

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 17, 2025

NEW ISSUE—BOOK-ENTRY ONLY

NOT RATED

*In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Notes will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Notes will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the Notes is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.*

*Each of the Notes will be designated by the School District as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Code.*

**\$9,500,000\***  
**Steelton-Highspire School District**  
**Dauphin County, Pennsylvania**  
**Tax and Revenue Anticipation Notes, Series of 2025**

**Dated:** Date of Delivery

**Due:** June 30, 2026

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u> <sup>(1)</sup>
<p>The Notes described herein are in the aggregate principal amount of \$9,500,000* Tax and Revenue Anticipation Notes, Series of 2025 (the "Notes"). The Notes will be registered in the name of Cede &amp; Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Notes may be acquired in minimum denominations of \$100,000 and any integral multiple of \$5,000 thereafter, 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 Notes will not receive physical delivery of the Notes. For so long as any purchaser is the beneficial owner of a Note, 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 Notes. See "<b>BOOK-ENTRY ONLY SYSTEM</b>" herein. If, under the circumstances described herein, Notes are ever issued in certificated form, the Notes will be subject to registration of transfer, exchange and payment as described herein. The principal of the Notes will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Notes to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent and sinking fund depository, at its corporate trust office in Harrisburg, Pennsylvania (or any successor paying agent at its designated office(s)). Principal and interest on the Notes will be payable on the maturity date of the Notes, June 30, 2026, or on the date of redemption, as applicable, at the designated office of the Paying Agent. (see "<b>THE NOTES</b>" herein).</p>				

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

The Notes are general obligations of Steelton-Highspire School District, Dauphin County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The Notes are secured under a Resolution adopted by the School District on June 11, 2025 (the "Resolution") by the pledge of, security interest in and a lien and charge on the taxes and other revenues of the School District specified in the Resolution to be received by the School District during the period when the Notes are outstanding, together with all proceeds thereof. See "**SECURITY**" herein. Such pledge, security interest, lien and charge will be perfected and enforceable in the manner provided by the Local Government Unit Debt Act 53 Pa.C.S., Chapters 80-82, as reenacted and amended (the "Act") and after the filing of any financing statement or statements required under the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania.

**IN RECENT YEARS, COMPLETION OF THE SCHOOL DISTRICT'S AUDITED FINANCIAL STATEMENTS HAVE BEEN DELAYED WHICH COULD AFFECT THE MARKETABILITY AND MARKET VALUE OF THE NOTES. SEE "BOND HOLDER CONSIDERATIONS AND RISKS – Availability of School District's Financial Reporting" and "SCHOOL DISTRICT FINANCES – Financial Reporting" HEREIN.**

The Notes 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 Eckert Seamans Cherin & Mellott LLC, of Harrisburg, Pennsylvania, Note Counsel, to be furnished upon delivery of the Notes. Certain matters will be passed upon for the School District by Saxton & Stump, Lancaster, Pennsylvania, School District Solicitor and for the Underwriter, by its Counsel, McNees Wallace & Nurick LLC, of Lancaster, Pennsylvania. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, serves as Financial Advisor to the School District in connection with the issuance of the Notes. It is expected that the Notes will be available for delivery in New York, New York, on or about July 3, 2025.

STIFEL

Dated: \_\_\_\_\_

\*Estimated, subject to change.

<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 noteholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

# STEELTON-HIGHSPIRE SCHOOL DISTRICT

Dauphin County, Pennsylvania

## BOARD OF SCHOOL DIRECTORS

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Michael Wanner	President
Ashley Ward-McMullen	Vice President
Calvin Johnson	Treasurer
Jenna Condran	Member
Nicholas Conjar, Jr.	Member
Joyce Culpepper	Member
Christie Hamilton	Member
Casey Hamilton	Member
Michael Pilsitz	Member

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**SUPERINTENDENT**  
DR. MICHAEL ISKRIC JR.

**BUSINESS MANAGER**  
MR. MARK CARNES

**ACTING CHIEF RECOVERY OFFICER**  
MR. HARRY MATHIAS

**SCHOOL DISTRICT SOLICITOR**  
SAXTON & STUMP  
Lancaster, Pennsylvania

**NOTE COUNSEL**  
ECKERT SEAMANS CHERIN & MELLOTT, LLC  
Harrisburg, Pennsylvania

**FINANCIAL ADVISOR**  
PFM FINANCIAL ADVISORS LLC  
Harrisburg, Pennsylvania

**UNDERWRITER**  
STIFEL, NICOLAUS & COMPANY, INCORPORATED  
Conshohocken, Pennsylvania

**UNDERWRITER'S COUNSEL**  
MCNEES WALLACE & NURICK LLC  
Lancaster, Pennsylvania

**PAYING AGENT**  
MANUFACTURERS AND TRADERS TRUST COMPANY  
Harrisburg, Pennsylvania

**SCHOOL DISTRICT ADDRESS**  
250 Reynders Street  
Steelton, Pennsylvania 17113-0645

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PUBLIC OFFERING PRICES STATED ON THE COVER HEREOF MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER WITHOUT PRIOR NOTICE.

The Table of Contents is for convenience of reference only and does not list all of the subjects in this Official Statement. In all instances, reference should be made to the complete Official Statement to determine the subjects discussed in it. The order and placement of material in this Official Statement, including Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices must be considered in its entirety.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS PRELIMINARY OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS PRELIMINARY OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, changes in law and regulations, general economic and business conditions relating to the School District or the, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the School District. These forward-looking statements speak only as of the date of this Official Statement. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the School District’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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# **PRELIMINARY OFFICIAL STATEMENT**

**\$9,500,000\***

**Steelton-Highspire School District  
Dauphin County, Pennsylvania  
Tax and Revenue Anticipation Notes, Series of 2025**

## **INTRODUCTION**

This Official Statement, including the cover and inside cover pages hereof, and Appendices hereto, is furnished by Steelton-Highspire School District, Dauphin County, Pennsylvania (the "School District") in connection with the offering of its \$9,500,000\* aggregate principal amount of Tax and Revenue Anticipation Notes, Series of 2025 (the "Notes"). The Notes are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on June 11, 2025 (the "Resolution"), and pursuant to the Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (the "Act"), of the Commonwealth of Pennsylvania (the "Commonwealth").

## **PURPOSE OF THE ISSUE**

The School District is issuing the Notes in anticipation of the receipt of current taxes and current revenues. The proceeds of the Notes will be used: (i) to provide cash to pay general expenses of the School District prior to the receipt of moneys by the School District from taxes presently levied and assessed, or anticipated to be levied and assessed, and other revenues to be received (including subsidies and reimbursements) during the period in fiscal year 2026 when the Notes are outstanding, and (ii) to pay the costs of issuance of the Notes. Specifically, the proceeds of the Notes will be used to pay the accounts payable from prior fiscal years of the School District and current expenses of the School District as necessary in the event there is a delay in the adoption of Pennsylvania's 2025-2026 budget. See "Summary and Discussion of Financial Results" and "Future Financings" Sections herein.

## **THE NOTES**

### **Description**

The Notes will be issued only as fully registered book-entry only form in minimum denominations of \$100,000 and integral multiples of \$5,000 thereafter. The Notes will be issued as one fully registered Note for each maturity of the Notes in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"), as registered owner of all Notes. See "BOOK-ENTRY ONLY SYSTEM" herein. The Notes will be dated the date of delivery, and will bear interest at the rate and mature in the amount and on the date set forth on the front cover of this Official Statement. Interest on the Notes will be payable on the maturity date of the Notes, June 30, 2026 or on the date of redemption, as applicable, and is calculated on the basis of a 360 day year of twelve 30-day months.

### **Payment of Principal and Interest**

So long as Cede & Co., as nominee of DTC, is the registered owner of the Notes, payments of principal of, and interest on, the Notes, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal and interest so paid. If the use of the Book-Entry Only System for the Notes is discontinued for any reason, and the School District is unable to locate a qualified successor in accordance with the Resolution, Note certificates will be issued to the Beneficial Owners of the Notes and payment of principal and interest on the Notes shall be made as described in the following paragraphs.

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

Subject to the provisions described under "BOOK-ENTRY ONLY SYSTEM" herein, principal of the Notes will be paid to the registered owners thereof or assigns, when due, upon surrender of the Notes at the specified corporate trust office of the Paying Agent.

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

\*Estimated, subject to change.

## **Transfer, Exchange and Registration of Notes**

Notes are transferable or exchangeable by the registered owners thereof upon surrender of Notes to the Paying Agent, at its specified corporate trust office, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Note or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Notes 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 Note or Notes of authorized denominations of the same 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 Note as the absolute owner thereof (whether or not a Note 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.

## **SECURITY**

### **Security**

The Notes are general obligations of the School District, payable from its tax and other general revenues. The Notes are secured under the Resolution by the pledge of, security interest in and a lien and charge on the taxes and other revenues of the School District specified in the Resolution to be received during the period when the Notes are outstanding, together with all proceeds thereof. Such pledge, security interest, lien and charge will be perfected and enforceable in the manner provided by the Act and after the filing of any financing statement or statements required under the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania. The Act presently provides for enforcement of debt service payments as hereinafter described (see “DEFAULTS AND REMEDIES” herein.)

### **Pennsylvania Budget Adoption in Recent Years**

Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the governor passed a five-month stopgap budget for the fiscal year 2020-2021. 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 2020-2021. On November 23, 2020, the Governor approved the 2020-2021 Supplemental Budget. The 2020-2021 Supplemental Budget included mostly flat funding for public education similar to the stopgap budget adopted for the first five months of the 2020-2021 fiscal year.

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

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

After over a month delay, a \$44.9 billion budget for the state’s 2023-2024 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which included \$7.87 billion for the basic education funding appropriation. The total amount was a \$567 million increase over the 2022-2023 fiscal year appropriation. The budget also provided \$50 million in additional aid to school districts for special education services for a total of \$1.4 billion. Certain funds authorized within the 2023-2024 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023 multiple code bills were passed finalizing the 2023-2024 Budget for education.

Governor Josh Shapiro signed the state’s budget for the 2024-2025 fiscal year 11 days late on July 11, 2024. The \$47.6 billion budget included \$8.097 billion for the basic education funding appropriation. The total amount was a \$225 million increase over the 2023-2024 fiscal year appropriation. The budget also provided \$100 million in additional aid to school districts for special education services for a total of \$1.487 billion and \$100 million for cyber charter school tuition reimbursement. 348 school districts (including the School District) will receive additional funding totaling \$493.8 million under a new Adequacy Supplement. 182 school districts will receive an additional \$60 million in total of Hold Harmless Relief Supplement as a component of their basic education funding.

The deadline for Pennsylvania’s 2025-2026 budget is June 30, 2025. Governor Shapiro’s proposed budget was introduced on February 4, 2025, and is available on the Pennsylvania Office of the Budget website.

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.

### **Sinking Fund**

A sinking fund for the payment of debt service on the Notes, designated “Sinking Fund – Tax and Revenue Anticipation Notes, Series of 2025” (the “Sinking Fund”), has been created under the Resolution and is maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Notes, 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 Notes.

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

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

### **BONDHOLDER CONSIDERATIONS AND RISKS**

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

#### **School District’s Ability to Raise Taxes and Ability to Generate Revenues**

Based on its past performance and the other risk factors discussed in this Preliminary Official Statement, there can be no assurance that the School District will be able to meet its financial commitments with respect to the Notes. It is unlikely that the Commonwealth appropriation will be sufficient to pay the entire debt service on the Notes, in addition to the School District’s current expenses and aged accounts payable. In such event, the School District will be required to provide funds sufficient to meet any shortfall. The School District will rely on available fund balances, which may not be sufficient at all times over the life of the Notes to cover the shortfall. In this event, the School District may need to raise taxes, sell assets, defer current expenses or secure short or long-term funding through borrowing, among other fiscal measures, all within any limitations provided by law. (See “BONDHOLDER CONSIDERATION – School District’s Ability to Access Capital Market” herein.) A tax increase could result in an even higher level of delinquencies and, perhaps, a lower percentage of collections (See Table 11, “REAL PROPERTY TAX COLLECTION DATA” herein). Timing delays of up to one year might occur before the new tax rate would result in additional collections.

The assessed valuations of real property in the School District has decreased in recent years. Due to the foregoing and other financial and economic factors, each of which reduces the School District’s tax base, the School District cannot assure the Noteholders that that it will be able to decrease expenses or increase taxes which will be collectible in amounts sufficient to pay the debt service on the Notes.

The School District has experienced operating deficits in prior years and has a budgeted shortfall for FY 2025-2026 (See “Table 4: Summary of School District General Fund Revenues, Expenditures and Changes in Fund Balance” herein). The School District’s ability to balance its budget is dependent upon successful implementation of measures to address the financial impact of changes in state and federal funding, reliance upon local revenue sources, changes in charter schools’ funding formula, special education challenges, changes in student population, unfunded mandates and other factors affecting operating, transportation, labor, medical and pension costs (see “SCHOOL DISTRICT FINANCES – Financial Recovery Status” herein).

### **School District's Ability to Access Capital Markets**

The School District's ability to meet all of its aged accounts payable and its current accounts payable is dependent upon the School District's ability to access the capital market in the next 6-12 months to borrow additional funds on a long-term basis. It is anticipated that the School District will borrow enough money in this time to pay all accounts payable and remain current with its accounts payable through the fiscal year ending June 30, 2026. There can be no assurances that the School District will be able to borrow such additional funds either from the bond market or from the private lending sector. Not being able to secure such long-term funds (i) will have a negative impact on the School District's overall financial condition, and (ii) may have a negative impact on the School District's ability to meet its financial commitments with respect to the Notes.

### **Availability of School District's Financial Reporting**

***IN RECENT YEARS, COMPLETION OF THE SCHOOL DISTRICT'S AUDITED FINANCIAL STATEMENTS HAVE BEEN DELAYED WHICH COULD AFFECT THE MARKETABILITY AND MARKET VALUE OF THE NOTES.***

***UNTIL SUCH AUDITS ARE COMPLETED, NOTEHOLDERS ARE ADVISED THAT THE FINANCIAL INFORMATION INCLUDED IN THIS PRELIMINARY OFFICIAL STATEMENT MAY NOT ACCURATELY REPRESENT THE CURRENT FINANCIAL CONDITION OF THE SCHOOL DISTRICT.*** The School District is working diligently with its Auditor (hereinafter defined), to complete its 2023 and 2024 audited financial statements on or before December 31, 2025. (See "THE SCHOOL DISTRICT FINANCES – Financial Reporting" herein.)

### **Adverse Legislative Changes**

The School District has been adversely impacted by changes in Pennsylvania law and the inability of the Commonwealth to deal with the adequacy and equity of school funding in general. Changes in the way the Commonwealth reimburses school districts for the cost of special education have shifted a substantial burden from the Commonwealth to the School District. Moreover, legislative changes have adversely impacted the School District pertaining to the manner in which "charter schools" are financed within the Commonwealth. The charter school law provides for the creation of schools outside the management and control of a school district, which provide education to students according to the schools' respective charters. The school district in which the charter school student lives is required to pay a per student amount to the charter school to provide for the education of the student. The school district pays the prescribed amount to the charter school, but cannot immediately recover the amount by an equivalent reduction in school district costs. Legislative action providing for charter school subsidy in 2013 did not include authorization for appropriations to school districts in any future year. Accordingly, the School District will be required to continue to monitor the impact of local charter schools carefully and make appropriate adjustments to its budget (See "THE SCHOOL DISTRICT – Charter Schools" herein). In addition, budgetary and other legislative changes may impact the level of reimbursement that the Commonwealth provides to the School District for capital projects or other purposes.

### **State Appropriation Risk**

While the Commonwealth's appropriations to the School District were not interrupted during previous budget impasses, there is no assurance future budget impasses will not prevent the Commonwealth from appropriating subsidies to the School District.

### **Federal Education Department Considerations**

The Trump administration has publicly discussed dismantling the federal Education Department. It is not possible to know what impact that would have on school districts across the country, including the School District.

### **Global Tariffs**

The Trump administration has imposed tariffs on a variety of different nations across the globe. The effects of such tariffs are not known at this time.

### **Cybersecurity**

The School District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the School District will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.



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

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

## **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 Notes. The Notes will be issued as fully-registered Notes 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 Note certificate will be issued for each maturity of the Notes, each Note certificate 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The Ownership interest of each actual purchaser of each Note (“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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note 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 NOTES; (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 NOTES; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO NOTEHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE NOTES; OR (6) ANY OTHER ACTION TAKEN BY DTC AS NOTEHOLDER.

*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 Notes paid to DTC or its nominee, as the registered owner of the Notes, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.*

## **REDEMPTION OF NOTES**

### **Optional Redemption**

The Notes shall be subject to redemption prior to maturity, at the option of the School District, on December 26, 2025, or on any date thereafter, as a whole, or from time to time in part (and if in part, in any order of maturity or portion of a maturity, as selected by the School District and within a maturity by lot by the Paying Agent), upon payment of a redemption price of 100% of the principal amount of such Notes, together with accrued interest to the redemption date.

### **Notice of Redemption**

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

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Notes 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 other Notes so called for redemption as to which proper notice has been given.

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

The notice of redemption may state that it is conditional, that it is subject to the deposit of sufficient redemption money with the Paying Agent no later than a time satisfactory to the Paying Agent on the redemption date and the School District has timely deposited with the Paying Agent money sufficient to redeem all the Notes called for redemption. Such notice shall be of no effect unless and until such money is so deposited.

### **Manner of Redemption**

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

If a Note is of a denomination larger than \$100,000, a portion of such Note may be redeemed. For the purposes of redemption, a Note shall be treated as representing the number of Notes that is equal to the principal amount thereof divided by \$100,000, each \$100,000 portion of such Note being subject to redemption. In the case of partial redemption of a Note, payment of the redemption price shall be made only upon surrender of a certificated Note in exchange for a Note or Notes of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

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

## **THE SCHOOL DISTRICT**

### **Introduction**

The School District is located in Dauphin County (the "County"), in south central Pennsylvania, approximately 100 miles west of Philadelphia and 200 miles east of Pittsburgh. The largest municipality in the County is the City of Harrisburg, the County seat and the Capital of the Commonwealth of Pennsylvania.

### **Administration**

The present School District was organized July 1, 1966, from the former Steelton-Highspire School System. The School District is comprised of the Boroughs of Steelton and Highspire. It is governed by a nine member Board of School Directors (the "School Board"), elected for four-year terms. The superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The business manager is responsible for budget and financial operations. Both of the officials are appointed by the School Board.

Pursuant to Act 141 (hereinafter defined), on March 24, 2025, the Acting Secretary of Education (the "Secretary") of the Pennsylvania Department of Education ("PED") appointed Harry Mathias as the School District's Chief Recovery Officer (the "CRO"). The CRO serves at the pleasure of the Secretary. The CRO is charged with the development, implementation and administration of the School District's Financial Recovery Plan (the "Recovery Plan"), and oversight of the School District while it remains in Moderate Financial Recovery Status (See "SCHOOL DISTRICT FINANCES - Financial Recovery Status").

## School Facilities

The School District presently operates one elementary school and a junior-senior high school, all as described on the following table. Students in grades 10 through 12 also may attend, the Dauphin County Technical School (“DCTS”). The School District is one of ten participating area school districts in which students can attend DCTS. Each participating school district is responsible for their proportionate share of operating expenses.

**TABLE 1**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**FACILITIES**

<b>Building</b>	<b>Original Construction Date</b>	<b>Addition/ Renovation Date(s)</b>	<b>Grades</b>	<b>Number of Classrooms</b>	<b>Rated Pupil Capacity*</b>	<b>2024-25 Enrollment</b>
<i><b>Elementary:</b></i>						
Steelton-Highspire Elementary	2007		K-6	56	1,680	824
<i><b>Secondary:</b></i>						
Steelton-Highspire Junior-Senior High School	1958	1996	7-12	52	1,244	629

\*Pennsylvania Department of Education Rated Pupil Capacity.

Source: School District officials.

## Enrollment Trends

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

**TABLE 2**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**ENROLLMENT TRENDS\***

<b>Actual Enrollments</b>				<b>Projected Enrollments</b>			
<b>School Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>	<b>School Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>
2020-21	729	572	1,301	2025-26	795	650	1,445
2021-22	732	594	1,326	2026-27	786	662	1,448
2022-23	775	602	1,377	2027-28	825	682	1,507
2023-24	775	637	1,412	2028-29	867	702	1,569
2024-25	824	629	1,453	2029-30	856	659	1,400

\*Enrollments include special education enrollments.

Source: School District officials. Pennsylvania Department of Education Projections.

## Charter Schools

There are no “brick and mortar” charter schools currently located within the School District. However, four “brick and mortar” charter schools are located within a neighboring school district which serves as an option for residents of the School District. Additionally, students are able to enroll in a number of “cyber” charters. The School District has created and operates its own “cyber” charter, and there are other non-School District “cyber” charter schools with enrolled students from the School District. In total, the School District is responsible for educational expenses for approximately 241 students enrolled in these four charter schools and in “cyber” charters (expenses for students enrolled in the School District’s “cyber” charter are accounted for no differently than a student enrolled in the School District). The annual cost including tuition and transportation is approximately \$3,850,209. The School District does not anticipate a significant increase in charter school enrollment or expenses for the 2025-26 fiscal year. The School District has taken measures to mitigate the impact of charter schools including establishing a “cyber” charter school alternative for its students, which now educates approximately 97 students.

## Community Eligibility Provision

The Healthy, Hunger-Free Kids Act of 2010 passed by Congress offers school districts the Community Eligibility Provision (“CEP”) as an alternative to reduce the administrative burden of the National School Breakfast and National School Lunch

Programs. In order to participate in the CEP, districts must demonstrate that at least 40% of students would automatically qualify for free meals based on participation in other need based programs. A qualifying school must agree to serve free breakfasts and lunches to all students. In exchange, the district is exempt from collecting and processing household applications. All of the District's schools are eligible to participate in the CEP. The District renewed their participation in CEP for the 2024-2025 school year and expects to do so for the 2025-2026 school year.

## **SCHOOL DISTRICT FINANCES**

### **Introduction**

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

### **Financial Recovery Status**

Pursuant to Act 141, PDE was required to develop and implement an Early Warning System in order to identify and offer technical assistance to school districts experiencing financial difficulties and prevent them from becoming Financial Recovery Status school districts. Through the Early Warning System, PDE conducted an initial analysis of the financial condition of the School District. On March 15, 2013 the School District was notified by PDE that the School District was designated in Financial Watch Status pursuant to section 611-A of the Public School Code of 1949. 24 P.S. § 6-611-A; see also 22 Pa. Code § 731.2. Under Financial Watch Status, PDE provides ongoing technical assistance to help manage the School District's financial challenges.

On March 15, 2025, the Acting Secretary of Education of PDE declared the School District to be in Moderate Financial Recovery and appointed Harry Mathias as the School District's CRO" on March 24, 2025. The PDE Declaration of Financial Recovery Status of the School District is available on PDE's website under "Financial Recovery for School Districts".

### **Act 141**

Background. The General Assembly of the Commonwealth of Pennsylvania enacted legislation on July 12, 2012, designated as Act 141 of 2012 (hereinafter referred to as "Act 141") amending the School Code. Pursuant to Act 141, the Secretary shall issue a declaration that a school district is in financial recovery status when either of the following applies: (1) the school district has an average daily membership greater than 7,500 and receives an advance of its basic education subsidy at any time; or (2) the school district receives an advance of its basic education subsidy at any time and is either subject to a declaration of financial distress under the School Code or engaged in litigation against the Commonwealth in which the school district seeks financial assistance from the Commonwealth to allow the school district to continue in operation. School districts declared to be in financial recovery status by virtue of the application of clause (1) shall be deemed to be in moderate financial recovery status; school districts declared to be in financial recovery status by virtue of the application of clause (2) shall be deemed to be in severe financial recovery status.

Administration and Oversight of School Districts in Financial Recovery Status. For each school district declared to be in financial recovery in accordance with Act 141, the Secretary shall appoint a chief recovery officer who shall serve at the pleasure of PDE and is charged with the development, implementation and administration of the school district's financial recovery plan and oversight of the school district while it is in financial recovery status.

Upon the appointment of a chief recovery officer for a school district in moderate financial recovery status, the board of school directors shall establish an advisory committee to meet and consult with the chief recovery officer in the development and implementation of the financial recovery plan. The advisory committee shall consist of:

- Two members of the board of school directors;
- One principal employed by the school district;
- One business official employed by the school district;
- One employee of the intermediate unit of which the school district is a member;
- One representative of a charter school or cyber charter school in which students residing in the school district are enrolled;
- One special education advocate;
- One superintendent, school director or business official of an adjoining school district;
- Two residents of the school district;
- One teacher appointed by the employee organization that represents teachers employed in the school district; and
- The superintendent of the school district.

Members of the advisory committee shall be appointed in accordance with the provisions of Act 141.

Financial Recovery Plan. Within 90 days of appointment, the chief recovery officer shall, in consultation with the superintendent for the school district, develop a financial recovery plan for the school district and deliver copies of the plan to the school district business office, the board of school directors, the superintendent of the school district, the solicitor of the school district and the advisory committee. The chief recovery officer may request from the Secretary an extension of time to develop the financial recovery plan, which extension shall be granted if the Secretary determines that the chief recovery officer needs additional time to develop a financial recovery plan that complies with Act 141.

Upon receipt of the financial recovery plan, the board of school directors shall immediately place the plan on file for public inspection in the school district business office and make the plan available on the school district's publicly accessible Internet website. Within 30 days of the chief recovery officer's submission of the plan to the board of school directors, the board of school directors shall approve or disapprove the plan by majority vote at a public meeting of the board of school directors. Approval of the plan by the board of school directors shall constitute the school district's application for a financial recovery transitional loan in the amount specified in the financial recovery plan.

Board Approval of the Financial Recovery Plan. If the board of school directors approves the financial recovery plan, the chief recovery officer shall provide a copy of the plan to the Secretary within five days of the board's approval. Within ten days of the chief recovery officer's submission of the plan to the Secretary, the Secretary shall approve or disapprove the plan in a written statement. Approval of the plan by the Secretary shall constitute the department's approval of a financial recovery transitional loan (subject to available funds).

Board Disapproval of the Financial Recovery Plan. If the board of school directors does not approve the plan within 30 days, the following shall apply:

- The school district shall not be eligible for a financial recovery transitional loan; and
- The school district shall not receive technical assistance from PDE.

If the board of school directors does not approve the plan within 365 days following a declaration of financial recovery status, the Secretary shall petition the court of common pleas of the county in which the school district or the largest part in area of the school district is located for the appointment of a receiver.

Secretary Disapproval. If the board of directors approves the financial recovery plan, but the Secretary disapproves the plan, the following shall apply:

- The Secretary's written statement shall state the reasons for the Secretary's disapproval of the financial recovery plan and recommendations for revisions to the plan.
- The chief recovery officer shall develop a revised plan within 20 days of receipt of the Secretary's written statement disapproving the plan, distribute copies of the plan and submit the revised plan to the board of school directors and the Secretary for approval.

Contents of the Financial Recovery Plan. The financial recovery plan must:

- Provide for the delivery of effective educational services to all students enrolled in the financial recovery school district.
- Provide for the payment of lawful financial obligations of the financial recovery school district.
- Provide for the timely deposit of required payments to the Public School Employees' Retirement Fund.
- Provide a plan for the financial recovery school district's return to financial stability (which may include measures that are outlined in Act 141).
- Set forth a cash flow analysis for the financial recovery school district.
- State projections of revenues and expenditures for the current year and the next two years, both assuming the continuation of present operations and as impacted by the measures included in the financial recovery plan.
- State benchmarks and timelines for restoring the financial recovery school district to financial stability.
- Require the financial recovery school district to use financial data software that is connected directly to the department's financial data systems to ensure that both the financial recovery school district and PDE are using accurate and consistent data. All costs of the financial data software required to be used by the financial recovery school district under this paragraph shall be paid by PDE.
- Establish specific criteria that the financial recovery school district must satisfy before the Secretary may terminate the financial recovery school district's financial recovery status.

Per Act 141, a school district may not file a municipal debt adjustment action under the Bankruptcy Code.

Powers and Duties of the Chief Recovery Officer. The chief recovery officer is vested with the exclusive authority to

implement the financial recovery plan, and shall provide PDE with monthly reports as to the status of implementation, the school district's current revenues and expenditures, and the payment of the school district's creditors. **During the financial recovery status period, the board of school directors elected pursuant to the School Code shall comply with all directives of the chief recovery officer, and may take no action that is inconsistent with such directives or that is inconsistent with the financial recovery plan. The failure of the board of school directors to comply with the chief recovery officer's directives shall make the school district subject to the appointment of a receiver.**

Receivership. The failure or refusal of the board of school directors of a school district in financial recovery status to approve the financial recovery plan, continue to satisfy the objections specified in the plan or otherwise cooperate with the chief recovery officer shall result in the appointment of a receiver for the school district. The receiver shall possess all powers and duties of the chief recovery officer and the board of school directors; provided, however, that the receiver shall not do any of the following:

- (1) unilaterally levy or raise taxes, provided, however, that the receiver may direct the board of school directors to levy or raise taxes, to which directive the board must comply;
- (2) unilaterally abrogate, alter or otherwise interfere with a lien, charge, covenant or relative priority that is held by a holder of a debt obligation of the school district, or granted by the contract, law, rule or regulation governing the debt obligation; and
- (3) unilaterally impair or modify existing bonds, notes, school district securities or other lawful contractual or legal obligations of the school district, except as otherwise ordered by a court of competent jurisdiction, or as provided for in the Act 141.

A receiver shall be appointed by order of the court of common pleas for the county in which the school district (or the largest part in area of the school district) is located upon the filing of a petition by PDE with such court. Receivers appointed in accordance with Act 141 shall serve for terms of three years, subject to extension by request of PDE.

Restoration of Control to Board of School Directors. Under Act 141, a school district in financial recovery status may be removed from such status by PDE upon a recommendation of the chief recovery officer that all of the goals and objectives in the financial recovery plan have been accomplished. School districts in receivership shall be removed from such status upon the expiration of the term of the receiver, subject to any extensions.

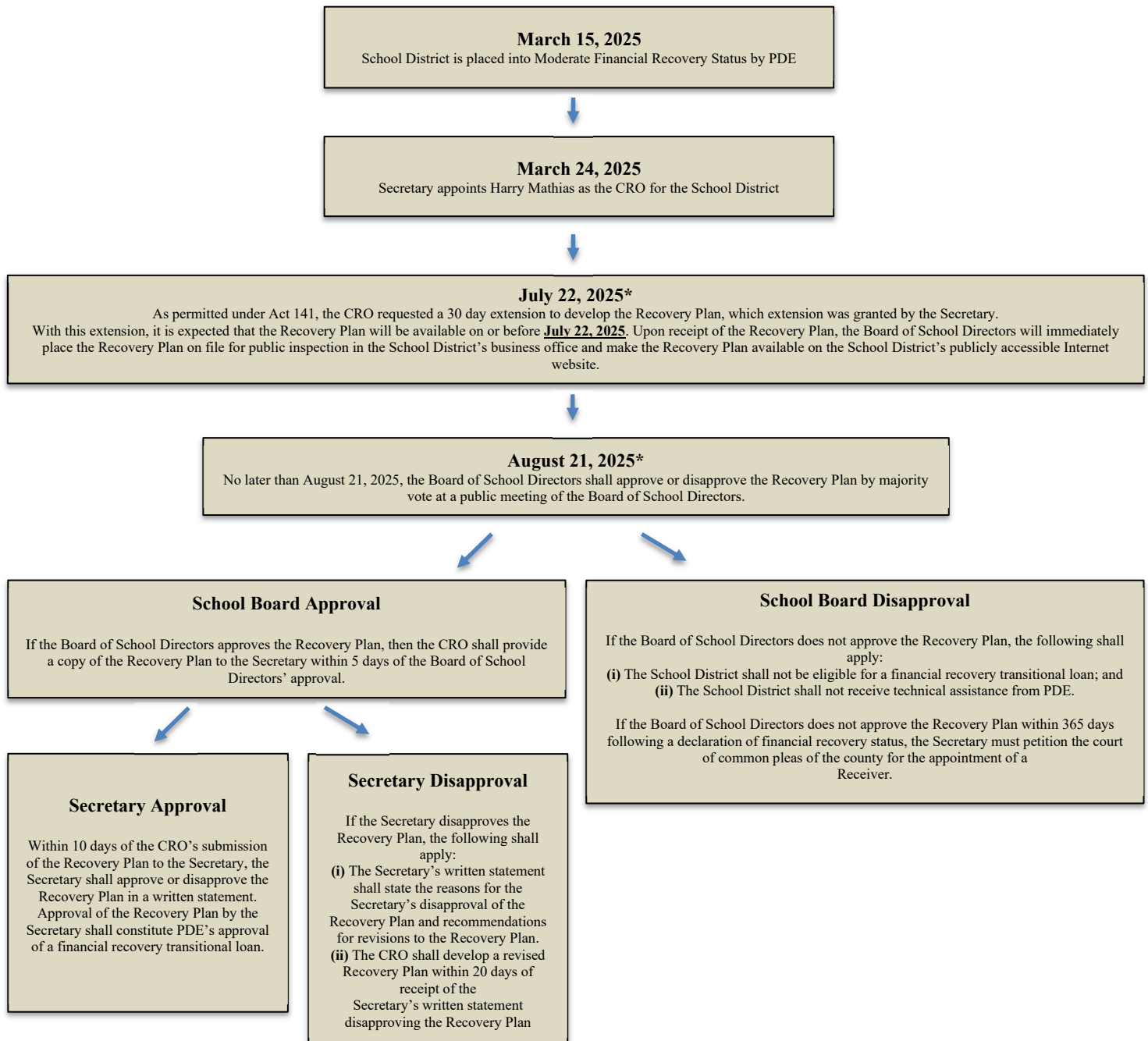
After a school district is removed from financial recovery status, or is removed from receivership, the board of school directors shall resume full control over the management of the district; provided, however, that for a period of five years, the chief recovery officer shall oversee the board to ensure financial stability is maintained. Additionally, during the five year period, if the school district fails to maintain the objectives stated in the financial recovery plan, the Secretary of PDE shall: (1) seek the appointment of a receiver, if the school district was removed from financial recovery status; or (2) issue a declaration of financial recovery status, if the school district was removed from receivership.

**The information set forth above is a summary of Act 141 and its impact. This summary is not intended to be an exhaustive discussion of the provisions of Act 141 nor a legal interpretation of any provision of Act 141, and a prospective purchaser of the Notes should review the full text of Act 141 as a part of any decision to purchase the Notes.**

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### Current Status of School District's Financial Recovery Plan

The School District is in moderate financial recovery status following the Secretary's March 15, 2025 declaration. Below is the expected timeline with respect to the Recovery Plan:



*\*These deadlines assume that the CRO does not seek any additional extensions.*

### **Financial Reporting**

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards



Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally, including the reclassification or elimination of internal activity (between or within funds).

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll, taxes and pension fund contributions payable, delinquent taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Zelenkofske Axelrod LLC, Harrisburg, Pennsylvania currently serves as the School District's auditor (the "Auditor").

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

***IN RECENT YEARS, COMPLETION OF THE SCHOOL DISTRICT'S AUDITED FINANCIAL STATEMENTS HAVE BEEN DELAYED WHICH COULD AFFECT THE MARKETABILITY AND MARKET VALUE OF THE NOTES. THE AUDITED FINANCIAL STATEMENTS INCLUDED IN APPENDIX D OF THIS OFFICIAL STATEMENT ARE NOT CURRENT AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE SCHOOL DISTRICT. THE DELAYS ARE DUE TO INCREASED STAFF TURNOVER WITHIN THE BUSINESS OFFICE AND ADMINISTRATION AS WELL AS UPDATES TO VARIOUS ACCOUNTING SOFTWARE PROGRAMS.***

#### **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 PDE. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Unless the simplified procedures described below are utilized, under the 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 (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to 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**" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

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

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

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

days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

### **Summary and Discussion of Financial Results**

The School District adopted a budget for 2024-2025 on June 12, 2024 and a budget for 2025-2026 on June 11, 2025.

The School District prepared annual fund balance analysis for discussion and approval by the Board. The Board's fund balance objective is to maintain a fund balance that will provide financial stability and to provide sufficient funds to pay current expenditures.

A summary of general fund balance sheet is presented in Tables 3. Table 4 shows revenues and expenditures and changes in fund balances for the past 1 audited year, unaudited 2022-2023, estimated 2023-2024, the budget for 2024-2025, and the budget for 2025-2026. **THE BUDGET FOR 2025-2026 ONLY INCLUDES PAYMENT OF CURRENT YEAR EXPENDITURES AND RECEIPT OF CURRENT YEAR REVENUES, INCLUDING THOSE REVENUES TO BE USED TO PAY THE DEBT SERVICE ON THE NOTES. AGED ACCOUNTS PAYABLE FROM PRIOR FISCAL YEARS ARE NOT INCLUDED IN THE BUDGET FOR 2025-2026 EVEN THOUGH THE SCHOOL DISTRICT ANTICIPATES USING ALL OR A PORTION OF THE PROCEEDS OF THE NOTES TO PAY SUCH ACCOUNTS PAYABLE.**

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**TABLE 3**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET**  
**(Years Ending June 30)**

<b>ASSETS</b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023*</u></b>
Cash and Cash Equivalents	\$1,370,050	\$690,319	\$595,956	\$1,565,735	\$1,147,599
Investments	72,166	50,184	33,398	95,853	0
Taxes Receivable	1,001,641	965,838	1,016,797	968,765	650,418
Due to Other Funds	217,213	159,691	141,658	453,807	0
Due from Other Governments	1,088,914	736,448	2,727,240	1,322,246	1,630,262
Other Receivables	0	475,808	490,789	362,807	324,207
Prepaid Expenditures	5,430	11,403	14,864	28,844	34,029
<b>TOTAL ASSETS</b>	<b><u>\$3,755,414</u></b>	<b><u>\$3,089,691</u></b>	<b><u>\$5,020,702</u></b>	<b><u>\$4,798,057</u></b>	<b><u>\$3,786,515</u></b>
<b>LIABILITIES</b>					
Due to Other funds	\$5,402	\$0	\$0	\$0	\$0
Accounts Payable	2,900,059	5,033,691	5,774,985	5,070,614	6,343,798
Accrued salaries and benefits	2,868,234	2,070,699	2,612,166	3,401,474	0
Payroll Deducts & Withholdings	0	0	0	0	4,449,166
Unearned Revenues	0	0	0	0	655,416
Other Current Liabilities	0	0	58,752	42,225	0
<b>TOTAL LIABILITIES</b>	<b><u>\$5,773,695</u></b>	<b><u>\$7,104,390</u></b>	<b><u>\$8,445,903</u></b>	<b><u>\$8,514,313</u></b>	<b><u>\$11,448,380</u></b>
<b>Deferred Inflows of Resources</b>	<b>\$616,496</b>	<b>\$600,710</b>	<b>\$520,754</b>	<b>\$650,416</b>	<b>\$0</b>
<b>FUND EQUITIES</b>					
Nonspendable Fund Balance	\$5,430	\$11,403	\$14,864	\$28,844	\$0
Unassigned Fund Balance	(2,640,207)	(4,626,812)	(3,960,819)	(4,395,516)	(7,661,865)
<b>TOTAL FUND EQUITY</b>	<b><u>(\$2,634,777)</u></b>	<b><u>(\$4,615,409)</u></b>	<b><u>(\$3,945,955)</u></b>	<b><u>(\$4,366,672)</u></b>	<b><u>(\$7,661,865)</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITIES</b>	<b><u>\$3,755,414</u></b>	<b><u>\$3,089,691</u></b>	<b><u>\$5,020,702</u></b>	<b><u>\$4,798,057</u></b>	<b><u>\$3,786,515</u></b>

\*Unaudited, subject to change and final audit.  
Source: School District Audit Reports.

## General Fund Revenue and Expenditures

The School District received an estimated \$31,116,475 in revenue in fiscal year 2023-24 and budgeted revenue of \$31,637,896 in fiscal year 2025-26. Local sources increased as a share of total revenue in the past five years, from 25.3% in fiscal year 2021-22 to an estimated 26.5% in fiscal year 2023-24. Revenue from Commonwealth sources increased as a share of total revenue in the past five years, from 49.6% in fiscal year 2021-22 to an estimated 66.4% in fiscal year 2023-24. Federal and other sources decreased from 25.1% in fiscal year 2021-22 to an estimated 7.1% in fiscal year 2023-24.

**TABLE 4**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**SUMMARY OF SCHOOL DISTRICT GENERAL FUND**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE\***  
**(Years ending June 30)**

<b>REVENUE:</b>	<b>2022</b>	<b>Unaudited 2023<sup>(1)</sup></b>	<b>Estimated 2024<sup>(2)</sup></b>	<b>Budgeted 2025<sup>(3)</sup></b>	<b>Budgeted 2026<sup>(4)</sup></b>
Total Local Sources	\$8,661,356	\$7,673,732	\$8,240,244	\$7,697,616	\$8,200,708
Total State Sources	17,002,538	18,148,522	20,662,475	21,993,214	21,876,429
Total Federal Sources	6,168,250	3,344,439	2,213,756	1,801,183	900,734
Total Other Sources	2,413,172	0	0	8,865,000	0
<b>TOTAL REVENUE</b>	<b>\$34,245,316</b>	<b>\$29,166,693</b>	<b>\$31,116,475</b>	<b>\$40,357,013</b>	<b>\$30,977,871</b>
<b>EXPENDITURES:</b>					
Instruction	\$19,664,089	\$20,666,430	\$20,139,770	\$23,296,298	\$21,566,732
Support Services	11,834,484	9,397,155	10,066,725	9,467,027	7,881,348
Operation of Noninstructional Services	317,215	72,718	393,309	26,361	14,412
Debt Service & Fund Transfer <sup>(6)</sup>	2,850,245	2,157,505	2,494,488	2,881,687	2,886,419
Refund of Prior Years Receipts	0	0	0	0	0
Budgetary Reserve	0	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>\$34,666,033</b>	<b>\$32,293,808</b>	<b>\$33,094,293</b>	<b>\$35,671,373</b>	<b>\$32,348,911</b>
<b>SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(\$420,717)</b>	<b>(\$3,127,115)</b>	<b>(\$1,977,818)</b>	<b>\$4,685,640</b>	<b>(\$1,371,040)<sup>(5)</sup></b>
Fund Balance (Deficit), Beginning of Year	(\$3,945,955)	(\$4,534,751)	(\$7,661,866)	(\$9,639,684)	(\$4,954,044)
Fund Balance (Deficit), End of Year	(\$4,366,672)	(\$7,661,866)	(\$9,639,684)	(\$4,954,044)	(\$6,325,084)

\*Totals may not add due to rounding.

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

<sup>(2)</sup>Estimated, subject to change and final audit.

<sup>(3)</sup>Budget, as adopted June 12, 2024.

<sup>(4)</sup>Budget, originally adopted June 11, 2025 and expected to be amended June 18, 2025 to reflect reclassification of current debt service obligations for the budgeted fiscal year and certain expense reductions.

<sup>(5)</sup>Does not include aged accounts payable from prior fiscal years.

<sup>(6)</sup> The School District maintains a separate Debt Service Fund to account for current year interest and principal obligations which it funds with Fund Transfers from its General Fund.

Source: School District officials, Annual Financial Reports and Budget.

## TAXING POWERS OF THE SCHOOL DISTRICT

### 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 Note 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 ("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 of 2006)**

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 are as follows:

<u>Fiscal Year</u>	<u>Index %</u>
2025-26	6.4%
2024-25	8.5%
2023-24	6.5%
2022-23	5.4%
2021-22	4.8%

Source: Pennsylvania Department of Education website.

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 Notes are Not Eligible for Act 1 Exception**

The Notes described in this Official Statement do not represent debt that was approved (“incurred”) by the Board of School Directors prior to the effective date of Act 1, therefore the Board of School Directors may not apply to PDE to use the Act 1 referendum exception for previously incurred debt if a tax increase greater than the Index is needed to provide for payment of principal or interest on the Notes.

**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 Notes should review the full text of Act 1 as a part of any decision to purchase the Notes.**

#### **Act 48 of 2003 – Limitation on Fund Balances**

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

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

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

\*Applicable to the School District.

## Tax Levy Trends

Table 5 which follows shows the recent trend of tax rates levied by the School District. Table 6 shows the comparative trend of real property tax rates for the School District, Dauphin County and the municipalities within the School District.

**TABLE 5  
STEELTON-HIGHSPIRE SCHOOL DISTRICT  
TAX RATES**

	<b>Real Estate</b>	<b>Real Estate</b>	<b>Wage and</b>	<b>Per Capita<sup>(1)</sup></b>	<b>Occupation</b>
	<b>(mills)</b>	<b>Transfer</b>	<b>Income</b>	<b>(%)</b>	<b>(%)</b>
2021-22.....	27.4770	0.50	0.50	10.00	200.00
2022-23.....	27.4770	0.50	0.50	10.00	200.00
2023-24.....	27.4770	0.50	0.50	10.00	200.00
2024-25.....	28.9770	0.50	0.50	10.00	200.00
2025-26.....	30.4258	0.50	0.50	10.00	212.50

<sup>(1)</sup>Includes School Code and Act 511 taxes.

Source: School District officials.

**TABLE 6  
STEELTON-HIGHSPIRE SCHOOL DISTRICT  
COMPARATIVE REAL PROPERTY TAX RATES  
(Mills on Assessed Value)**

	<b><u>2021-22</u></b>	<b><u>2022-23</u></b>	<b><u>2023-24</u></b>	<b><u>2024-25</u></b>	<b><u>2025-26</u></b>
School District .....	27.4770	27.4770	27.4770	28.9770	30.4258
	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>
Steelton Borough .....	15.0000	15.0000	15.0000	15.0000	15.0000
Highspire Borough.....	19.0000	19.0000	19.0000	19.0000	19.0000
Dauphin County.....	6.8760	6.8760	6.8760	7.2260	8.7260

Source: Local Government officials.

## Real Property Tax

The real property tax (excluding delinquent collections) produced an estimated \$5,152,843 in 2024-25, approximately 12.8 percent of budgeted revenue. The School District fiscal year is from July 1 through June 30 and tax bills are issued on July 1 of each year. Taxpayers who remit within 60 days receive a 2 percent discount, and those who remit subsequent to November 30 are assessed a 10 percent penalty. Due to Act 1, the School District allows installment payments for homestead properties due on August 10, September 21, and October 31 of each year.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last county-wide reassessment in Dauphin County was January, 2002. The County ratio changed in 2005 from 50% to 100% of 1972 Market Values.

**TABLE 8**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**REAL PROPERTY ASSESSMENT DATA**

<b>Fiscal Year</b>	<b>Market Value</b>	<b>Assessed Value</b>	<b>Ratio</b>
2019-20 .....	\$254,654,521	\$217,837,500	85.54%
2020-21 .....	259,418,079	216,958,000	83.63%
2021-22 .....	259,792,783	217,015,700	83.53%
2022-23 .....	286,210,113	217,243,600	75.90%
2023-24 .....	284,220,143	216,655,800	76.23%

Source: Pennsylvania State Tax Equalization Board.

**TABLE 9**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	<b>2022 Market Value</b>	<b>2022 Assessed Value</b>	<b>2023 Market Value</b>	<b>2023 Assessed Value</b>
School District.....	\$286,210,113	\$217,243,600	\$284,220,143	\$216,655,800
Steelton Borough.....	188,945,864	143,319,900	187,633,365	143,157,000
Highspire Borough .....	97,264,249	73,923,700	96,586,778	73,498,000
Dauphin County .....	22,959,468,329	15,957,437,699	22,959,205,552	15,941,372,103

Source: Pennsylvania State Tax Equalization Board.

**TABLE 10**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**ASSESSMENT BY LAND USE**

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Residential.....	\$161,946,700	\$161,914,600	\$161,900,600	\$161,953,700	\$161,649,900
Lots.....	1,648,100	1,457,100	1,671,100	1,715,400	1,339,400
Industrial.....	2,767,900	2,675,700	2,675,700	2,675,700	2,580,400
Commercial .....	51,352,200	50,767,400	50,625,100	50,775,800	51,022,500
Agriculture.....	59,400	59,400	59,400	59,400	0
Land.....	63,200	83,800	83,800	63,600	63,600
<b>Total .....</b>	<b>\$217,837,500</b>	<b>\$216,958,000</b>	<b>\$217,015,700</b>	<b>\$217,243,600</b>	<b>\$216,655,800</b>

Source: Pennsylvania State Tax Equalization Board.

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**TABLE 11**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**REAL PROPERTY TAX COLLECTION DATA**

<b>Fiscal Year</b>	<b>Assessed Valuation</b>	<b>Mills</b>	<b>Gross Adjusted Levy</b>	<b>Current Collections Amount</b>	<b>Current Year Collections As a Percent</b>	<b>Total Collections Amount<sup>(1)</sup></b>	<b>Total Collections As a Percent</b>
2020-21	\$217,050,200	27.4770	\$5,963,888	\$4,937,622	82.79%	\$5,639,366	94.56%
2021-22	216,151,100	27.4770	5,939,184	5,031,870	84.72%	5,519,215	92.93%
2022-23	217,220,000	27.4770	5,968,554	5,019,094	84.09%	5,358,065	89.77%
2023-24	218,304,700	27.4770	5,998,358	4,998,418	83.33%	5,526,170	92.13%
2024-25 (est.)	219,007,800	28.9770	6,346,189	5,152,843	81.20%	5,524,698	87.06%

<sup>(1)</sup>Includes delinquent real estate taxes only.

Source: School District officials.

The ten largest real property taxpayers, together with 2024-25 assessed values, are shown on Table 12. The aggregate assessed value of these ten taxpayers totals approximately 12.1% of total assessed value.

**TABLE 12**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**TEN LARGEST REAL PROPERTY TAXPAYERS, 2024-25**

<b>Owner</b>	<b>FY 2024-25 Assessed Value</b>
ISG STEELTON INCORPORATED	\$10,704,700
WILLOW GARDENS MANAGEMENT LP	3,209,800
DURA BOND PIPE LLC	2,986,400
DGPA LLC	2,044,400
SPG CAPITAL LLC	2,018,500
BRANDTON ESTATES LLC	1,260,500
STEELTON TERMINALS CORP	1,207,000
STEELTON WALNUT LP	1,193,600
S & C MILLER LLC	998,300
TOWPATH VALLEY BUSINESS PAR	698,000
	<u>\$26,321,200</u>

Source: School District officials.

### Other Taxes

Under Act 511, the School District collected an unaudited \$1,301,181 in other taxes in fiscal year 2022-23, an estimated \$1,782,279 in other taxes in fiscal year 2023-24, and a budgeted \$2,055,816 in other taxes in fiscal year 2024-25. Among the taxes authorized by Act 511, the Real Estate Transfer Tax, Wage and Income Tax, Occupation Tax and Per Capita Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property was \$3,410,642.

## DEBT AND DEBT LIMITS

### 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 PDE'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.

#### Debt Statement

Table 13 which follows shows the debt of the School District as of June 1, 2025, including the issuance of the Notes.

**TABLE 13**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**DEBT STATEMENT**  
**(As of June 1, 2025)\***

	<b>Gross Outstanding</b>
<b>NONELECTORAL DEBT</b>	
Tax and Revenue Anticipation Notes, Series of 2025 (maturing 2026)*	\$9,500,000
General Obligation Bonds, Series of 2024 (last maturity 2033) <sup>(1)</sup>	8,865,000
General Obligation Bonds, Series of 2022 (last maturity 2029)	4,880,000
General Obligation Bonds, Series of 2019 (last maturity 2029)	2,700,000
General Obligation Bonds, Series of 2017 (last maturity 2029)	2,890,000
<b>TOTAL NONELECTORAL DEBT</b>	<b>\$28,835,000</b>
<b>LEASE RENTAL DEBT</b>	
<b>TOTAL LEASE RENTAL DEBT</b>	<b>\$0</b>
<b>TOTAL PRINCIPAL OF DIRECT DEBT</b>	<b>\$28,835,000</b>

\*Includes the estimated Notes offered through this Official Statement.

<sup>(1)</sup> The School District was faced with budget deficits during its fiscal year ending June 30, 2023 and June 30, 2024. By Order of the Court dated January 26, 2024, the School District received approval of the Court of Common Pleas of Dauphin County to incur up to \$8,865,000 of "unfunded debt" to pay current operating expenses of the School District.

Source: Department of Community and Economic Development

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Notes, principal of direct debt of the School District will total \$28,835,000. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$27,859,076.

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**TABLE 14**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**BOND INDEBTEDNESS AND DEBT RATIOS**  
**(As of June 1, 2025)\***

	<b>Gross Outstanding</b>	<b>Local Effort or Net of Available Funds and Estimated Commonwealth aid<sup>(1)</sup></b>
<b>DIRECT DEBT</b>		
Nonelectoral Debt .....	\$28,835,000	\$27,359,076
Lease Rental Debt .....	0	0
<b>TOTAL DIRECT DEBT</b> .....	<b>\$28,835,000</b>	<b>\$27,359,076</b>
<b>OVERLAPPING DEBT</b>		
Dauphin County, General Obligation Debt <sup>(2)</sup> .....	\$4,020,116	\$4,020,116
Municipal Debt .....	11,521,062	11,521,062
<b>TOTAL OVERLAPPING DEBT</b> .....	<b>\$15,541,178</b>	<b>\$15,541,178</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b> .....	<b>\$44,376,178</b>	<b>\$42,900,254</b>
<b>DEBT RATIOS</b>		
Per Capita .....	\$4,928.50	\$4,764.58
Percent 2023 Assessed Value .....	20.48%	19.80%
Percent 2023 Market Value .....	15.61%	15.09%

\*Includes the Notes offered through this 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 1.24% of \$324,743,624 principal outstanding.

Source: Department of Community and Economic Development and School District Officials

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## Debt Limit and Remaining Borrowing Capacity

Electoral debt, i.e., debt approved by the voters at a general or special election, may be incurred without limit. Nonelectoral debt and lease rental debt are subject to a statutory borrowing limit.

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

Total Revenues for 2021-22 .....	\$26,662,105
Total Revenues for 2022-23 (unaudited) .....	\$28,340,950
Total Revenues for 2023-24 (estimated) .....	\$28,744,993

Total Revenues, Past Three Years .....

**\$83,748,048**

Annual Arithmetic Average (Borrowing Base) .....

**\$27,916,016**

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

	<b><u>Legal Limit</u></b>	<b><u>Net Debt Outstanding*</u></b>	<b><u>Remaining Borrowing Capacity</u></b>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base .....	\$62,811,036	\$28,835,000	\$33,976,036

\*Includes the estimated Notes described herein; 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.

Table 15 presents data on the extent to which Commonwealth Aid provides coverage for debt service requirements.

**TABLE 15**  
**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**COVERAGE OF DEBT SERVICE AND LEASE RENTAL**  
**REQUIREMENTS BY STATE AID\***

2023-24 (estimated) State Aid Received .....	\$20,662,475
2023-24 (estimated) Debt Service Requirements .....	2,494,488
Maximum Future Debt Service Requirements after Issuance of Notes .....	
2023-24 (estimated) Debt Service Requirements .....	8.28 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Notes .....	times

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

Source: School District Officials

## Interim and Short-Term Borrowings

Prior to the issuance of the Series of 2025, the School District did not issue a TRAN or other form of interim or short-term borrowing in the last 5 fiscal years.

## Future Financings

While the School District does not contemplate undertaking any long-term capital financing in the immediate future, the School District does anticipate issuing, or causing to be issued on behalf of the School District, a long-term financing in the next 6-12 months to finance working capital needs on a long-term basis as permitted under school code.

As discussed in this preliminary official statement, in recent years completion of the School District's audited financial statements has been delayed due to increased staff turnover within the business office and administration as well as updates to various accounting software programs. The School District anticipates delivering its 2023 audited financial statements and its 2024 audited financial statements as soon as they become available, which it reasonably expects to be on or before December 31, 2025.

The School District anticipates the long-term financing for working capital to follow delivery of the fiscal year 2023 audited financial statements.

## **LABOR RELATIONS**

### **School District Employees**

There are presently 196 employees of the School District, including 136 teachers, 23 administrators, and 37 support personnel including secretaries, maintenance staff and teacher aides.

The School District's teachers are represented by the Steelton-Highspire Education Association, an affiliate of the Pennsylvania State Education Association, under a contract with the School District, which expires on June 30, 2027. The School District's Custodians, Secretaries, and Para Educators are represented by the American Federation of State, County and Municipal Employees, under a contract with the School District, which expires on June 30, 2028.

### **Pension Program**

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

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

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

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

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

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

Annual School District contributions have been as follows:

<b>Fiscal Year</b>	<b>Contribution</b>
2019-20	\$3,649,138
2020-21	\$2,888,633
2021-22	\$3,038,591
2022-23	\$3,287,259
2023-24	\$3,153,641
2024-25 (estimated)	\$3,174,577

At June 30, 2024, the District 's Net Pension Liability is shown below:

Total Pension Liability	\$118,347,937
Less: Retirement System Fiduciary Net Position	<u>76,492,994</u>
Retirement System Net Pension Liability	<u>\$41,854,943</u>
Retirement System Fiduciary Net Position As A Percentage of Total Pension Liability	64.63%

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

Source: School District Administrative Officials and PSERS.

#### **Other Post-Employment Benefits**

The District offers postretirement health, dental and vision insurance benefits to employees upon their retirement with the same plan provisions provided to active employees. Teachers and support staff with at least 25 years of PSERS service and at least 15 years with the District who are less than 65 years of age are eligible to participate. Insurance coverage is provided for the retiree at no cost for a maximum of five years. Spouses may elect coverage as well but are required to pay the full premium. After the five years, if the retiree has not yet reached Medicare age, the retiree is required to pay the full premium for coverage for himself or herself as well as for his or her spouse, if elected.

Administrators are eligible for postretirement health, dental and vision insurance benefits upon retirement with the same plan provisions provided to active employees. Administrators are eligible to participate if they have at least 20 years of District service. Insurance coverage is provided for the retiree, spouse and family until the retiree reaches the age of 65 or if they become eligible for other coverage. The District pays the full premium of the coverage for the retiree until the retiree reaches Medicare age. If coverage is also elected for the retiree's spouse and family, the retiree is required to pay the full premium for coverage.

The plan does not issue a publicly available financial report. As of June 30, 2022, there were 156 active participants and 7 retired participants. For a full description, see "Appendix D – Audited Financial Statements, Note 13".

#### **LITIGATION**

At the time of settlement, the President or Vice President of the Board of School Directors of the School District will deliver a certificate dated as of the date of delivery of and payment for the Notes, certifying that there is no litigation pending or threatened which challenges the validity or enforceability of the Notes and there is no litigation pending or threatened which, if adversely determined, would materially affect the School District's financial condition; or in the event that such litigation is pending, a description of the nature of such litigation, together with an opinion of legal counsel approved by the School District, to the effect that such litigation is without legal merit.

#### **DEFAULTS AND REMEDIES**

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

## TAX MATTERS

### Federal

#### *Exclusion of Interest from Gross Income*

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Notes will not be includible in gross income of the holders thereof for federal income tax purposes assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Notes will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

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

#### *Other Federal Tax Matters*

Ownership or disposition of the Notes may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, taxpayers who have an initial basis in the Notes greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Notes. In addition, ownership or disposition of the Notes may result in other federal tax consequences to “applicable corporations” (within the meaning of Section 59(k) of the Code enacted as part of the Inflation Reduction Act of 2022) for tax years beginning after December 31, 2022, in that interest on the Notes may be included in the calculation of the alternative minimum tax imposed on applicable corporations under Section 55(b) of the Code.

**Bond Counsel is not rendering any opinion regarding any federal tax matters other than as described under the caption “Exclusion of Interest From Gross Income” above and expressly stated in the form of the opinion of Bond Counsel included as APPENDIX B. Prospective purchasers of the Notes should consult their independent tax advisors with regard to all federal tax matters.**

### Pennsylvania

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

**Bond Counsel is not rendering any opinion as to any Commonwealth of Pennsylvania tax matters other than those described under the caption “Pennsylvania” above and expressly stated in the form of the opinion of Bond Counsel included as APPENDIX B hereto.**

**Prospective purchasers of the Notes should consult their independent tax advisors with regard to all Commonwealth of Pennsylvania tax matters.**

### Other

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

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

## QUALIFIED TAX-EXEMPT OBLIGATIONS

Each of the Notes will be designated by the School District as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Code.

## CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of the Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) and the Resolution authorizing the issuance of the Notes, the School District (being an “obligated person”) with respect to the Notes, within the meaning of the Rule, will enter into an Undertaking to provide notice of certain material events with respect to the Notes, a form of which can be found in “APPENDIX C” to this Official Statement.

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 Notes or if and when the School District is no longer an “obligated person” with respect to the Notes, 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>.

### Summary of Continuing Disclosure Undertaking Compliance

The School District has entered into prior undertakings to provide certain annual financial information, as defined in the continuing disclosure agreements or certificates associated with prior bond issues, audited financial statements, and notice of certain events under the Rule. The School District has failed to comply in the past five years in that it: (1) filed certain annual operating data late without notice of failure to file for fiscal years 2020, 2023 and 2024; (2) failed to file information for the operating data requirement “Ten Largest Taxpayers” for fiscal year 2021 which has been remediated and includes notice of failure to file; (3) failed to timely file its audited financial statements when they became available with respect to fiscal years 2021 and 2022, (4) failed to timely file its FY 2024-2025 budget and (5) failed to timely file notices of failure to file by the filing deadline. The School District has since made remedial filings. The School District’s fiscal year 2023 audit has been materially delayed due to a variety of factors including staff turnover. The School District filed its PDE-2057 Annual Financial Report (“AFR”) for fiscal year 2023 as an interim filing. The School District will file its 2023 audited financial statements as soon as they become available, which it reasonably expects to be on or before December 31, 2025. The School District’s fiscal year 2024 audit is also delayed due to a variety of factors. The School District will file its 2024 audited financial statements as soon as they become available, which it reasonably expects to be on or before December 31, 2025. Failure to file notices were filed with respect to the 2023 audited financial statements and the 2024 audited financial statements, such notice having not been timely with respect to the 2023 audited financial statements.

## RATING

The Notes are not rated.

## UNDERWRITING

The Notes have been purchased by Stifel, Nicolaus & Company, Incorporated, as the Underwriter. The Underwriter has agreed to purchase the Notes at an aggregate purchase price of \$\_\_\_\_\_ (which is the par amount of notes less underwriting discount of \$\_\_\_\_\_ plus original issue premium of \$\_\_\_\_\_). The Bond Purchase Agreement between the School District and the Underwriter, dated \_\_\_\_\_ provides that the Underwriter will purchase all the Notes, if any are purchased, in accordance with the terms of the Bond Purchase Agreement, and requires that the School District certify to the Underwriter that this Official Statement does not contain any untrue statement of a material fact or omit any statement of material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The Underwriter reserves the right to join with other dealers in offering the Notes to the public; and said Notes offered to other dealers may be at prices lower than those offered to the public.

Stifel and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the School District and to persons and entities with relationships with the School District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the School District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the School District.



Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the School District.

#### LEGAL OPINION

The Notes are offered subject to the receipt of the unqualified approving legal opinion of Eckert Seamans Cherin & Mellott LLC, of Harrisburg, Pennsylvania, Bond Counsel to the School District. Certain legal matters also will be passed upon for the School District by Saxton & Stump, of Lancaster, Pennsylvania, as School District Solicitor and for the Underwriter by McNees Wallace & Nurick LLC of Lancaster, Pennsylvania.

Neither the Note Counsel nor the Solicitor has been engaged to verify, and has not independently verified, the accuracy, completeness or truthfulness of any statements, certifications or financial information set forth in this Official Statement, or otherwise used in connection with the offer and sale of the Notes set forth in or delivered by the School District officials, except where specifically referred to. They express no opinion with respect to whether the School District in connection with the sale of the Notes or preparation of this Official Statement has made any untrue statement of a material fact necessary in order to make any statement made therein not misleading.

**The various legal opinions to be delivered concurrently with the delivery of the Notes express the professional judgement of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorneys do not become an insurer or guarantor of that expression of professional judgement of the transaction opined upon, or the future performance of the parties to the transaction. Nor does rendering a legal opinion guarantee the outcome of any legal dispute that may arise out of the transaction.**

#### 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 Notes. 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 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 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 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 Notes, 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 Official Statement is not to be construed as a contract with holders of the Notes.

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

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
Dauphin County, Pennsylvania

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

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**APPENDIX A**  
**Demographic and Economic Information**  
**Relating to Steelton-Highspire School District**

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## Introduction

The School District is located in the fifth largest metropolitan area in the Commonwealth and is part of the Harrisburg-Carlisle Metropolitan Statistical Area (the “MSA”), which includes all of the County and neighboring Cumberland, Perry, and Lebanon Counties. Over seventy percent of the County’s population is concentrated in its southwestern portion within twelve miles of the City of Harrisburg.

## Population

Table A-1 which follows shows recent population trends for the School District, Dauphin County and the Commonwealth. Table A-2 shows 2020 age composition and average number of persons per household in Dauphin County and for the Commonwealth. Average household size was slightly smaller for Dauphin County than the Commonwealth average.

**TABLE A-1  
RECENT POPULATION TRENDS**

<b>Geographic Area</b>	<b>Census: April 2010</b>	<b>Census: April 2020</b>	<b><u>Change: 2000 to 2020</u></b>	
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Percent</b>
<i>School District</i> .....	8,389	9,004	615	0.71%
<i>Dauphin County</i> .....	268,100	286,401	18,301	0.66%
<i>Pennsylvania</i> .....	12,702,379	13,002,700	300,321	0.23%

Source: U.S. Census Bureau, Census 2020 & 2010

**TABLE A-2  
AGE COMPOSITION**

	<b>0-17</b>	<b>18-64</b>	<b>65+</b>	<b>Persons Per</b>
	<b><u>Years</u></b>	<b><u>Years</u></b>	<b><u>Years</u></b>	<b><u>Household</u></b>
Dauphin County .....	22.5%	61.0%	16.5%	2.37
Pennsylvania .....	20.8%	61.4%	17.8%	2.42

Source: U.S. Bureau of the Census, 2020 Census Summary File 1.

## Employment

Overall employment data are not compiled for the School District or municipalities within it, but such data are compiled for the Dauphin County and the MSA.

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

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

Source: Paworkstats.state.pa.us

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

**TABLE A-4  
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
(Dauphin County)**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025<sup>(1)</sup></u>	<b>Compound Average Annual % Rate</b>
<b><i>Dauphin County</i></b>						
Civilian Labor Force (000)	145.7	148.0	147.7	149.6	149.1	0.46%
Employment (000)	137.2	142.3	143.0	144.3	143.5	0.90%
Unemployment (000)	8.5	5.7	4.7	5.3	5.6	-8.01%
Unemployment Rate	5.80%	3.90%	3.20%	3.50%	3.80%	
<b><i>Pennsylvania</i></b>						
Civilian Labor Force (000)	6,425.0	6,479.0	6,518.0	6,577.0	6559.0	0.41%
Employment (000)	6,048.0	6,196.0	6,296.0	6,337.0	6303.0	0.83%
Unemployment (000)	377.0	283.0	223.0	239.0	255.0	-7.52%
Unemployment Rate	5.90%	4.40%	3.40%	3.60%	3.90%	

<sup>(1)</sup>As of March 2025.

Source: Pennsylvania State Employment Service.

Listed below are some of the larger employers of the region:

<u>Name</u>
State Government
Milton S. Hershey Medical Center
The Hershey Company
UPMC Pinnacle Hospitals
Hershey Entertainment & Resorts Co
United Parcel Service Inc
Federal Government
Pennsylvania State University
Penn State Health
Milton Hershey School

Source: Center for Workforce Information & Analysis website (1<sup>st</sup> quarter 2023).

## Income

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

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

	<b>2020</b>	<b>2010</b>	<b>Percentage Change 2010-2020</b>
School District .....	\$22,360	\$19,117	1.58%
Dauphin County .....	35,061	27,727	2.37%
Pennsylvania .....	35,518	26,678	2.90%

\*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: Pennsylvania State Data Center and U.S. Census Bureau, 2006-2010 American Community Survey and 2016-2020 American Community Survey.

## Commercial Activity

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

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

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Dauphin County .....	\$5,546,461	\$5,036,045	\$5,362,568	\$5,866,773	\$5,846,312
Pennsylvania .....	251,185,116	274,685,600	297,770,326	310,912,244	317,236,286

Source: Neilson Company.

## Recreation

Sports and recreation play a major role in the growth and activity of the School District. The Hershey Park amusement complex and the Penn National Racetrack, and the Hollywood Casino located at the Penn National Racetrack which opened in early 2008, attract millions of visitors to the area each year. Dauphin County is the home of the Hershey Bears of the American Hockey League. Harrisburg is home to the Harrisburg Senators, the Washington Nationals class AA affiliate. Excellent fishing is available in the many limestone trout streams of the County and the Susquehanna River. Skiing is available during the winter at nearby Ski Roundtop, Snow Peak, Eagles Rock and Ski Liberty.

There are many historical homes, inns, farms, churches and restaurants dispersed throughout the County. The eight colleges in the Harrisburg MSA host many varied cultural events including plays, lectures, arts and crafts exhibits and numerous sporting events.

The County's first developed park, Fort Hunter Mansion and Park, a gift to the County by the Fort Hunter Foundation on July 15, 1980, is located on a scenic 35 acre river front site. Fort Hunter offers professionally guided tours of the elegantly restored mansion, picnic pavilions, play equipment, free walking tour brochure, river front walk and a Pennsylvania Canal trail.

## Transportation

The School District is served by Interstate 81 which connects it with Scranton and Wilkes-Barre in Pennsylvania, and Binghamton and Syracuse in New York to the north, and major cities to the south; Interstate 78 which connects the School District with Allentown, Bethlehem and Easton in Pennsylvania and New York City to the east; Interstate 76 (Pennsylvania Turnpike) which connects the School District with Philadelphia and Pittsburgh in Pennsylvania; and Interstate 83 which connects the School District with York, Pennsylvania, Baltimore, Maryland, and Washington, D.C. to the south. U.S. Routes 22, 322 and 422 and PA Route 283 also serve the School District.



The Harrisburg International Airport (HIA) is located in Middletown. The Airport has a 10,000 foot runway and can handle the nation's largest commercial and military aircraft. The U.S. Commerce Department has simplified export procedures for the Harrisburg Port-of-Entry, so that cargo may now be flown directly from Harrisburg to foreign countries as well as any domestic point. The Airport is served by 5 major airlines, Allegiant Air, American Airlines, Delta Airlines, United Airlines and Frontier Airlines which provide daily, nonstop service to 15 destinations and 100s of connections. General aviation service is also available at the Capital City Airport and three other airports in the Harrisburg metropolitan area.

Norfolk Southern facilities, which include the mainline of the former Conrail, offer freight transportation to and from the Harrisburg area. The yard at Enola in Cumberland County is one of the largest classification yards on the Norfolk Southern system. AMTRAK operates regular daily passenger service through the County to major eastern, southern and western cities. The Harrisburg Transportation Center serves AMTRAK and Greyhound Bus Lines.

The Capital Area Transit Authority provides regional mass transportation services throughout the School District.

### **Higher Education**

The School District and surrounding area have a number of institutions of higher learning including the Penn State Milton S. Hershey Medical Center, in Hershey, the Harrisburg Area Community College and Harrisburg University in Harrisburg, Penn State Harrisburg Campus in Middletown, Penn State Dickinson Law School, Messiah College and the University Center at Harrisburg which consists of extension programs offered by a consortium of five institutions of higher learning including Pennsylvania State University and the University of Pennsylvania. Temple University has a branch campus in Harrisburg and Widener Law School has a campus in Susquehanna Township. The largest of these schools in terms of enrollment is the Harrisburg Area Community College ("HACC"), which was the first comprehensive Community College to be established in the Commonwealth and serves the MSA. Founded in 1964 and fully accredited, this two-year college occupies a campus of 157 acres. Since HACC's inception in 1964, HACC has grown from a single campus of 426 students into a multi-campus institution which enrolls nearly 15,000 credit students each semester, in campuses throughout the MSA including Harrisburg, Gettysburg, Lancaster, Lebanon and York.

Penn State Harrisburg, located in Middletown, Pennsylvania, is an undergraduate college and graduate school of The Pennsylvania State University, one of the largest and most widely recognized institutions in the nation. The Harrisburg campus enrolls nearly 3,800 students and offers two associate, 30 baccalaureate, 21 masters, and two doctoral degrees as well as certificate and certification programs.

The Pennsylvania State University Dickinson School of Law, also located in Carlisle, is the second oldest law school in the Commonwealth having been founded in 1834. Present enrollment for the three year juris doctorate program is about 542 students. Messiah College is a liberal arts institution located in Grantham with current enrollment of approximately 2,700 students.

Residents of the School District also have access to a variety of trade and technical schools such as The Academy of Medical Arts and Business, Electronic Institutes, National Education Center, Thompson Institute, Central Pennsylvania College and the MTA Technical School.

### **Medical Facilities**

The residents of the School District are served by six major medical institutions: UPMC Pinnacle which consists of seven hospitals within the system; UPMC Carlisle, UPMC Hanover, UPMC Litiz, UPMC Memorial, UPMC Pinnacle Community Osteopathic, UPMC Pinnacle Harrisburg and UPMC Pinnacle West Shore. Also located within commuting distance of the School District are Penn State Milton S. Hershey Medical and Geisinger Holy Spirit Hospital.

### **Utilities**

Those utilities serving the School District include the PPL utilities, which provide electric service, Verizon which provides telephone service and U.G.I. Corporation which provides natural gas service.

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**APPENDIX B**  
**Opinion of Note Counsel**

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Eckert Seamans Cherin & Mellott, LLC  
213 Market Street  
8<sup>th</sup> Floor  
Harrisburg, PA 17101

TEL 717 237 6000  
FAX 717 237 6019  
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July [ ], 2025

Re: \$[ ] Aggregate Principal Amount  
Steelton-Highspire School District  
Dauphin County, Pennsylvania  
Tax and Revenue Anticipation Notes, Series of 2025

To The Purchasers of the Within-Described Notes:

We have served as bond counsel to Steelton-Highspire School District, Dauphin County, Pennsylvania (the “School District”), in connection with the issuance by the School District of its \$[ ] aggregate principal amount Tax and Revenue Anticipation Notes, Series of 2025 (the “Notes”), under the provisions of the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (the “Act”), and a Resolution (the “Resolution”) adopted on June 11, 2025, by the Board of School Directors of the School District (the “Board”). The Notes are being issued in anticipation of current taxes, revenues, subsidies and reimbursements to be collected and received, in its fiscal year ending on June 30, 2026, in accordance with the Act. The Notes mature in full on June 30, 2026, which is within the School District’s current fiscal year.

As bond counsel for the School District, we have examined: (a) the relevant provisions of the Constitution of the Commonwealth of Pennsylvania (the “Commonwealth”); (b) the Act; (c) the relevant provisions of the Public School Code of 1949, as amended; (d) the Resolution and the documents filed with the Pennsylvania Department of Community and Economic Development; (e) the proceedings of the Board with respect to the authorization, issuance and sale of the Notes; (f) a Certificate as to Taxes and Revenues To Be Collected by the School District as prepared by School District in conjunction with its financial advisor; and (g) certain statements, certifications, affidavits and other documents and matters of law which we have considered relevant, including, without limitation, a certificate dated the date hereof (the “Tax Compliance Certificate”) of officials of the School District having responsibility for issuing the Notes, given pursuant to the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the “Code”) including the 2025/2026 Projected Cash Flow as prepared by the School District in conjunction with its financial advisor, an opinion of the Solicitor to the School District as to various matters, and the other documents, certifications and instruments listed in a closing index filed with the Paying Agent (hereinafter defined) on the date of original delivery of the Notes. We also have examined a fully executed and authenticated Note, or a true copy thereof, and assume all other Notes are in such form and are similarly executed and authenticated.

The Notes have been designated by the School District as Qualified Tax-Exempt Obligations within the meaning of Section 265(b)(3) of the Code.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon. We also have relied, in the opinion set forth below, upon the opinion of the Solicitor of the School District as to all matters of fact and law set forth therein.

Except with respect to paragraph 6 below, our opinion is given only with respect to the internal laws of the Commonwealth as enacted and construed on the date hereof.

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

1. The School District is authorized under the provisions of the Constitution and the laws of the Commonwealth to issue the Notes in anticipation of the receipt of current taxes and current revenues from the date hereof through June 30, 2026.
2. The School District has declared, in the Resolution, that the Notes and any other tax and revenue anticipation notes of the School District issued in the current fiscal year shall be equally and ratably secured by the pledge of, security interest in, and a lien and charge on all revenues of the School District to be received during the period when such obligations shall be outstanding.
3. The School District has established one or more sinking funds for the Notes (collectively, the "Sinking Fund") with Manufacturers and Traders Trust Company, as paying agent, registrar and sinking fund depository (the "Paying Agent"), and has covenanted in the Resolution to deposit in the Sinking Fund amounts sufficient to pay the principal of and interest on the Notes as the same becomes due and payable and to apply the amounts so deposited to the payment of such principal and interest.
4. The Notes have been duly authorized, executed, authenticated, issued and delivered, and are the legal, valid and binding general obligations of the School District, and are enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights.
5. Under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Notes is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other

disposition of the Notes will be subject to Commonwealth taxes and local taxes within the Commonwealth.

6. Under existing statutes, regulations, rulings and court decisions, interest on the Notes will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Code. Interest on the Notes will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering this opinion, we have assumed compliance by the School District with the covenants contained in the Resolution and the representations in the Tax Compliance Certificate relating to actions to be taken by the School District after the issuance of the Notes necessary to effect or maintain the exclusion from gross income of the interest on the Notes for federal income tax purposes. These covenants and representations relate to, among other things, the use and investment of proceeds of the Notes, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the Notes becoming includible in gross income for federal income tax purposes from the date of issuance of the Notes.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion with respect to and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary official statement, as supplemented, or the official statement prepared in respect of the Notes, and make no representation that we have independently verified the contents thereof.

Very truly yours,

ECKERT SEAMANS CHERIN & MELLOTT, LLC

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**APPENDIX C**  
**Form of Continuing Disclosure Agreement**

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## CONTINUING DISCLOSURE CERTIFICATE

Re: STEELTON-HIGHSPIRE SCHOOL DISTRICT,  
Dauphin County, Pennsylvania  
\$ \_\_\_\_\_ Aggregate Principal Amount  
Tax and Revenue Anticipation Notes, Series of 2025  
Dated July [ ], 2025

July [ ], 2025

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by STEELTON-HIGHSPIRE SCHOOL DISTRICT, in Dauphin County, Pennsylvania (the “School District”), in connection with the issuance of its Tax and Revenue Anticipation Notes, Series of 2025, dated the date of delivery (the “Notes”). The Notes are being issued pursuant to a resolution duly adopted by the Board of School Directors of the School District (the “Resolution”). The School District makes the following certifications and representations as an inducement to the Participating Underwriters and others to purchase the Notes:

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

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

“Bondholder” shall mean any registered owner of the Notes or any person who (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Notes (including persons holding through any nominee, securities depository, or other intermediary) or (ii) is treated as the holder of any Notes for federal income tax purposes.

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

“Commonwealth” shall mean the Commonwealth of Pennsylvania.

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

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

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

“SEC” shall mean the United States Securities and Exchange Commission.

SECTION 3. Reporting of Listed Events. In a timely manner not in excess of ten (10) Business Days after the occurrence of the event, the School District will file with the MSRB notice of the occurrence of any of the following events with respect to the Notes:

- principal and interest payment delinquencies;
- non-payment related defaults, if material;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- 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 Notes, or other material events affecting the tax-exempt status of the Notes;
- modifications to rights of holders of the Notes, if material;
- bond calls, if material, and tender offers;
- defeasances;
- release, substitution, or sale of property securing repayment of the Notes, if material;
- rating changes;
- bankruptcy, insolvency, receivership or similar event of the School District;
- 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;
- appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- incurrence of a Financial Obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School District, any of which affect security holders, if material; and
- default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the School District, any of which reflect financial difficulties.

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

SECTION 4. Manner of Filing. All filings to be made with the MSRB in accordance with this Disclosure Certificate are to be filed in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB.

As of the date of this Disclosure Certificate, the rules of the MSRB require all such filings to be made using the MSRB's Electronic Municipal Market Access System ("EMMA") at <http://emma.msrb.org>.

SECTION 5. Dissemination Agent. The School District may, at any time and from time to time, appoint or engage another person (the "Dissemination Agent") to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge such Dissemination Agent, with or without appointing a successor and without notice to Bondholders.

SECTION 6. Termination of Disclosure Obligation. The School District's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Notes or if and when the School District no longer remains an "obligated person" with respect to the Notes, within the meaning of the Rule.

SECTION 7. Certain Rights Reserved. The School District reserves the right to modify from time to time the specific types of information provided in accordance with Section 3(a) above 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.

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

SECTION 9. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Participating Underwriters and Bondholders, and shall create no rights in any other person or entity.

[SIGNATURE PAGE FOLLOWS]

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

STEELTON-HIGHSPIRE SCHOOL DISTRICT,  
Dauphin County, Pennsylvania

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

**APPENDIX D**  
**Audited Financial Statements –**  
**Fiscal Year Ended June 30, 2022**

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**STEELTON-HIGHSPIRE SCHOOL DISTRICT**  
**STEELTON, PENNSYLVANIA**  
**FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT**  
**YEAR ENDED JUNE 30, 2022**

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STEELTON-HIGHSPIRE SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2022

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# *Zelenkofske Axelrod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## INDEPENDENT AUDITOR'S REPORT

Board of School Directors  
Steelton-Highspire School District  
Steelton, Pennsylvania  
Page 1

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Steelton-Highspire 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 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, and 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 fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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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 managements, 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, amount 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*", Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*", Statement No. 98, "*The Annual Comprehensive Financial Report*", and certain provisions of Statement No. 99 "*Omnibus 2022*". Our opinion is not modified with respect to these matters.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance budget and actual – General Fund, schedule of changes in the total OPEB liability and related ratios – District's OPEB Plan, the schedule of the district's proportionate share of the net OPEB liability – PSERS plan, the schedule of the district OPEB contributions – PSERS plan, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions – pension plan on pages 4 through 15 and pages 62 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



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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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Axelrod LLC*

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania  
March 7, 2023

## **STEELTON-HIGHSPIRE SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**YEAR ENDED JUNE 30, 2022**

The discussion and analysis of Steelton-Highspire School District's ("District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

#### **FINANCIAL HIGHLIGHTS**

The District's governmental activities' liabilities and deferred inflows exceeded its assets and deferred outflows at the close of the fiscal year by \$(26,564,028) (net deficit); which includes an unrestricted deficit of \$(31,498,318).

As of June 30, 2022, the District's fund balance/(deficit) for the General Fund was \$(4,366,672). This negative fund balance is attributed to the current and prior years' deficits as well as the continued increase in delinquent taxes. The District is exploring areas in which expenditures can be decreased or eliminated, such as contracted services. Also, the District is increasing their efforts to collect upon all delinquent taxes.

Governmental activities net position increased \$1,353,002 and business-type activities net position increased \$475,274 for the year ended June 30, 2022.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net position (deficit) and the statement of activities provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds' statements indicate how general District services were financed in the short-term, as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For this District, this is our Food Service Fund.



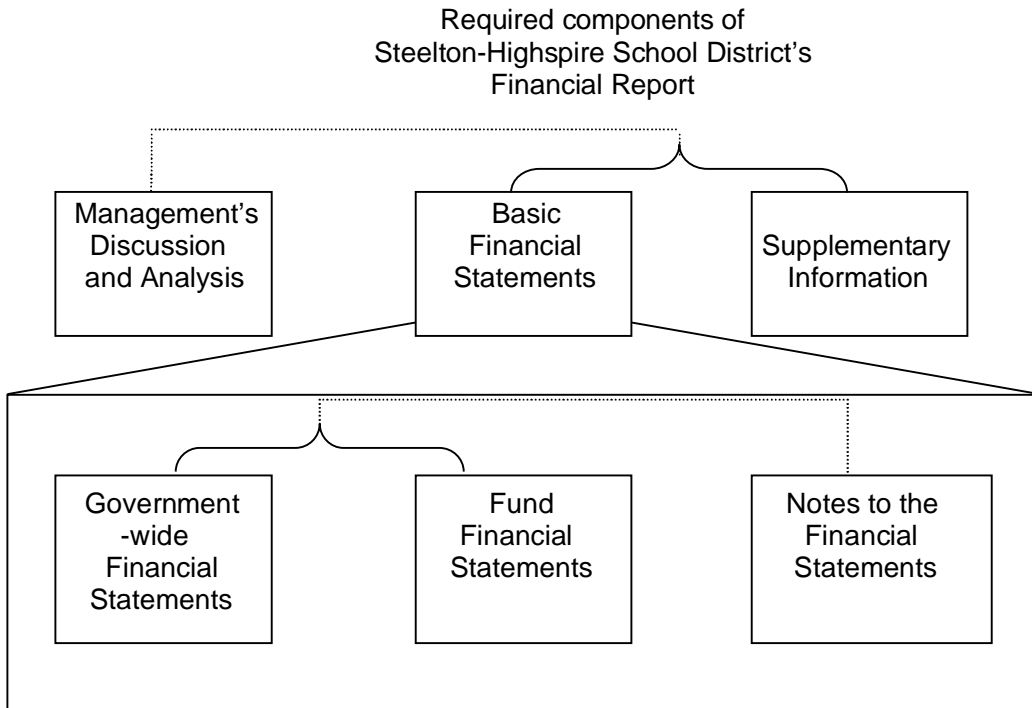
## **STEELTON-HIGHSPIRE SCHOOL DISTRICT**

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2022

The financial statements also include notes that explain some of the information in the financial statements and provide data that are more detailed.

The following diagram shows how the required parts of the financial report are arranged and relate to one another:



The following summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

# **STEELTON-HIGHSPIRE SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**YEAR ENDED JUNE 30, 2022**

### **Major Features of Steelton-Highspire School District's Government-wide and Fund Financial Statements**

	Government- Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary, such as education, administration and community services	Activities the District operates similar to private business – Food Services
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets expected to be used up and Liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## **STEELTON-HIGHSPIRE SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

YEAR ENDED JUNE 30, 2022

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

##### *Government-wide statements*

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows, liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows minus liabilities and deferred inflows, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional nonfinancial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- **Governmental activities** – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-type activities** – The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

##### *Fund financial statements*

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law.

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

# STEELTON-HIGHSPIRE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2022

**Proprietary funds** – These funds are used to account for the District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provides more detail and additional information, such as cash flows.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position (deficit) was \$(26,250,526) at June 30, 2022, and \$(28,078,802) at June 30, 2021 per the following schedule.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets:</b>						
Current Assets	\$ 4,500,772	\$ 4,988,858	\$ 348,861	\$ 48,400	\$ 4,849,633	\$ 5,037,258
Capital and other noncurrent assets	22,791,231	21,557,651	1,272	4,914	22,792,503	21,562,565
Total Assets	27,292,003	26,546,509	350,133	53,314	27,642,136	26,599,823
<b>Deferred Outflows of Resources</b>	5,950,663	5,827,030	-	-	5,950,663	5,827,030
<b>Liabilities:</b>						
Current Liabilities	11,302,707	10,366,157	36,631	215,086	11,339,338	10,581,243
Long-Term Liabilities	42,982,181	47,449,901	-	-	42,982,181	47,449,901
Total Liabilities	54,284,888	57,816,058	36,631	215,086	54,321,519	58,031,144
<b>Deferred Inflows of Resources</b>	5,521,806	2,474,511	-	-	5,521,806	2,474,511
<b>Net Position:</b>						
Net Investments In Capital Assets	4,934,290	4,168,977	1,272	4,914	4,935,562	4,173,891
Restricted	-	-	-	-	-	-
Unrestricted	(31,498,318)	(32,086,007)	312,230	(166,686)	(31,186,088)	(32,252,693)
Total Net Position (deficit)	\$ (26,564,028)	\$ (27,917,030)	\$ 313,502	\$ (161,772)	\$ (26,250,526)	\$ (28,078,802)

Governmental activities current assets decreased by approximately \$.5 million dollars primarily due to the decrease in ESSER federal receivables of approximately \$2.1 million dollars.

Governmental activities current liabilities increased by approximately \$.9 million dollars, due to the overall increase in costs for goods and services. The District continues to be conservative at Year-End with processing payments to ensure a smooth transition into the new school year in order to process payroll and debt payments.

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are deducted to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

# STEELTON-HIGHSPIRE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2022

The following takes the information from that statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 22,382	\$ 23,461	\$ 74,182	\$ 41,591	\$ 96,564	\$ 65,052
Operating Grants and contributions	13,949,682	12,012,480	984,466	224,770	14,934,148	12,237,250
Total Program revenues	13,972,064	12,035,941	1,058,648	266,361	15,030,712	12,302,302
General revenues and transfers:						
Property Taxes	5,501,138	5,575,197	-	-	5,501,138	5,575,197
Other taxes	1,984,105	1,569,016	-	-	1,984,105	1,569,016
Grants, subsidies, unrestricted	10,106,948	8,730,447	-	-	10,106,948	8,730,447
Investment/(loss) revenue, Interest	873,714	545,462	643	398	874,357	545,860
Other	370,980	289,572	-	-	370,980	289,572
Total Revenue	32,808,949	28,745,635	1,059,291	266,759	33,868,240	29,012,394
<b>Expenses:</b>						
Instructional services	20,141,613	18,731,110	-	-	20,141,613	18,731,110
Support services	6,699,119	5,186,485	-	-	6,699,119	5,186,485
Noninstructional services	4,615,215	4,067,473	-	-	4,615,215	4,067,473
Food service	-	-	584,017	437,021	584,017	437,021
Total Expense	31,455,947	27,985,068	584,017	437,021	32,039,964	28,422,089
Increase (decrease) in net position	\$ 1,353,002	\$ 760,567	\$ 475,274	\$ (170,262)	\$ 1,828,276	\$ 590,305

Governmental operating grants and contributions increased by approximately \$1.9 million dollars due to the increase in BEF funding of \$1.3 million dollars and increases in Special Education and Transportation funding.

Unrestricted grants and, subsidies increased by \$1.3 million dollars due to the ESSER II & ARP fundings annual subsidy.

Governmental activities expenses increased by \$3.4 million dollars primarily due to the increased costs for students requiring special education services, payroll increases to keep the District employees competitive with surrounding districts, and the increased costs of goods and services.

Total revenues from business-type activities increased by \$792 hundred thousand dollars from the prior year, due to the students full-time participating in the National School Lunch program.

**STEELTON-HIGHSPIRE SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**YEAR ENDED JUNE 30, 2022**

The following presents the expenses of the governmental activities of the District as well as each program's net cost (total cost less revenues generated by the activities). The net costs are offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Functions/programs	Governmental Activities Fiscal Years Ended June 30, 2022 and 2021			
	Total cost of services		Net cost of services	
	2022	2021	2022	2021
Instruction	\$ 20,141,613	\$ 18,731,110	\$ 8,018,901	\$ 8,272,949
Instructional Student Support	4,407,327	3,290,077	3,721,400	2,767,504
Administrative and Financial Support Services	2,291,792	1,896,408	2,050,750	1,576,829
Operation and Maintenance of Plant Services	1,656,551	1,904,748	1,482,321	1,761,674
Pupil Transportation	1,541,115	851,848	1,198,864	650,908
Student Activities	311,651	281,546	289,269	258,085
Community Services	14,734	25,285	14,734	25,285
Facilities and Improvements	246,930	96,584	246,930	96,584
Bond Issuance Costs	-	-	-	-
Interest and Fiscal Charges	844,234	907,462	460,714	539,309
Total governmental activities	<u>\$ 31,455,947</u>	<u>\$ 27,985,068</u>	17,483,883	15,949,127
Less unrestricted grants, subsidies			<u>10,106,948</u>	<u>8,730,447</u>
Total needs from local taxes and other revenues			<u>\$ 7,376,935</u>	<u>\$ 7,218,680</u>

## **STEELTON-HIGHSPIRE SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**YEAR ENDED JUNE 30, 2022**

The following presents the activities of the food service program and the business-type activities of the District.

Functions/programs	Business-Type Activities			
	Fiscal Years Ended June 30, 2022 and 2021			
	Total cost of services		Net cost of services	
	2022	2021	2022	2021
Food services	\$ 584,017	\$ 437,021	\$ (474,631)	\$ 170,660
Less investment earnings and other			\$ (643)	\$ (398)
Total cost of (income from) business-type activities			<u>\$ (475,274)</u>	<u>\$ 170,262</u>

The statement of revenues, expenses, and changes in fund net position for the proprietary fund further details the actual results of operations.

### **THE DISTRICT FUNDS**

The 2021-2022 General Fund original budget showed revenues exceeding expenditures resulting in a decrease in the fund balance. For the year ended June 30, 2022, the revenues were over the final budget by \$3.7 million dollars. This was due primarily to revenues from state and local sources which came in above budget. The District received an additional \$800 hundred thousand dollars in ESSERS II funding that was not included in the original budget. The District originally budgeted \$373 hundred thousand dollars and the actual funding received was \$3.4 million dollars.

Total General Fund expenditures exceeded the final budget by \$4.3 million dollars. This was due primarily to special education programs which continue to grow year-over-year. Expenditures exceeded the budget by \$2 million dollars in the general fund in regular and special instructional areas due to an increase in special education students during the 2021-2022 school year.

**STEELTON-HIGHSPIRE SCHOOL DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2022

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital assets*

At June 30, 2022, the District's governmental activities' gross capital assets were \$44,846,087. Capital assets include land, buildings and furniture and equipment. The following provides a breakdown of the capital assets and the accumulated depreciation for the fiscal years ended June 30, 2022 and 2021.

Governmental Activities - Capital Assets  
Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
Land	\$ 20,000	\$ 20,000
Construction in progress	-	-
Land improvements	506,425	506,425
Building and improvements	40,195,903	39,453,915
Furniture and equipment	2,474,474	2,115,584
Leased Equipment	1,649,285	-
Total	44,846,087	42,095,924
Accumulated depreciation	(22,096,499)	(20,586,970)
	<u>\$ 22,749,588</u>	<u>\$ 21,508,954</u>

A long-term capital project schedule and budget was developed to assure the District's facilities and equipment are maintained for both safety and long term cost savings.



**STEELTON-HIGHSPIRE SCHOOL DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2022

*Debt administration*

Outstanding Debt  
Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
M&T lease payable (2007 GO Note)	\$ -	\$ 240,000
Energy Savings Project Note	711,997	-
General Obligation Notes:		
Series of 2007	1,330,000	1,520,000
Series of 2006	7,060,000	8,095,000
General Obligation Bonds:		
Series of 2019	3,445,000	3,495,000
Series of 2017	3,560,000	3,600,000
Series of 2013	305,000	605,000
Series of 2012	-	-
Total	<u>\$ 16,411,997</u>	<u>\$ 17,555,000</u>

As of June 30, 2022, the District had total outstanding debt principal of \$16,411,997. During the year, the District made payments against principal of \$1,906,890.

Other obligations include pension obligations, OPEB obligation, and accrued compensated absences (vacation pay, sick leave, personal days) for specific employees of the District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

## ***STEELTON-HIGHSPIRE SCHOOL DISTRICT***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**YEAR ENDED JUNE 30, 2022**

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Enrollment projections indicate that student enrollment will stabilize over the next few years.

Due to decreasing real estate assessed values and an aging population, our local tax revenue continues to decrease. The District continues to seek other areas in which to increase revenues such as the availability of additional grant funds from the state and federal governments, as well as other sources. The District is also tightly monitoring its expenditures to ensure it stays within its current budget.

The District continues to adopt ways of obtaining tax revenue. 2021-2022 attempts include the use of Portnoff Law Services as well as the Cap Tax to Keystone Collection Services. These increased efforts positively brought in additional tax revenue in hopes of additional monies being received in upcoming years.

The District continues to have increased costs for Cyber/Charger enrollment despite the efforts to encourage students to enroll in its own Cyber program. Special Education costs also continue to rise, but State funding does not support the increase in costs. Many urban districts face similar challenges of rising costs in Cyber/Charter education and special education.

The District has begun to realize the savings in the installation of the Solar Panel Field the savings have exceeded the original expatiations.

The District continues to prioritize expenses while restricting the purchase of materials and services during the upcoming school year. The District continues to provide monthly cash flow and financial status reports to the office of Budget and Fiscal Management, as it remains under Financial Watch Status with the Pennsylvania Department of Education.

Many districts face the common problem of escalating costs for employee benefits, particularly the retirement expenses of PSERS. This cost is set by outside influences and, therefore, is not a discretionary cost that can be controlled by District management.

There continues to be various economic challenges post-pandemic, including the effects of rising inflation on goods, services and fuel, and labor shortages. State funding has not increased based on the current economic trends. Even though the District continues to be underfunded, the primary goal is to provide our students with an exemplary education within a safe environment.

**STEELTON-HIGHSPIRE SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**YEAR ENDED JUNE 30, 2022**

The comparison of revenue and expenditure categories is as follows:

	Original budgeted revenues			
	Original 2022-2023		Original 2021-2022	
Local	\$ 6,931,331	22.0%	\$ 7,295,366	25.9%
State	18,761,652	59.4%	14,728,960	52.4%
Federal/other	5,833,917	18.5%	6,097,765	21.7%
Total	<u>\$ 31,526,900</u>		<u>\$ 28,122,091</u>	

**Original Budgeted expenditures and other financial uses**

	Original		Original	
	2022-2023		2021-2022	
Instruction	\$ 20,739,235	66.3%	\$ 15,996,762	57.9%
Support Services	7,372,556	23.5%	8,754,935	31.7%
Operation of noninstructional services	815,503	2.6%	241,530	0.9%
Other	2,346,419	7.5%	2,649,799	9.6%
	<u>\$ 31,273,713</u>		<u>\$ 27,643,026</u>	

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Mark "JJ" Carnes, Business Manager, at Steelton-Highspire School District, 250 Reynders Avenue, Steelton, PA 17113, (717) 704-3800.

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## **BASIC FINANCIAL STATEMENTS**

## STEELTON HIGHSPIRE SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)  
JUNE 30, 2022

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 1,622,643	\$ 267,745	\$ 1,890,388
Restricted Cash	43,575	-	43,575
Investments	52,278	-	52,278
Taxes Receivable, net	968,765	-	968,765
Due from Other Governments	1,322,246	122,033	1,444,279
Other Receivables	392,544	2,170	394,714
Internal Balances	69,877	(69,877)	-
Prepaid Expenses	28,844	-	28,844
Inventories	-	26,790	26,790
Total Current Assets	4,500,772	348,861	4,849,633
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation			
Land	20,000	-	20,000
Land and Site Improvements	272,858	-	272,858
Buildings and Building Improvements	20,266,845	-	20,266,845
Furniture, Equipment, and Vehicles	667,468	1,272	668,740
Leased Equipment	1,522,417	-	1,522,417
Total Capital Assets, Net	22,749,588	1,272	22,750,860
Bond Insurance Costs	41,643	-	41,643
Total Noncurrent Assets	22,791,231	1,272	22,792,503
TOTAL ASSETS	27,292,003	350,133	27,642,136
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Loss on Refunding	58,284	-	58,284
Deferred Amounts Related to Other Post Employment Benefits	467,626	-	467,626
Deferred Amounts Related to Pensions	5,424,753	-	5,424,753
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,950,663	-	5,950,663
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	5,650,773	25,787	5,676,560
Accrued Salaries and Benefits	3,401,474	-	3,401,474
Accrued Interest Payable	56,118	-	56,118
Unearned Revenue	-	10,844	10,844
Due to Student Groups	42,225	-	42,225
Current Portion of Leases	104,168	-	104,168
Current Portion of Long-Term Debt	2,047,949	-	2,047,949
Total Current Liabilities	11,302,707	36,631	11,339,338
Noncurrent Liabilities:			
Leases	1,432,523	-	1,432,523
Bonds and Notes Payable, net	14,330,585	-	14,330,585
Other Postemployment Benefits Liability	2,096,683	-	2,096,683
Net Pension Liability	24,388,000	-	24,388,000
Fair Value of Interest Rate Swap	578,811	-	578,811
Compensated Absence Liability	155,579	-	155,579
Total Noncurrent Liabilities	42,982,181	-	42,982,181
TOTAL LIABILITIES	54,284,888	36,631	54,321,519
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Amounts Related to Other Post Employment Benefits	412,806	-	412,806
Deferred Amounts Related to Pensions	5,109,000	-	5,109,000
TOTAL DEFERRED INFLOWS OF RESOURCES	5,521,806	-	5,521,806
<u>NET POSITION (DEFICIT)</u>			
Net Investment in Capital Assets	4,934,290	1,272	4,935,562
Unrestricted Deficit	(31,498,318)	312,230	(31,186,088)
TOTAL NET POSITION (DEFICIT)	\$ (26,564,028)	\$ 313,502	\$ (26,250,526)

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

Function/Programs	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction	\$ 20,141,613	\$ -	\$ 12,122,712	\$ (8,018,901)	\$ -	\$ (8,018,901)
Instructional Student Support	4,407,327	-	685,927	(3,721,400)	-	(3,721,400)
Administrative and Financial Support Services	2,291,792	-	241,042	(2,050,750)	-	(2,050,750)
Operation and Maintenance of Plant Services	1,656,551	-	174,230	(1,482,321)	-	(1,482,321)
Pupil Transportation	1,541,115	-	342,251	(1,198,864)	-	(1,198,864)
Student Activities	311,651	22,382	-	(289,269)	-	(289,269)
Community Services	14,734	-	-	(14,734)	-	(14,734)
Facilities and Improvements	246,930	-	-	(246,930)	-	(246,930)
Interest and Fiscal Charges	844,234	-	383,520	(460,714)	-	(460,714)
Total Governmental Activities	31,455,947	22,382	13,949,682	(17,483,883)	-	(17,483,883)
Business-type Activities:						
Food service	584,017	74,182	984,466	-	474,631	474,631
Total Business-type Activities	584,017	74,182	984,466	-	474,631	474,631
Total	\$ 32,039,964	\$ 96,564	\$ 14,934,148	(17,483,883)	474,631	(17,009,252)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes, net				5,501,138	-	5,501,138
Public utility realty and earned income taxes, levied for general purposes, net				1,984,105	-	1,984,105
Unrestricted Grants, Subsidies, and Contributions				10,106,948	-	10,106,948
Investment (Loss) Income				873,714	643	874,357
Miscellaneous Income				370,980	-	370,980
Total General Revenues				18,836,885	643	18,837,528
Changes in Net Position				1,353,002	475,274	1,828,276
Net Position - Beginning (Deficit)				(27,917,030)	(161,772)	(28,078,802)
Net Position - Ending (Deficit)				\$ (26,564,028)	\$ 313,502	\$ (26,250,526)

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022

	GENERAL	DEBT SERVICE/ CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,565,735	\$ 56,908	\$ 1,622,643
Restricted Cash	43,575	-	43,575
Investments	52,278	-	52,278
Taxes Receivable, net	968,765	-	968,765
Due From Other Governments	1,322,246	-	1,322,246
Due From Other Funds	453,807	-	453,807
Other Receivables	362,807	29,737	392,544
Prepaid Expenses	28,844	-	28,844
Total Assets	<u>\$ 4,798,057</u>	<u>\$ 86,645</u>	<u>\$ 4,884,702</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	\$ 5,070,614	\$ 580,159	\$ 5,650,773
Accrued Salaries and Benefits	3,401,474	-	3,401,474
Due to Other Funds	-	383,930	383,930
Due to Student Groups	42,225	-	42,225
Total Liabilities	<u>8,514,313</u>	<u>964,089</u>	<u>9,478,402</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Tax Revenue - Property Taxes	<u>650,416</u>	<u>-</u>	<u>650,416</u>
Total Deferred Inflows of Resources	<u>650,416</u>	<u>-</u>	<u>650,416</u>
FUND BALANCES (DEFICIT):			
Nonspendable:			
Prepaid Expenses	28,844	-	28,844
Unassigned (Deficit)	<u>(4,395,516)</u>	<u>(877,444)</u>	<u>(5,272,960)</u>
Total Fund Balances (Deficit)	<u>(4,366,672)</u>	<u>(877,444)</u>	<u>(5,244,116)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 4,798,057</u>	<u>\$ 86,645</u>	<u>\$ 4,884,702</u>

See Notes to Financial Statements



STEELTON HIGHSPIRE SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022

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TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	\$ (5,244,116)
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Amounts reported for governmental activities in the statement  
of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$44,846,087 and the accumulated depreciation is \$22,096,499	22,749,588
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The funds record only the tax revenue received through a period of 60 days subsequent to year end. The statement of net position includes a receivable for the District's anticipated collections on the levy	650,416
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Deferred inflows and outflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the funds:	
Deferred Outflows	5,950,663
Deferred Inflows	(5,521,806)

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Leases	(1,536,691)
Bonds and Notes Payable, Net	(16,378,534)
Accrued Interest on Bonds and Notes	(56,118)
Bond Insurance Costs, Net	41,643
Compensated Absences	(155,579)
Net Pension Liability	(24,388,000)
Fair Value of Interest Rate Swap	(578,811)
Other Postemployment Benefits	(2,096,683)

TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES	<u>\$ (26,564,028)</u>
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See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	GENERAL	DEBT SERVICE/ CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local Sources	\$ 8,661,356	\$ 1,318	\$ 8,662,674
State Sources	17,002,538	-	17,002,538
Federal Sources	6,168,250	-	6,168,250
Total Revenues	31,832,144	1,318	31,833,462
EXPENDITURES:			
Instruction	19,664,089	-	19,664,089
Support Services	11,834,484	-	11,834,484
Operation of Noninstructional Services	317,215	845,336	1,162,551
Debt Service			
Principal	164,484	1,855,000	2,019,484
Interest	32,922	796,158	829,080
Other	-	1,854	1,854
Total Expenditures	32,013,194	3,498,348	35,511,542
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(181,050)	(3,497,030)	(3,678,080)
OTHER FINANCING SOURCES (USES):			
Lease Proceeds	1,649,285	-	1,649,285
Note Proceeds	763,887		763,887
Transfers In	-	2,652,839	2,652,839
Transfers Out	(2,652,839)	-	(2,652,839)
Total Other Financing Sources (Uses)	(239,667)	2,652,839	2,413,172
NET CHANGE IN FUND BALANCES	(420,717)	(844,191)	(1,264,908)
FUND BALANCE (DEFICIT), BEGINNING	(3,945,955)	(33,253)	(3,979,208)
FUND BALANCE (DEFICIT), ENDING	\$ (4,366,672)	\$ (877,444)	\$ (5,244,116)

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

NET CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	\$	(1,264,908)
Amounts reports for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation and disposals in the current period		
Capital Outlays		2,885,842
Depreciation		(1,645,208)
Revenues in the statement of activities that do not provide current financial resources are not reposted as revenues in the funds. This amount is the net change in revenues accrued between the prior and current year:		
Property Taxes		129,662
Repayment of the principal of long-term obligations consumes the current financial resources of governmental funds		
Bond principal payments		1,906,890
Note Proceeds		(763,887)
Lease Proceeds		(1,649,285)
Lease payments		112,594
Governmental funds report the effect of discounts and premiums, when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities		
Bond discount amortization		(11,442)
Deferred Loss Amortization		(8,284)
Bond Premium		3,899
Amortization on Bond Insurance Costs		(7,054)
Change in accrued interest on bonds and notes payable		7,727
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Decrease in compensated absences		90,944
Increase in other postemployment benefit expense		(66,377)
Change in fair market value of interest rate swap		845,825
Decrease in pension expense		786,064
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	1,353,002

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

STATEMENT OF NET POSITION  
 PROPRIETARY FUND TYPES  
 JUNE 30, 2022

	FOOD SERVICE
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 267,745
Due From Other Governments	122,033
Other Receivables	2,170
Inventories	<u>26,790</u>
Total Current Assets	418,738
Noncurrent Assets:	
Furniture and Equipment, net	<u>1,272</u>
TOTAL ASSETS	<u><u>\$ 420,010</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$ 25,787
Unearned Revenues	10,844
Due to Other Funds	<u>69,877</u>
Total Current Liabilities	<u>106,508</u>
TOTAL LIABILITIES	<u>106,508</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	1,272
Unrestricted	<u>312,230</u>
Total Net Position	<u>313,502</u>
TOTAL NET POSITION AND LIABILITIES	<u><u>\$ 420,010</u></u>

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
 PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2022

	FOOD SERVICE
OPERATING REVENUES:	
Food Service Revenue	\$ 74,182
Total Operating Revenues	74,182
OPERATING EXPENSES:	
Purchased Professional and Technical Service	547,043
Food and Supplies Consumed	26,365
Equipment and Depreciation	3,642
Other Expenses	6,967
Total Operating Expenses	584,017
OPERATING (LOSS)/INCOME	(509,835)
NONOPERATING REVENUES:	
Earnings on Investments	643
State Sources	28,985
Federal Sources	955,481
Total Nonoperating Revenues	985,109
CHANGE IN NET POSITION	475,274
NET POSITION (DEFICIT), Beginning of year,	(161,772)
NET POSITION, End of year	\$ 313,502

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2022

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Users	\$ (2,422)
Cash Payments to Suppliers for Goods and Services	(763,633)
Net Cash Used In Operating Activities	(766,055)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal Subsidies	955,481
State Subsidies	28,985
Net Cash Provided by Noncapital Financing Activities	984,466
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:	
Earnings on Investments	643
NET INCREASE IN CASH AND CASH EQUIVALENTS	219,054
CASH AND CASH EQUIVALENTS, BEGINNING	48,691
CASH AND CASH EQUIVALENTS, ENDING	\$ 267,745
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:	
Donated Commodities	\$ 29,241
RECONCILIATION OF OPERATING (LOSS)/INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating (Loss)/Income	\$ (509,835)
Adjustment to reconcile operating (loss)/income to net cash used in operating activities:	
Depreciation	3,642
Increase or Decrease in Assets and Liabilities	
Due from Other Governments	(2,170)
Receivables	(75,315)
Inventories	(3,922)
Accounts Payable	(179,336)
Due To Other funds	-
Unearned Revenue	881
Total Adjustments	(256,220)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	\$ (766,055)

See Notes to Financial Statements

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Steelton-Highspire School District (the "District") provides public education to the residents of the Boroughs of Steelton and Highspire, with one elementary school and one high school in Dauphin County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine-member Board, which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the District has no component units that are required to be included in the District's financial statements.

C. Joint Venture- HACC

The Harrisburg Area Community College (HACC) provides two years of undergraduate education to students. Students residing in participating districts are required to only pay a third of tuition costs, with the district paying a third and the Commonwealth paying a third. For the year ended June 30, 2022, the district paid HACC a total of \$0. Complete financial statements for HACC can be obtained from its business office.

D. Intermediate Unit

The District is a participating member of the Capital Area Intermediate Unit (CAIU) located in Enola, Pennsylvania. The CAIU is a self-sustaining organization that provides services for fees to participating districts. Through their membership, the District is able to secure various special services including federal program assistance and special education services.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

E. Measurement Focus, Basis of Accounting

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which 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.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

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

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the School District are reported as a reduction of the related liability, rather than an expenditure.



STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

E. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements

The operations of the District are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate.

**Governmental Funds**

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

E. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

**Proprietary Funds**

The District's Food Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

The proprietary fund's operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

F. Basis of Presentation

The following are the District's major funds:

Governmental Fund Types

- The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.
- The Debt Service/Capital Projects 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 and to pay the District's debt service obligations.

Proprietary Fund Type

- The Food Service Fund is used to account for the operations of the District's food service operations. Operating Revenues consist of charges for food served. Operating expenses consist mainly of food, food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

G. Assets, Liabilities, Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

The fair value hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District did not have any investments that met these requirements. The District's investments were in external investment pools. The investments in external investment pools are valued at amortized cost, which approximates fair value, and are reported in accordance with GASB Statement No. 79.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding for goods or services rendered at the end of the fiscal year are referred to as "due to/from other funds."

4. Inventories

The cost of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. Food Service fund inventory consisted of expendable supplies valued at cost on a first-in, first-out basis, and federal government donated commodities received from the U.S. Department of Agriculture (USDA) recorded at estimated fair values provided by the USDA. Inventory in the Food Service Fund is recorded as an expense when consumed.

5. Prepaid Expenses

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the governmental or business-type activity column in the government-wide and the proprietary fund financial statements. The District defines capital assets with an initial, individual cost of more than: \$2,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

Capital assets of the District are depreciated using the straight line method over the following intended useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	45 years
Land improvements	20 years
Furniture and equipment	20 years

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

7. Compensated Absences

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences using the termination method.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount and issuance costs are expensed.

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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

10. Fund Balance

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 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:

- Nonspendable fund balance – 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.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

10. Fund Balance (Continued)

- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of School Directors. These amounts cannot be used for any other purpose unless the Board of School 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.
- Assigned fund balance – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of School Directors delegated this responsibility to the Business Manager.
- Unassigned fund balance – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

11. Net Position

The government-wide and proprietary fund 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.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

11. Net Position (Continued)

- *Unrestricted Net Position* – This category represents net position of the School District, not restricted for any project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

12. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

13. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund, and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

14. Deferred Inflows/Outflows of Resources

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

Deferred outflows for refundings are the result of differences in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows and inflows of resources related to pensions are described further in Note 10 and deferred outflows and inflows related to other postemployment benefits are described further in Note 11. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension/OPEB expense over a closed period, which reflects the weighted average remaining service life of all members beginning the year in

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

14. Deferred Inflows/Outflows of Resources (Continued)

which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). *Unavailable tax revenue*, which arises under the modified accrual basis of accounting, 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.

15. PSERS Pension and OPEB

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

H. 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 17).

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 provisions of GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*". The adoption of this statement did not result in modification of previously reported amounts.

The District adopted the provisions of GASB Statement No. 98, "*The Annual Comprehensive Financial Report*". The adoption of this statement did not result in modification of previously reported amounts.

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



STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

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

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The District follows the following procedures in establishing its budget:

1. Prior to May 31, management submits to the District's Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget included proposed expenditures and the means of financing them for the General Fund.
2. A public hearing is conducted to obtain taxpayer comments
3. Prior to June 30, the procedures require the budget to be legally enacted.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

4. Legal budgetary control is maintained by the District's board at the department level. Transfers between departments, whether between funds or within a fund or revisions that alters the total revenues or expenditures of any fund, must be approved by the
5. District's board. Budgetary information is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
6. Budgetary data is included in the District's management information system and is employed as a control device during the year.
7. Unused appropriations lapse at the end of the fiscal year.
8. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

NOTE 3: DEPOSIT AND INVESTMENT RISK

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1 which requires monies to be invested in the following types of investments: U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent such accounts are so insured and, for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository, obligations of the United States of America or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, or obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

*Custodial Credit Risk* – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. As of June 30, 2022, the District's cash balances for its governmental activities and business-type activities were \$1,933,963 and its bank balances were \$2,234,124. Of these bank balances, \$1,981,919 were exposed to custodial credit risk and they were collateralized by the pledging of pooled assets held by the pledging financial institutions and uninsured. The District had no investments that were subject to custodial credit risk as of June 30, 2022.

*Participation in External Investment Pools.* The Pennsylvania Local Government Investment Trust (PLGIT) I-Class is a 2a7-like pool. The District's investment in PLGIT is reported at amortized cost, which approximates fair value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. There are no withdrawal restrictions and the pool is audited annually by Ernst & Young, LLP. The pool is rated AAA by Standard & Poor's. PLGIT issues separate financial statements available at [www.plgit.com](http://www.plgit.com). At June 30, 2022, the District has \$52,278 invested in PLGIT.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 4: REAL ESTATE TAXES RECEIVABLE

Real estate taxes are assessed on July 1, of each year and become due and payable on that date. Taxpayers are given a two percent discount if they pay their taxes by August 31. All taxes levied on July 1, become delinquent on November 1, and are charged a ten percent penalty. On January 15, of the following year, all delinquent taxpayers are turned over for collection to Portnoff Collections. Uncollected real estate taxes attach as an enforceable lien on the property when recorded by Portnoff Collections in January. Delinquent real estate taxes receivable at June 30, 2022 were \$968,765.

Taxes receivable also include estimated earned income taxes, real estate transfer taxes, and per capita taxes due to the District at June 30, with the amount not collected within 60 days after year-end are reported as a deferred inflow of resources in the general fund. The District recorded an allowance for doubtful accounts for all taxes receivable (Real Estate, EIT, Occupational, etc.) of \$3,877,485.

NOTE 5: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2022, as related to the District's governmental activities:

Governmental Activities:

Commonwealth of Pennsylvania	
State Sources	\$ 492,357
Federal Sources	575,621
Total	<u>\$ 1,067,978</u>

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 6: CAPITAL ASSETS

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

<b><u>Governmental Activities:</u></b>	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance <u>June 30, 2022</u>
<b>Capital assets not being depreciated:</b>					
Land	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
<b>Capital assets being depreciated:</b>					
Land Improvements	506,425	-	-	-	506,425
Building and building improvements	39,453,915	906,159	(44,321)	(119,850)	40,195,903
Furniture and equipment	2,115,584	330,398	(91,358)	119,850	2,474,474
Leased Equipment	-	1,649,285	-	-	1,649,285
Total capital assets being depreciated	<u>42,075,924</u>	<u>2,885,842</u>	<u>(135,679)</u>	<u>-</u>	<u>44,826,087</u>
<b>Less accumulated depreciation:</b>					
Land Improvements	217,479	16,088	-	-	233,567
Building and building improvements	18,834,593	1,138,786	(44,321)	-	19,929,058
Furniture and equipment	1,534,898	363,466	(91,358)	-	1,807,006
Leased Equipment	-	126,868	-	-	126,868
Total accumulated depreciation	<u>20,586,970</u>	<u>1,645,208</u>	<u>(135,679)</u>	<u>-</u>	<u>22,096,499</u>
Total capital assets, being depreciated, net	<u>21,488,954</u>	<u>1,240,634</u>	<u>-</u>	<u>-</u>	<u>22,729,588</u>
Governmental activities, capital assets, net	<u>\$ 21,508,954</u>	<u>\$ 1,240,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,749,588</u>
<b>Business-Type Activity:</b>					
Capital assets being depreciated:					
Furniture and Equipment	\$ 493,852	\$ -	\$ -	\$ -	\$ 493,852
Less accumulated depreciation	<u>488,938</u>	<u>3,642</u>	<u>-</u>	<u>-</u>	<u>492,580</u>
Total capital assets being depreciated, net	<u>\$ 4,914</u>	<u>\$ (3,642)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,272</u>

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

Government Activities:	
Instruction	\$ 1,010,510
Instructional Student Support	220,122
Administrative and Financial Support Service	114,463
Operation and Maintenance of Plan Service	82,736
Pupil Transportation	76,971
Student Activities	15,565
Community Services	736
Facilities and Improvements	124,105
Total Depreciation Expense	<u>\$ 1,645,208</u>

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 7: LONG TERM OBLIGATIONS

As of June 30, 2022, the District's long-term debt consisted of the following:

	Beginning Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>June 30, 2022</u>	Amounts Due Within <u>One Year</u>
General Obligation Notes, Series of 2006	\$ 8,095,000	\$ -	\$ 1,035,000	\$ 7,060,000	\$ 1,070,000
General Obligation Notes, Series of 2007	1,520,000	-	190,000	1,330,000	205,000
General Obligation Bonds, Series of 2013	605,000	-	300,000	305,000	305,000
General Obligation Bonds, Series of 2017	3,600,000	-	40,000	3,560,000	175,000
General Obligation Bond Series of 2019	3,495,000	-	50,000	3,445,000	240,000
GON Series of 2007	240,000	-	240,000	-	-
Notes Payable, Energy Savings Project		763,887	51,890	711,997	52,949
Subtotal	17,555,000	763,887	1,906,890	16,411,997	2,047,949
Bond Premium	38,995	-	(3,899)	35,096	-
Bond Discount	(80,001)	-	11,442	(68,559)	-
Total Long Term Obligations	<u>\$ 17,513,994</u>	<u>\$ 763,887</u>	<u>\$ 1,914,433</u>	<u>\$ 16,378,534</u>	<u>\$ 2,047,949</u>

Pertinent information regarding long-term debt obligations outstanding is presented below:

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Annual Principal Installments ranging from</u>
General Obligation Notes, Series of 2006	\$ 13,500,000	\$ 7,060,000	Variable *	2028	\$540,000 to \$1,290,000
General Obligation Notes, Series of 2007	\$ 3,500,000	\$ 1,330,000	Variable *	2028	\$35,000 to \$240,000
General Obligation Note, Series of 2007	\$ 2,800,000	\$ -	4.129%	2022	\$205,000 to \$240,000
General Obligation Bonds, Series of 2013	\$ 2,500,000	\$ 305,000	.7% to 2.625%	2023	\$275,000 to \$305,000
General Obligation Bonds, Series of 2017	\$ 3,800,000	\$ 3,560,000	2% to 3.375%	2029	\$40,000 to \$1,740,000
General Obligation Bonds, Series of 2019	\$ 3,500,000	\$ 3,445,000	2% to 4.0%	2029	\$5,000 to \$1,605,000
Notes Payable, Energy Savings Project	\$ 763,887	\$ 711,997	2%	2034	\$51,889 to \$66,153

\* See Note 8

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 7: LONG TERM OBLIGATIONS (CONTINUED)

The following summarized the District's estimated future debt service requirements on these bonds and notes as of June 30, 2022, *assuming current interest rates remain the same*:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 2,047,949	\$ 352,097	\$ 2,400,046
2024	1,839,034	306,586	2,145,620
2025	1,960,141	266,256	2,226,397
2026	2,066,270	225,188	2,291,458
2027	2,182,422	205,862	2,388,284
2028-2032	6,185,199	298,119	6,483,318
2033-2034	130,982	2,384	133,366
	<u>\$ 16,411,997</u>	<u>\$ 1,656,492</u>	<u>18,068,489</u>

NOTE 8: DERIVATIVE INSTRUMENT

Objective and terms the basis swap. On April 2007, the School District entered into an uncollateralized interest rate swap agreement for its General Obligation Note, Series of 2005 (there was a partial termination of the interest rate swap agreement during 2011 as a result of a bond refunding); its General Obligation Note, Series of 2006 and its General Obligation Note, Series of 2007 with one counterparty. The interest rate swap was effective on July 1, 2008 and will mature on February 1, 2028. The School District pays the Royal Bank of Canada ("the Counterparty") a fixed rate of interest at 4.15% on a notional amount of the outstanding debt. The swap counterparty pays interest on the same notional amount based on the USD-SIFMA Municipal Swap Index. Only the net difference would be exchanged with the counterparty.

At June 30, 2022, the District has the following derivative instruments outstanding:

Governmental Activities:

<u>Fair Value</u>		<u>Changes in Fair Value</u>		
Notional				
<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>
Investment Derivative	(2007 Basis Swap)			
			Investment	
\$10,795,000	Liability	\$(578,811)	Income/(Loss)	\$845,825

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 8: DERIVATIVE INSTRUMENTS (CONTINUED)

**Objective and terms of derivative instrument**

The following table displays the objective and terms of the District's derivative instrument outstanding at June 30, 2022, along with the credit rating of the counterparty.

	Type	Objective	Notional Amounts	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
2007	Basis Swap	To take a position in the market	\$ 10,795,000	07/01/08	02/01/28	Pay 4.15% of outstanding debt and receive USD SIFMA	Aa1/AA-/AA-

As of June 30, 2010, the interest rate swap did not meet the criteria for hedge effectiveness, and, thus, is considered to be an investment derivative instrument.

The fair values of the swap were estimated using the mid-market levels derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions. These valuations do not necessarily represent actual terms at which new transactions could be liquidated. The fair values are determined by using Level 2 inputs (observable inputs).

*Credit risk.* As of June 30, 2022, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair values of the swap become positive, the District would be exposed to credit risk in the amount of the derivatives fair value. The counterparty was rated Aa1 by Moody's, AA- by Standard & Poor's, and AA- by Fitch.

*Interest rate risk.* The District is exposed to interest rate risk on the basis swap. The District's net payments increase as the SIFMA swap index decreases.

*Basis Risk.* The District is exposed to basis risk on the basis swap. The variable rate payments received on this derivative instrument is based on a rate or index other than interest rates the District pays on its general obligation notes.

*Termination Risk.* The swaps were issued pursuant to the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Swaps may also be terminated if the District's credit rating, as supported by the State Intercept Program, falls below Baa/BBB. The District or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swap is terminated, the District will be responsible for the underlying variable rate bond obligation. Also, if at the time of termination, the swaps have a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 9: COMPENSATED ABSENCES

The District's sick leave policy allows for an unlimited accumulation of sick leave. Upon retirement or termination, the employee would be paid a certain amount, according to the respective labor contract, for these accumulated sick days. Earned vacation time is generally required to be used within one year of accrual.

The changes in the District's compensated absences in 2022 are summarized as follows:

	<u>Governmental Activities</u>
Balance, July 1, 2021	\$ 246,523
Additions/(Reductions)	<u>(90,944)</u>
Balance, June 30, 2022	<u>\$ 155,579</u>

Compensated absences are paid from the General Fund and Food Service Fund.

NOTE 10: PENSION BENEFITS

**General Information about the Pension Plan**

Plan Description

The Pennsylvania Public School Employees' Retirement System ("PSERS") is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania.

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917 under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code



STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

**General Information about the Pension Plan** (Continued)

Plan Description (Continued)

("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS 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).

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.

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.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

**General Information about the Pension Plan (Continued)**

Benefits Provided (Continued)

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. Effective with Act 5 which was enacted on June 12, 2017, vested Class T-E and T-F members can now withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement

Contributions

*Employer Contributions:*

The contribution policy is set by the Code. The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% of covered payroll which includes .15% for the Act 5 defined contribution plan members, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,182,753 for the year ended June 30, 2022.

*Member Contributions:*

Member contribution rates are set by law (redefined with the provisions of Act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rates are as follows:

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%

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

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

At June 30, 2022, the District reported a liability of \$24,388,000 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 contributions as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0594 percent, which was a increase of 0.0021 percent from its proportion measured as of June 30, 2021.

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$2,461,000. 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 of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 3,882,000
Changes in assumptions	1,183,000	-
Changes in proportion	1,041,000	907,000
Difference between expected and actual experience	18,000	320,000
Contributions subsequent to the measurement date	3,182,753	-
Total	<u>\$ 5,424,753</u>	<u>\$ 5,109,000</u>

\$3,182,753 million 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ (720,000)
2023	(675,000)
2024	(219,000)
2025	(1,253,000)
Total	<u>\$ (2,867,000)</u>

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%

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

- 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, 2020.

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

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
Financing (LIBOR)	(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, 2021.

Discount Rate

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

Sensitivity of the School District's proportionate share of the net pension liability to change in the discount rate

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

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 32,010,000	\$ 24,388,000	\$17,958,000

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PSERS Comprehensive Annual Financial Report, which can be found on the system's website at [www.psers.pa.gov](http://www.psers.pa.gov).

Payable to the Pension Plan

At June 30, 2022, the District reported a payable of \$1,477,874 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

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 11: POSTEMPLOYMENT BENEFITS PLANS

**District Specific Plan**

Plan Description

*Plan Administration.* The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide postretirement healthcare benefits for teachers and certain others who retire under the qualifications of the Pennsylvania School Employee's Retirement System. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

*Plan Membership.* As of June 30, 2022, the Plan's membership consisted of the following:

Active Participants	156
Retired Participants	<u>7</u>
Total	<u>163</u>

Benefits Provided

Former Superintendent

The District pays the full cost of coverage for the member, which includes health, dental and vision. Spouses may elect coverage as well but are required to pay the full premium.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

**District Specific Plan** (Continued)

Teachers

For teachers who retired prior to June 1, 2017 that have reached retirement with 30 years of PSERS service or upon superannuation retirement, the member may elect coverage by contributing 12% of the premiums. Spouses may elect coverage as well but are required to pay the full premium. For teachers who retire after June 1, 2017, employees are eligible for health and dental upon retirement with 30 years of PSERS service or upon superannuation retirement. If the member retires through PSERS, he/she may elect to receive \$8,000 annually from the District to be used as reimbursement for coverage elected in the open market. If the member does not elect to receive the \$8,000 towards the open market, the member and spouse may instead continue medical and dental through the District by paying the full premium as determined for the purpose of COBRA.

All Others

For all other employees who retired prior to June 1, 2017 that have reached retirement with 30 years of PSERS service or upon superannuation retirement, the member may elect coverage by contributing 12% of the premiums. Spouses may elect coverage as well but are required to pay the full premium. For all other employees who retire after June 1, 2017, employees are eligible for health and dental upon retirement with 30 years of PSERS service or upon superannuation retirement. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

*Contributions.* The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund. Retiree contribution rates and amount vary depending on classification and years of service with the District.

Total OPEB Liability

The District's total OPEB liability of \$684,683 was determined by an actuarial valuation date of July 1, 2020 and the total liability was rolled forward to the July 1, 2021 measurement date.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the July 1, 2020 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%
Salary Increases	3.50% average, including inflation
Discount Rate	2.28%
Healthcare Cost Trend Rates	5.5% in 2020 through 2023. Rates gradually decreasing from 5.4% in 2024 to 4.0% in 2075 and later based on Society of Actuaries Long-Run Medical Cost Trend Model.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Total OPEB Liability

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2021.

Mortality rates are assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation with projections incorporated based on the Buck Modified 2016 projection scale to reflect mortality improvement.

50% of Teachers and Administrative and 25% of Support Staff are assumed to elect coverage. 20% of employees are assumed to be married and to have a spouse covered by the plan at retirement.

The actuarial assumptions used in the July 1, 2020 valuation were based on historical results, as a recent experience study was not completed.

Changes in the District's total OPEB liability for the plan for the fiscal year ended June 30, 2022 was as follows:

	Total OPEB Liability
Balance at 7/1/2020, Measurement date	\$ 667,748
Service Cost	63,901
Interest	13,224
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in Assumptions	(22,019)
Benefit Payments	(38,171)
Net Changes	16,935
Balance at 7/1/2021, Measurement date	\$ 684,683

Changes in assumptions reflect a change in the discount rate from 1.86% to 2.28%.

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* 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 healthcare cost trend rate that is 1-percentage point lower or 1-percentage higher than the current discount rate:

	1% Decrease 4.5%	Current discount rate 5.5%	1% Increase 6.5%
District's total OPEB liability	\$ 596,734	\$ 684,683	\$ 791,433



STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Total OPEB Liability (Continued)

*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 (1.28%) or 1-percentage higher (3.28%) than the current discount rate:

	<u>1% Decrease 1.28%</u>	<u>Current discount rate 2.28%</u>	<u>1% Increase 3.28%</u>
District's total OPEB liability	\$ 737,949	\$ 684,683	\$ 634,431

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$56,356. At June 30, 2022, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 79,447	\$ 34,998
Benefits paid subsequent to the measurement date	23,379	-
Differences between expected and actual experience	-	301,808
	<u>\$ 102,826</u>	<u>\$ 336,806</u>

\$23,379 is reported as deferred outflows of resources related to OPEB resulting from District's benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023. Amounts, other than benefits paid subsequent to the measurement date, reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2023	\$ (20,769)
2024	(20,769)
2025	(20,769)
2026	(20,769)
2027	(20,769)
Thereafter	(153,514)
Total	<u>\$ (257,359)</u>

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan**

Plan Description

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

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at [www.psers.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, 2022 was 0.80% 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 \$72,800 for the year ended June 30, 2022.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan** (Continued)

**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 \$1,412,000 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 of all School Districts in the PSERS Plan. At June 30, 2022, the District's proportion was 0.0596 percent, which was an increase of 0.0023 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$110,000. 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
Net difference between projected and actual investment earnings	\$ 3,000	\$ -
Changes in assumptions	150,000	19,000
Changes in proportion	126,000	57,000
Difference between expected and actual experience	13,000	-
Contributions subsequent to the measurement date	72,800	-
Total	<u>\$ 364,800</u>	<u>\$ 76,000</u>

\$72,800 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, 2023. 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:**

2023	\$ 48,000
2024	48,000
2025	46,000
2026	30,000
2027	18,000
Thereafter	<u>26,000</u>
Total	<u>\$ 216,000</u>

Actuarial Assumptions. The total OPEB liability as of June 30, 2020 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

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan** (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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results on an actuarial experience study that was performed for the five year period ending June 30, 2015.

Changes in Actuarial Assumptions

- The discount rate decreased from 2.66% as of June 30, 2020 to 2.18% 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.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan** (Continued)

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, 2020 were:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
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 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, 2021, 611 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.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan** (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates (Continued)

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	<b>1% Decrease Between 4 – 6.50%</b>	<b>Current discount rate Between 5 – 7.50%</b>	<b>1% Increase Between 6 – 8.50%</b>
District's proportionate share of the net OPEB liability	\$ 1,411,000	\$ 1,412,000	\$ 1,412,000

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 (1.18 percent) or higher (3.18 percent) than the current discount rate:

	<b>1% Decrease 1.18%</b>	<b>Current discount rate 2.18%</b>	<b>1% Increase 3.18%</b>
District's proportionate share of net OPEB liability	\$ 1,620,000	\$ 1,412,000	\$ 1,240,000

OPEB plan fiduciary net position.

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

At June 30, 2022 the District reported a payable of \$34,631 for the outstanding amount of contributions to the OPEB plan.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through the purchase of commercial insurance coverage. The District is a member of the Public School Health Insurance Cooperative Agreement (PSHIC) with other school districts in the insurance cooperatives. The plan is designed to use a modified self-funding approach, which would have a defined maximum liability but retain savings for low claim years. The PSHIC receives processes and pays medical claims as they become due within the benefit program of each member district. Management consists of a board of directors comprised of one appointed representative from each member district. Each member pays premiums, claim costs, claims administration costs, fees and all reasonable and necessary expenses due and payable to the cooperative for insurance services provided to each member. A 5% fee can be assessed to a member district that is late in paying the monthly contribution to PSHIC in addition to an 18% interest rate per annum. The District paid \$1,852,937 to PSHIC for the year ended June 30, 2022.

NOTE 13: CONTINGENT LIABILITIES

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

The District is involved in various lawsuits in the normal course of operations. Management cannot predict the outcome of all lawsuits or estimate the amount of any additional loss that may result. No provision has been made in the financial statements for any contingent liabilities that may result. Management believes that losses resulting from these matters, if any, would be covered by the accrual and the District's professional liability insurance policy and would not have a material effect on the financial position of the District.

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulation governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2022 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The District has entered into a contracted transportation service agreement with an external party to provide busing service for elementary and secondary pupils. 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.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 14: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2022 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$ 453,807	\$ -	\$ -	\$ 2,652,839
Capital Projects/Debt Service	-	383,930	2,652,839	-
Food Service Fund	-	69,877	-	-
Total	<u>\$ 453,807</u>	<u>\$ 453,807</u>	<u>\$ 2,652,839</u>	<u>\$ 2,652,839</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur and (3) payments between funds are made.

Transfers from the General Fund are used to fund debt service expenditures of the Capital Projects/Debt Service Fund.

NOTE 15: FINANCIAL DIFFICULTIES/FUND DEFICITS

On March 15, 2013, the District was placed on the Pennsylvania Department of Education's (PDE) Financial Watch Status as a result of poor financial performance and other ratios that indicate that the District is struggling to maintain fiscal stability. The District remains under Financial Watch Status. The District continues to work closely with PDE's technical services to monitor cash flow and budget.

The District may be forced to eliminate certain educational services and decrease its professional staff in order to correct its poor financial situation. The likelihood that the District will have to curtail its educational offerings is increased by the fact that it has an unstable local tax base, as evidenced by its high rate of delinquent tax payments.

The District administration continues to work in partnership with PDE to address their financial concerns. PDE also indicated a willingness to assist the District to eliminate the deficit associated with the culmination of unpaid vendor invoices. PDE provided \$1,000,000 of empowerment funds in the 21/22 fiscal year to assist the District with the unpaid expenditures.

The General Fund had a fund deficit of \$(4,366,672), for the year ended June 30, 2022. The General Fund had a \$420,717 decrease in fund balance for the fiscal year 21-22. In 21-22, the decrease in the General Fund's fund balance was due to increased spending for Instruction and Support Services.

The District evaluated a number of strategies in order to reduce the fund balance deficit. The District hired Portnoff Law Services to collect delinquent real estate taxes and the District changed from Capital Tax to Keystone Collection Services to increase the collection of tax revenue. The District's vendor contracts for goods and services are reviewed annually by the District's solicitor and continue to be evaluated to ensure the best pricing models occur for the 2022-2023 school year. The District continues to prioritize expenses by restricting the purchase of materials and services during the upcoming school year.



STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 16: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN MAJOR FUND

The following major fund had an excess of actual expenditures over budget for the year ended June 30, 2022.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Percent of Excess Expenditures Over Appropriations</u>
General Fund	\$ 27,643,026	\$ 32,013,194	15.81%

The excess expenditures over appropriations in the General Fund was funded by greater than anticipated revenues.

NOTE 17: LEASES

Pertinent information regarding leases is presented below:

<u>Date of Issue</u>	<u>Initial Liability</u>	<u>Purpose</u>	<u>Outstanding Liability Balance 6/30/22</u>	<u>Asset Value 6/30/22</u>	<u>Accumulated Amortization 6/30/22</u>
2022	\$ 1,649,285	The District entered into a lease with an energy savings company to lease energy and solar panels. Quarterly payments range from \$37,092 to \$39,357. The lease has an interest rate of 3%	\$ 1,536,691	\$ 1,522,417	\$ 126,868
Total			<u>\$ 1,536,691</u>	<u>\$ 1,522,417</u>	<u>\$ 126,868</u>

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 104,168	\$ 44,936	\$ 149,104
2024	108,073	41,767	149,840
2025	112,104	38,480	150,584
2026	116,257	35,071	151,328
2027	120,545	31,535	152,080
2028-2032	671,816	99,944	771,760
2033-2034	303,728	10,352	314,080
	<u>\$ 1,536,691</u>	<u>\$ 302,085</u>	<u>\$ 1,838,776</u>

NOTE 18: SUBSEQUENT EVENTS

No subsequent events have taken place that effect the financial statement or required disclosures.

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## **REQUIRED SUPPLEMENTAL INFORMATION**

STEELTON HIGHSPIRE SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 7,295,366	\$ 7,295,366	\$ 8,661,356	\$ 1,365,990
State Sources	14,728,960	14,728,960	17,002,538	2,273,578
Federal Sources	6,097,765	6,097,765	6,168,250	70,485
Total Revenues	28,122,091	28,122,091	31,832,144	3,710,053
EXPENDITURES:				
Instruction:				
Regular Programs	9,070,702	9,070,702	10,582,463	(1,511,761)
Special Programs	5,494,959	5,494,959	7,014,507	(1,519,548)
Vocational Educational Programs	224,817	224,817	512,150	(287,333)
Other Instructional Programs	761,913	761,913	1,159,433	(397,520)
Nonpublic School Programs	32,344	32,344	36,250	(3,906)
Higher Education Programs for Secondary Students	48,742	48,742	-	48,742
Pre-Kindergarten Programs	363,285	363,285	359,286	3,999
Total Instruction	15,996,762	15,996,762	19,664,089	(3,667,327)
Support services:				
Pupil Personnel	949,136	949,136	1,384,284	(435,148)
Instructional Staff	504,103	504,103	1,024,510	(520,407)
Administration	1,550,219	1,550,219	1,499,489	50,730
Pupil Health	259,294	259,294	464,264	(204,970)
Business	721,581	721,581	727,911	(6,330)
Operation and Maintenance of Plant Services	2,082,716	2,082,716	1,610,007	472,709
Student Transportation Services	897,959	897,959	1,497,815	(599,856)
Central and Other Support Services	1,789,927	1,789,927	3,626,204	(1,836,277)
Total Support Services	8,754,935	8,754,935	11,834,484	(3,079,549)
Operation of Noninstructional Services:				
Student Activities	209,197	209,197	302,895	(93,698)
Community Services	32,333	32,333	14,320	18,013
Total Operation of Noninstructional Services	241,530	241,530	317,215	(75,685)
Debt Service	2,649,799	2,649,799	197,406	2,452,393
Total Expenditures	27,643,026	27,643,026	32,013,194	(4,370,168)
EXCESS OF REVENUES OVER EXPENDITURES	479,065	479,065	(181,050)	(660,115)
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	-	1,649,285	1,649,285
Note Proceeds	-	-	763,887	763,887
Transfers Out	-	-	(2,652,839)	(2,652,839)
Total Other Financing Sources/(Uses)	-	-	(239,667)	(239,667)
NET CHANGE IN FUND BALANCE	\$ 479,065	\$ 479,065	(420,717)	\$ (899,782)

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION

	2018	2019	2020	2021	2022
<b>Total OPEB liability</b>					
Service Cost	\$ 75,718	\$ 77,231	\$ 34,719	\$ 34,138	\$ 63,901
Interest	34,967	44,950	21,555	23,099	13,224
Changes of benefit terms	-	(404,235)	-	-	-
Differences between expected and actual experience	-	(300,884)	-	(87,022)	-
Changes of assumptions	19,959	1,557	(17,667)	73,776	(22,019)
Benefit payments, including refunds of employee contributions	(108,328)	(93,603)	(84,906)	(64,532)	(38,171)
<b>Net change in total OPEB liability</b>	22,316	(674,984)	(46,299)	(20,541)	16,935
<b>Total OPEB liability - beginning</b>	1,387,256	1,409,572	734,588	688,289	667,748
<b>Total OPEB liability - ending</b>	<u>\$ 1,409,572</u>	<u>\$ 734,588</u>	<u>\$ 688,289</u>	<u>\$ 667,748</u>	<u>\$ 684,683</u>
 <b>Covered payroll</b>	 \$ 7,099,748	 \$ 7,503,375	 \$ 7,503,375	 \$ 7,923,577	 \$ 7,923,577
 <b>Total OPEB liability as a percentage of covered payroll</b>	 19.9%	 9.8%	 9.2%	 8.4%	 8.6%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years only for which information is available.  
No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Changes of Assumptions:

In 2022, the discount rate changed from 1.86% to 2.28%.

In 2021, the discount rate changed from 3.36% to 1.86%.

In 2020, the discount rate changed from 2.98% to 3.36%.

In 2019, the discount rate changed from 3.13% to 2.98% and trend assumption was updated.

In 2018, the discount rate changed from 2.49% to 3.13%

Change in Benefits: In 2018, the \$8,000 reimbursement for open market coverage for Teachers is no longer offered.

STEELTON HIGHSPIRE SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN - LAST 10 YEARS  
REQUIRED SUPPLEMENTAL INFORMATION

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension liability	0.0550%	0.0587%	0.0611%	0.0573%	0.0596%
District's proportionate share of the PSERS OPEB liability	\$ 1,121,000	\$ 1,224,000	\$ 1,300,000	\$ 1,238,000	\$ 1,412,000
District's covered payroll	\$ 7,318,916	\$ 7,640,049	\$ 8,081,381	\$ 8,040,170	\$ 8,442,727
District's proportionate share of the PSERS OPEB liability as a percentage of its covered payroll	15%	16%	16%	15%	17%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5%	6%	6%	6%	6%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years only for which information is available

STEELTON HIGHSPIRE SCHOOL DISTRICT  
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS - PSERS PLAN - LAST 10 YEARS  
REQUIRED SUPPLEMENTAL INFORMATION

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 61,000	\$ 60,700	\$ 66,000	\$ 65,900	\$ 67,200	\$ 72,800
Contributions in relation to the contractually required contribution	(61,000)	(60,700)	(66,000)	(65,900)	(67,200)	(72,800)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,318,916	\$ 7,640,049	\$ 8,081,381	\$ 8,040,170	\$ 8,442,727	\$ 8,519,355
Contributions as a percentage of covered payroll	1%	1%	1%	1%	1%	1%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years for which information is available

The covered payroll amount has been revised to reflect adjustments processed by PSERS.

Change of assumptions:

In FY 2018, the discount rate changed from 3.13% to 2.98%

In FY 2019, the discount rate changed from 2.98% to 2.79%

In FY 2020, the discount rate changed from 2.79% to 2.66%.

In FY 2021 , the discount rate changed from 2.66% to 2.18%.

STEELTON HIGHSPIRE SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - LAST 10 YEARS  
REQUIRED SUPPLEMENTAL INFORMATION

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension liability	0.0510%	0.0515%	0.0550%	0.0587%	0.0611%	0.0573%	0.0594%
District's proportionate share of the net pension liability	\$ 22,090,000	\$ 25,522,000	\$ 27,164,000	\$ 28,179,000	\$ 28,584,000	\$ 28,214,000	\$ 24,388,000
District's covered payroll	\$ 7,117,457	\$ 6,669,820	\$ 7,318,916	\$ 7,640,049	\$ 8,081,381	\$ 8,040,170	\$ 8,442,727
District's proportionate share of the net pension liability as a percentage of its covered payroll	310%	383%	371%	369%	354%	351%	289%
Plan fiduciary net position as a percentage of the total pension liability	54%	50%	52%	54%	56%	54%	64%

The District adopted GASB 68 on a prospective basis; therefore, information is presented for those years only for which information is available



STEELTON HIGHSPIRE SCHOOL DISTRICT  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - LAST 10 YEARS  
REQUIRED SUPPLEMENTAL INFORMATION

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 1,317,000	\$ 1,638,000	\$ 2,104,000	\$ 2,324,500	\$ 2,594,000	\$ 2,624,860	\$ 2,761,689	\$ 3,182,753
Contributions in relation to the contractually required contribution	(1,318,000)	(1,615,000)	(2,104,000)	(2,324,500)	(2,594,000)	(2,624,860)	(2,761,689)	(3,182,753)
Contribution deficiency (excess)	<u>\$ (1,000)</u>	<u>\$ 23,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,117,457	\$ 6,669,820	\$ 7,318,916	\$ 7,640,049	\$ 8,081,381	\$ 8,040,170	\$ 8,442,727	\$ 8,519,355
Contributions as a percentage of covered payroll	19%	24%	29%	30%	32%	33%	33%	37%

The District adopted GASB 68 on a prospective basis; therefore, information is presented for those years for which information is available

The covered payroll amount has been revised to reflect adjustments processed by PSERS.

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**OTHER SUPPLEMENTAL INFORMATION  
(SINGLE AUDIT)**

Steelton-Highspire School District  
Schedule of Expenditures of Federal Awards  
June 30, 2022

Federal grantor/ pass-through grantor/program title	Source code	Federal AL number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at July 01, 2021	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2022	Amounts paid to subrecipients
<u>U.S. Department of Education:</u>											
Passed through the Pennsylvania Department of Education:											
Program Improvement Grants to LEAs	I	84.010	042-210420	07/01/20-09/30/21	\$ 235,464	\$ 18,127	\$ -	\$ 18,127	\$ 18,127	\$ -	\$ -
Program Improvement Grants to LEAs	I	84.010	042-220420	07/01/21-09/30/22	265,272	72,507	-	90,634	90,634	18,127	-
Title I, Part A	I	84.010	013-210420	07/01/20-09/30/21	338,704	338,704	47,456	291,248	291,248	-	-
Title I, Part A	I	84.010	013-220420	07/01/21-09/30/22	742,878	742,878	-	810,412	810,412	67,534	-
Total Title I						1,172,216	47,456	1,210,421	1,210,421	85,661	-
Title II-A, Improving Teacher Quality	I	84.367	020-210420	07/01/20-09/30/21	99,477	32,942	32,942	-	-	-	-
Title II-A, Improving Teacher Quality	I	84.367	020-220420	07/01/21-09/30/22	88,909	77,055	-	83,665	83,665	6,610	-
Total Title II						109,997	32,942	83,665	83,665	6,610	-
Title IV, Part A - Student Support and Academic Enrichment Grant	I	84.424	144-210420	07/01/19-09/30/20	57,655	19,218	18,406	812	812	-	-
Title IV, Part A - Student Support and Academic Enrichment Grant	I	84.424	144-220420	07/01/21-09/30/22	74,700	64,740	-	80,503	80,503	15,763	-
Total Title IV						83,958	18,406	81,315	81,315	15,763	-
COVID 19 - Elementary and Secondary School Emergency Relief Fund II	I	84.425D	200-200420	03/13/20-09/30/22	3,738,497	3,409,416	2,140,952	1,268,464	1,268,464	-	-
COVID 19 - Elementary and Secondary School Emergency Relief Fund III	I	84.425U	200-200420	03/13/20-09/30/22	7,423,836	2,834,556	-	3,229,770	3,229,770	395,214	-
COVID 19 - ARP ESSER	I	84.425U	225-210420	03/13/21-09/30/24	576,998	59,948	-	67,441	67,441	7,493	-
COVID 19 - ARP ESSER 7%	I	84.425U	N/A	03/13/21-09/30/24	13,488	11,989	-	13,488	13,488	1,499	-
COVID 19 - ARP ESSER 7%	I	84.425U	N/A	03/13/21-09/30/24	13,488	11,990	-	13,488	13,488	1,498	-
COVID 19 - ARP ESSER - Homeless Assistance	I	84.425U	N/A	07/01/21-03/31/22	40,000	1,747	-	34,934	34,934	33,187	-
						6,329,646	2,140,952	4,627,585	4,627,585	438,891	-
Passed through the Pennsylvania Commission of Crime and Delinquency:											
COVID 19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	34939	03/13/20-09/30/22	44,811	6,952	6,952	-	-	-	-
Passed through the Berks County Intermediate Unit:											
COVID 19 - ARP ESSER - Homeless Assistance	I	84.425D	N/A	03/13/20-09/30/22	40,000	-	-	40,000	40,000	40,000	-
Total AL #84.425						6,336,598	2,147,904	4,667,585	4,667,585 *	478,891	-

Steelton-Highspire School District  
Schedule of Expenditures of Federal Awards (Continued)  
June 30, 2022

Federal grantor/ pass-through grantor/program title	Source code	Federal AL number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at July 01, 2021	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2022	Amounts paid to subrecipients
<b>Special Education Cluster (IDEA):</b>											
Passed through the Pennsylvania Department of Education:											
Individuals with Disabilities Education Act, Special Education-Grants to States, Part B - CEEG	I	84.027	252-200420	07/01/20-09/30/21	\$ 11,644	\$ 1,552	\$ -	\$ 1,552	\$ 1,552	\$ -	\$ -
Passed through the Capital Area Intermediate Unit:											
Individuals with Disabilities Education Act, Special Education-Grants to States, Part B	I	84.027	H027A190093	07/01/21-09/30/22	271,265	84,298	-	271,265	271,265	186,967	-
Individuals with Disabilities Education Act, Special Education-Grants to States, Part B	I	84.027	62-150015	07/01/21-09/30/22	67,301	-	-	67,301	67,301	67,301	-
Individuals with Disabilities Education Act, Special Education-Grants to States, Part B	I	84.027	62-150015	07/01/19-06/30/20	550,000	47,217	47,217	-	-	-	-
Individuals with Disabilities Education Act, Special Education-Grants to States, Part B	I	84.027	62-150015	07/01/21-06/30/22	550,000	547,276	-	547,276	547,276	-	-
Total Special Education Cluster (IDEA)						680,343	47,217	887,394	887,394	254,268	-
Title III	I	84.365	62-150015	08/16/21-09/30/22	22,646	22,646	-	22,646	22,646	-	-
Total U.S. Department of Education						8,405,758	2,293,925	6,953,026	6,953,026	841,193	-
<u>U.S. Department of Agriculture:</u>											
<b>Child Nutrition Cluster:</b>											
Passed through the Pennsylvania Department of Education:											
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	637,372	43,408	677,509	677,509	83,545	-
School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	214,017	-	248,731	248,731	34,714	-
						851,389	43,408	926,240	926,240	118,259	-
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch Program - Donated Commodities	I	10.555	N/A	N/A	N/A	29,241	-	29,241	29,241	-	-
						29,241	-	29,241	29,241	-	-
Total Child Nutrition Cluster						880,630	43,408	955,481	955,481	118,259	-
Total US Department of Agriculture						880,630	43,408	955,481	955,481	118,259	-
Total federal awards						<u>\$ 9,286,388</u>	<u>\$ 2,337,333</u>	<u>\$ 7,908,507</u>	<u>\$ 7,908,507</u>	<u>\$ 959,452</u>	<u>\$ -</u>

\* - Denotes Major Program

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022

NOTE 1: REPORTING ENTITY

Steelton-Highspire School District (the "District") is the reporting entity for financial reporting purposes as defined in Note 1A to the District's basic financial statements. For purposes of preparing the schedule of expenditures of federal awards, the District's reporting entity is the same that was used for financial reporting.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the District and is presented using the modified accrual basis of accounting, which is described in Note 1E to the District's basic financial statements. The District did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2022 threshold for determining Type A and Type B programs is \$750,000.

The following Type A programs were audited as major programs:

84.425 Education Stabilization Fund

The amount expended under the programs audited as major federal programs for the year ended June 30, 2022, totaled \$4,667,585 or 59.02% of total federal awards expended.

NOTE 4: MEDICAL ASSISTANCE

Access reimbursement received under AL #93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.



# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

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

**INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Steelton-Highspire School District  
Steelton, Pennsylvania  
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We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Steelton-Highspire 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 District's basic financial statements and have issued our report thereon dated March 7, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

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



# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

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## **The District's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

Harrisburg, Pennsylvania  
March 7, 2023

*Zelenkofske Axelrod LLC*

ZELENKOFSCHE AXELROD LLC





# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

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## REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

### INDEPENDENT AUDITOR'S REPORT

Board of School Directors  
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#### **Report on Compliance for Each Major Federal Program**

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

We have audited the Steelton-Highspire School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

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

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

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

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

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

##### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit.



# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

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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 the District's compliance with the requirements of the major federal program as a whole.

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

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

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

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

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



# *Zelenkofske Axlerod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

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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.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania  
March 7, 2023

STEELTON-HIGHSPIRE 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?   X   yes        no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?  
       yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?  
       yes   X   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   X   no

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?        yes   X   no

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2022-001

Accounting Records/Account Reconciliations

Criteria:	The accounts of the District should include all significant transactions in the period of benefit and the district should perform account reconciliations over significant balance sheet accounts.
Condition:	During the audit, certain audit adjustments were required to record additional payables/expenditures and receivables/revenues after the District's year-end close of the accounting records.
Cause:	Transactions were not recorded in the period of benefit and account reconciliations were not performed in a timely manner.
Effect:	The financial records did not reflect the correct financial activity of a period, which would result in a material misstatement of the financial statements. The finding was a repeat of findings 2018-001, 2019-001, 2020-001, and 2021-001 from the prior years.
Questioned Costs:	None.
Recommendation:	The District should ensure that internal control procedures over financial reporting are sufficient to identify and record all material adjustments. In addition, account reconciliation should be performed in a timely manner.
Management's Response:	The District agrees with the finding and has implemented procedures for the future to ensure all year-end entries are correctly posted to the period of benefit. In addition to implementing procedures the District has also made organizational changes in the Business office.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

STEELTON-HIGHSPIRE SCHOOL DISTRICT  
SUMMARY OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022

<u>Program</u>	<u>Prior Year Finding</u>	<u>Description</u>	<u>Current Year Status</u>
Various	2018-001, 2019-001, 2020-001 & 2021-001	Journal Entries/GL Reconciliations	See 2022-001
Various	2019-002, 2020-002 & 2021-002	Data Submitted to Actuary	Resolved

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