323)</u>
Claims payable, end of year	586,092	734,838

The amount, if any, of future liability that may arise as a result of self-insurance is not readily determinable and cannot be reasonably estimated. Accordingly, the financial statements do not reflect a liability for any unasserted claims related to the current or prior period. To fund future health insurance claims, the District maintains a balance of \$536,347 in an escrow account held for future healthcare claims.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

## 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, 2022, the following employees were covered by the benefit terms:

Active employees	202
Vested Former Participants	-
Retired Participants	13
Total	<u>215</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.

*Total OPEB Liability.* The District's total OPEB liability of \$1,493,050 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount Rate	4.09%
Healthcare cost trend rates	5.5% in 2021, 6.5% in 2022, 6.0% in 2023, and 5.5% in 2024 and 2025. Rates decrease from 5.4% in 2026 to 3.6% in 2075 and later
Mortality	Buck Modified 2016 projection scale

The discount rate was based on the S & P Municipal Bond 20 Year High Grade Rate Index at June 30, 2022.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

Funding Policy (Continued)

Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement. A recent actuarial experience study was not performed.

Changes in the total OPEB Liability.

The District's total OPEB liability has been measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, and by rolling forward the liabilities from the July 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$1,493,050, all of which is unfunded. As of June 30, 2022, the total OPEB liability 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, 2022 was as follows:

	<u>Governmental Activities</u>
Service cost	\$ 110,122
Interest	37,577
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(239,747)
Benefit payments	<u>(62,187)</u>
Net change in total OPEB liability	(154,235)
Total OPEB liability - June 30, 2021	<u>1,647,285</u>
Total OPEB liability - June 30, 2022	<u>\$ 1,493,050</u>

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

For the year ended June, 30, 2022, the District recognized OPEB expense of \$62,187. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 581,240
Changes of assumptions or other inputs	<u>162,516</u>	<u>268,368</u>
	<u>\$ 162,516</u>	<u>\$ 849,608</u>

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. (CONTINUED)

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

**Year ended June 30:**

2023	\$ (60,758)
2024	(60,758)
2025	(60,758)
2026	(60,758)
2027	(60,758)
Thereafter	<u>(383,302)</u>
Total	<u>\$ (687,092)</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 or 1 percentage point higher than the current discount rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>3.09%</b>	<b>4.09%</b>	<b>5.09%</b>
School's total OPEB liability	\$ 1,612,267	\$ 1,493,050	\$ 1,381,348

*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:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
	<b>5.50%</b>	<b>6.50%</b>	<b>7.50%</b>
School's total OPEB liability	\$ 1,300,567	\$ 1,493,050	\$ 1,723,278

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 other postretirement benefit plan that provides for 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.state.pa.us](http://www.psers.state.pa.us).

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, 2021 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, 2021 was 0.08840% 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 \$103,000 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$2,095,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

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

of all School Districts in the PSERS Plan. At June 30, 2022, the District's proportion was 0.0884 percent, which was a decrease of 0.0044% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$126,000. At June 30, 2022, 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
Contributions subsequent to the measurement date	\$ 118,417	\$ -
Changes of assumptions	223,143	27,943
Difference between actual and expected experience	19,500	-
Net difference between projected and actual investment earnings	4,180	-
Changes in proportion	<u>105,571</u>	<u>37,650</u>
Total	<u>\$ 470,811</u>	<u>\$ 65,593</u>

\$118,417 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, 2022. 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:**

2022	\$ 45,233
2023	44,813
2024	59,116
2025	43,182
2026	44,143
Thereafter	<u>50,314</u>
Total	<u>\$ 286,801</u>

*Actuarial Assumptions.* The total OPEB liability as of June 30, 2021 was determined by rolling forward the System's total OPEB liability as of the June 30, 2020 actuarial valuation to June 30, 2021 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 – 2.18% - S&P 20 Year Municipal Bond Rate.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

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

- 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.
- Participation rate:
  - Eligible retirees will elect to participate pre age 65 at 50%.
  - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- 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.

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. 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, 2021 were:

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.8%	0%
US Core Fixed Income	17.5%	0.7%
Non- US Developed Fixed	2.7%	-0.3%
	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 2.18%. 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

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

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

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 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, 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, 2021, 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, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 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 (dollar amounts in thousands):

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ 2,095	\$ 2,095	\$ 2,095

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 or higher than the current discount rate(dollar amounts in thousands):

	<u>1% Decrease 1.18%</u>	<u>Current Discount Rate 2.18%</u>	<u>1% Increase 3.18%</u>
School's proportionate share of the net OPEB liability	\$ 2,404	\$ 2,095	\$ 1,840

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).

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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.* The District contributes to the Commonwealth of Pennsylvania School Employees Retirement System ("PSERS"), a governmental cost-sharing multi-employer defined benefit plan. Benefit provisions of the plan are established under the provisions of the PSERS Code (Act No. 96 of October 2, 1975, as amended) (24 PA C. S. 8101-8535) and may be amended by an act of the Pennsylvania legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contributions upon termination of a member's employment in the public school sector. PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to, PSERS, P.O. Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at [www.pasers.state.pa.us/publications/cafr/index.htm](http://www.pasers.state.pa.us/publications/cafr/index.htm).

*Benefits provided.* PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserved the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined 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.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

## NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

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.

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment.

Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

*Employer Contributions.* The school districts' contractually required contribution rate for fiscal year ended June 30, 2021 was 34.94% of covered payroll, actuarially determined as an amount that, when combines 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. The 34.94% is comprised of a pension contribution rate of 33.99% for pension benefits and a 0.15% act 5 employer contribution. Contributions to the pension plan from the District were \$4,355,244 for the year ended June 30, 2022.

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit Contribution Rate	Defined Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% *	N/A	7.50%
T-F	On or after July 1, 2011	10.30% *	N/A	10.30%
T-G	On or after July 1, 2019	5.50% *	2.75%	8.25%
T-H	On or after July 1, 2019	4.50% *	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

\* This contribution rate is subject to a shared risk provision as follows:

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

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

## NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

At June 30, 2022, the District reported a liability of \$36,294,149 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2021, the District's proportion was 0.0884 percent, which was an decrease of 0.0044% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$1,787,117. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 26,733	\$ (476,829)
Change of assumptions	1,760,384	-
Net Difference between projected and actual investment earnings	-	(5,777,241)
Changes in Proportion	1,587,000	(390,250)
Contributions subsequent to the measurement	4,236,827	-
	<u>\$ 7,610,944</u>	<u>\$ (6,644,320)</u>

\$4,236,827 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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>	
2022	\$(1,018,822)
2023	(211,387)
2024	(173,494)
2025	(1,866,500)
	<u>\$ (3,270,203)</u>

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the System's total pension liability as of the June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

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

Changes in Actuarial Assumptions

- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate – decreased from 5.00% to 4.50%
  - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates- previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females , adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

## NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	-13.0%	0.1%
	<u>100.0%</u>	

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

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the 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 (dollar amounts in thousands):

	<u>1% Decrease 6.00%</u>	<u>Current Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	\$ 47,637	\$ 36,294	\$ 26,726

*Pension plan fiduciary net position.* Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

*Act 5 of 2017.* On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation established a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

NOTE 9: COMMITMENTS AND CONTINENCIES

The District entered into a contracted transportation service agreement with an external party who provides busing service to students. This agreement does not meet the criteria of a lease under GASB 87 as the terms and conditions for payment specify a rate of reimbursement per mile calculated by the Commonwealth. Since the payments are variable based on the usage of the underlying asset, the District has not recorded a liability in the financial statements for this agreement in accordance with GASB 87.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 22, 2022, that date the financial statements were available to be issued.

**REQUIRED**  
**SUPPLEMENTARY**  
**INFORMATION**

SAINT MARYS AREA SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Local Revenue Sources	\$ 15,473,522	\$ 15,473,522	\$ 16,120,599	\$ 647,077
State Revenue Sources	12,482,324	12,482,324	12,683,749	201,425
Federal Revenue Sources	<u>3,303,732</u>	<u>3,303,732</u>	<u>1,478,183</u>	<u>(1,825,549)</u>
Total Revenues	<u>31,259,578</u>	<u>31,259,578</u>	<u>30,282,531</u>	<u>(977,047)</u>
<b>Expenditures</b>				
Current operating:				
Instruction	16,342,995	16,342,995	18,163,772	1,820,777
Support Services	15,379,460	15,379,460	10,233,310	(5,146,150)
Noninstructional Services	686,744	686,744	643,960	(42,784)
Total Expenditures	<u>32,409,199</u>	<u>32,409,199</u>	<u>29,041,042</u>	<u>3,368,157</u>
Excess (deficiency) of revenues over expenditures	<u>(1,149,621)</u>	<u>(1,149,621)</u>	<u>1,241,489</u>	<u>2,391,110</u>
Budgetary Reserve	<u>4,507,185</u>	<u>4,507,185</u>	<u>-</u>	<u>(4,507,185)</u>
Total other financing sources (uses)	<u>4,507,185</u>	<u>4,507,185</u>	<u>-</u>	<u>(4,507,185)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 3,357,564</u>	<u>\$ 3,357,564</u>	<u>\$ 1,241,489</u>	<u>\$ (2,116,075)</u>

SAINT MARYS SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - RETIREES' HEALTH PLAN  
JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>					
Service cost	\$110,122	\$195,337	\$ 180,156	\$ 174,141	\$ 152,313
Interest	37,577	80,247	78,135	83,853	78,809
Changes of benefit terms	-	(833,650)	-	-	-
Differences between expected and actual experience	-	(518,094)	-	(206,340)	-
Changes of assumptions or other inputs	(239,747)	(55,619)	43,442	38,371	159,502
Benefit payments	<u>(62,187)</u>	<u>(92,530)</u>	<u>(110,269)</u>	<u>(108,253)</u>	<u>(126,114)</u>
Net change in total OPEB liability	(154,235)	(1,224,309)	191,464	18,228	(264,510)
Total OPEB liability - beginning	<u>1,647,285</u>	<u>2,871,594</u>	<u>2,680,130</u>	<u>2,698,358</u>	<u>2,433,848</u>
Total OPEB liability - ending	\$1,493,050	\$1,647,285	\$ 2,871,594	\$ 2,680,130	\$ 2,698,358
<b>Covered payroll</b>	\$ 11,924,642	\$ 11,924,642	\$ 11,338,128	\$ 11,338,128	\$ 10,744,571
<b>School's total OPEB liability as a percentage of covered payroll</b>	12.52%	13.81%	25.33%	23.64%	25.11%

SAINT MARYS SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN  
 JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School's proportion of the net OPEB liability	0.0884%	0.0840%	0.0843%	0.0870%
School's proportionate share of the net OPEB liability	\$2,095,000	\$1,814,985	\$ 1,792,928	\$ 1,813,906
School's covered payroll	\$12,529,325	\$11,924,642	\$ 11,625,858	\$ 11,720,754
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.72%	15.22%	15.42%	15.48%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.73%	5.73%

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.

SAINT MARYS SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS PLAN  
JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually determined contribution	\$ 118,417	\$ 106,465	\$ 99,143	\$ 96,661	\$ 97,001
Contributions in relation to the contractually determined contribution	<u>118,417</u>	<u>106,465</u>	<u>99,143</u>	<u>96,661</u>	<u>97,001</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,998,640	\$ 12,529,325	\$ 11,924,642	\$ 11,625,858	\$ 11,720,754
Contributions as a percentage of covered payroll	0.91%	0.85%	0.83%	0.83%	0.83%

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.

Saint Marys School District  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY - LAST 10 YEARS  
 (Dollar amounts in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.0884%	0.0840%	0.0870%	0.0841%	0.0843%
District's proportionate share of the net pension liability	\$ 36,294	\$ 41,361	\$ 39,438	\$ 41,536	\$ 41,776
District's covered-employee payroll	\$ 12,531	\$ 11,788	\$ 11,625	\$ 11,720	\$ 11,201
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	289.63%	350.87%	336.47%	370.82%	382.60%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.00%	54.00%	51.84%	50.14%

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.

Saint Marys School District  
Schedules of Required Supplementary Information  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
Teachers Pension Plan  
Last 10 Fiscal Years\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 4,236,827	\$ 4,239,599	\$ 3,948,008	\$ 3,796,581	\$ 3,709,429	\$ 3,291,627
Contributions in relation to the contractually required contribution	4,236,827	4,239,599	3,948,008	3,796,581	3,709,429	3,291,627
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$12,998,640	\$12,531,000	\$ 11,924,642	\$ 11,625,858	\$ 11,720,754	\$ 11,750,754
Contributions as a percentage of covered-employee payroll	32.59%	33.83%	33.11%	32.66%	31.65%	28.01%

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.

**SAINT MARYS AREA SCHOOL DISTRICT**

**SINGLE AUDIT REPORT**

**YEAR ENDED JUNE 30, 2022**

SAINT MARYS AREA SCHOOL DISTRICT  
SINGLE AUDIT REPORT  
YEAR ENDED JUNE 30, 2022

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# Zelenkofske Axcelrod LLC

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

To the Members of the Board  
Saint Marys Area School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of SAINT MARYS AREA SCHOOL DISTRICT, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SAINT MARYS AREA SCHOOL DISTRICT's basic financial statements, and have issued our report thereon dated December 22, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SAINT MARYS AREA SCHOOL DISTRICT's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAINT MARYS AREA SCHOOL DISTRICT's internal control. Accordingly, we do not express an opinion on the effectiveness of SAINT MARYS AREA SCHOOL DISTRICT's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Compliance and Other Matters**

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



# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

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To the Members of the Board  
Saint Marys Area School District

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## **Purpose of this Report**

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

*Zelenkofske Axlerod LLC*

ZELENKOFSKE AXELROD LLC

Pittsburgh, Pennsylvania  
December 22, 2022



# *Zelenkofske Axlerod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board  
Saint Marys Area School District

## **Report on Compliance for Each Major Federal Program**

### **Opinion on Each Major Federal Program**

We have audited SAINT MARYS AREA SCHOOL DISTRICT's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Compliance Supplement that could have a direct and material effect on each of SAINT MARYS AREA SCHOOL DISTRICT's major federal programs for the year ended June 30, 2022. SAINT MARYS AREA SCHOOL DISTRICT's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SAINT MARYS AREA SCHOOL DISTRICT complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards 41 issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

### **Responsibilities of Management for Compliance**

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



# *Zelenkofske Axerrod LLC*

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To the Members of the Board  
Saint Marys Area School District  
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## **Auditor's Responsibilities for the Audit of Compliance**

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

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

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

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

## **Report on Internal Control Over Compliance**

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



# *Zelenkofske Axlerod LLC*

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To the Members of the Board  
Saint Marys Area School District  
Page 5

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

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

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

## **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of SAINT MARYS AREA SCHOOL DISTRICT, as of and for the year ended June 30, 2022, and have issued our report thereon dated December 22, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Zelenkofske Axlerod LLC*

ZELENKOSFKE AXELROD LLC

Pittsburgh, Pennsylvania  
February 8, 2023

SAINT MARYS AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	SOURCE CODE	FEDERAL AL NUMBER	PASS-THRU GRANTOR NUMBER	GRANT PERIOD BEGINNING ENDING DATES	PROGRAM OR AWARD AMOUNTS	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE AT JULY 1 2021	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE JUNE 30, 2022	SUBRECIPIENT EXPENDITURES
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through the Commonwealth of Pennsylvania											
Department of Education:											
National School Lunch Program	I	10.555	N/A	7/1/21- 6/30/22	\$ 1,036,105	\$ 1,036,105	\$ 13,278	\$ 1,022,827	\$ 1,022,827	\$ -	\$ -
National School Breakfast Program	I	10.553	N/A	7/1/21- 6/30/22	167,266	167,266	3,189	164,077	164,077	-	-
Supply Chain Assistance	I	10.555	N/A	7/1/21- 6/30/22	40,016	40,016	-	-	-	(40,016)	-
SNP Emergency Operating Cost	I	10.555	N/A	7/1/21- 6/30/22	3,832	3,832	-	3,832	3,832	-	-
P-EBT Local Admin Funds	I	10.649	N/A	7/1/21- 6/30/22	3,063	3,063	-	3,063	3,063	-	-
Passed through Commonwealth of Pennsylvania											
Department of Agriculture:											
National School Lunch Program	I	10.555	N/A	7/1/21- 6/30/22	86,156	86,156	(39,137)	117,392	117,392	(7,901)	-
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE					1,336,438	1,336,438	(22,670)	1,311,191	1,311,191	(47,917)	-
U.S. Department of Education											
Passed through the Commonwealth of Pennsylvania											
Department of Education:											
Title I Improving Basic Programs	I	84.010	013-210417A	8/20/20-9/30/21	314,467	44,514	45,597	1,781	1,781	2,864	-
Title I Improving Basic Programs	I	84.010	013-220417A	8/20/21-9/30/22	336,914	260,651	-	336,914	336,914	76,263	-
Subtotal					651,381	305,165	45,597	338,695	338,695	79,127	-
Title II - Improving Teacher Quality	I	84.367	020-200417A	8/20/19-9/30/21	68,921	-	(5,680)	5,680	5,680	-	-
Title II - Improving Teacher Quality	I	84.367	020-210417A	8/20/20-9/30/22	62,765	13,997	5,535	(3,147)	(3,147)	(11,609)	-
Title II - Improving Teacher Quality	I	84.367	020-220417A	8/20/21-9/30/23	61,653	39,129	-	48,496	48,496	9,367	-
Subtotal					193,339	53,126	(145)	51,029	51,029	(2,242)	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-200417A	8/20/19-9/30/21	23,462	-	(1,396)	1,396	1,396	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-210417A	8/28/20-9/30/22	23,361	6,675	3,362	4,981	4,981	1,668	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-220417A	8/28/21-9/30/23	23,380	15,021	-	23,324	23,324	8,303	-
Subtotal					70,203	21,696	1,966	29,701	29,701	9,971	-
Continuity of Education Equity Geer Grant- COVID	I	84.425C	253-200417	3/13/20-9/30/22	20,750	17,473	14,706	2,767	2,767	*	-
SMASD COVID-19 Addressing Student Needs	I	84.425D	2020-ES- 01-34983	3/13/20-9/30/22	55,629	51,757	24,024	31,605	31,605	*	3,872
Elementary and Secondary School Emergency Relief Fund (ARP ESSER)-COVID	I	84.425U	223-210417	3/13/20-9/30/24	2,322,148	126,663	-	710,958	710,958	*	584,295
ARP ESSER 7%- COVID	I	84.425U	225-210417	3/13/20-9/30/24	180,483	9,845	-	35,764	35,764	*	25,919
ARP ESSER Fund - Homeless Children and Youth- COVID	I	84.425U	181-212378	7/1/21-9/30/24	10,719	825	-	2,725	2,725	*	1,900
Elementary and Secondary School Emergency Relief Fund- COVID	I	84.425U	200-20-0417	3/13/20-9/30/22	253,007	106,529	58,489	61,357	61,357	*	13,317
Elementary and Secondary School Emergency Relief Fund- COVID	I	84.425U	200-21-0417	3/13/20-9/30/23	1,148,038	828,489	980,217	62,158	62,158	*	213,886
Subtotal					3,990,774	1,141,581	1,077,436	907,334	907,334		843,189
Secondary Vocational Instruction	I	84.048	380-220067	7/9/20-6/30/21	27,311	19,863	-	27,311	27,311	7,448	-
Subtotal					27,311	19,863	-	27,311	27,311	7,448	-
Special Education COVID-19 Impact Mitigation **	I	84.027	252-200417	3/13/20-9/30/21	25,820	17,213	11,404	5,809	5,809	*	-
Subtotal					25,820	17,213	11,404	5,809	5,809	-	-
American Rescue Plan: Humanities Grants for Libraries											
Passed through the American Library Association											
ARP: Humanities Grants for Libraries	I	45.164	ZOR-283669-21	3/1/22-8/31/22	10,000	10,000	-	10,000	10,000	-	-
Subtotal					10,000	10,000	-	10,000	10,000	-	-
Passed through Seneca Highlands Intermediate Unit #9:											
IDEA-Preschool **	I	84.173	131-21-0009	7/1/20-6/30/21	4,508	4,508	4,508	-	-	-	-
IDEA **	I	84.027	062-21-0009	7/1/20-6/30/21	405,835	398,357	398,357	-	-	-	-
ARP Supplemental IDEA Funds **	I	84.027	062-22-0009	7/1/21-9/30/22	92,919	-	-	92,919	92,919	*	92,919
IDEA-Preschool **	I	84.173	131-22-0009	7/1/21-6/30/22	5,408	-	-	5,408	5,408	*	5,408
IDEA **	I	84.027	062-22-0009	7/1/21-6/30/22	408,902	2,558	-	408,902	408,902	*	406,344
Total passed through Seneca Highlands Intermediate Unit #9					917,572	405,423	402,865	507,229	507,229		504,671
TOTAL PA. DEPT OF EDUCATION					7,222,838	3,310,505	1,516,453	3,188,299	3,188,299	1,394,247	-
U.S. Department of Health and Human Services											
Passed through the Pennsylvania Department of Human Services:											
Medical Reimbursement for Administration	I	93.778	044-007417	7/1/20-6/30/21	5,358	4,572	4,572	-	-	-	-
Medical Reimbursement for Administration	I	93.778	044-007417	7/1/21-6/30/22	4,761	2,677	-	4,760	4,760	2,083	-
TOTAL U.S. DEPT OF HEALTH AND HUMAN SERVICES					10,119	7,249	4,572	4,760	4,760	2,083	-
TOTAL FEDERAL AWARDS					\$ 8,569,395	\$ 4,654,192	\$ 1,498,355	\$ 4,504,250	\$ 4,504,250	\$ 1,348,413	\$ -

Source Code: I = Indirect

\*- Denotes tested as a major program.

\*\*-Denotes IDEA Cluster

See notes to schedule of expenditures of federal awards.

SAINT MARYS AREA SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1: REPORTING ENTITY

The Saint Marys Area School District (the "School District") is the reporting entity for financial reporting purposes as defined in Note 1 to the School District's financial statements.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared on the basis of accounting practices prescribed or permitted by the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems, issued by the Pennsylvania Department of Education. These practices, as they apply to the School District, are in conformity with U.S. generally accepted accounting principles. The District did not use the 10% de minimis indirect cost rate.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAINT MARYS AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results:

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified not considered to be material weaknesses?  
 yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified not considered to be material weaknesses?  
 yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with  
2 CFR 200.516(a)  yes  no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Program or Cluster</u>
84.425 84.027/ 84.173	Education Stabilization Fund IDEA Cluster

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

Auditee qualified as low-risk auditee?  yes  no

SAINT. MARYS AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
YEAR ENDED JUNE 30, 2022

Section II – Findings Relating to the Financial Statements Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

No matters were reported.

Section III – Federal Awards Findings and Questioned costs.

No matters were reported.

SAINT MARYS AREA SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022

<u>Prior Year Finding</u>	<u>Brief Description of Finding</u>	<u>Current Year Status</u>
N/A	N/A	N/A