

This Preliminary Official Statement is deemed final for purposes of SEC Rule 15c2-12. Certain information contained herein is subject to completion and amendment or other change without notice. The securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful, prior to registration or qualification under the securities laws of any such jurisdiction. The District has deemed this Preliminary Official Statement to be final for purposes of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, except for certain information which has been omitted in accordance with such rule and which will be provided in the final Official Statement.



NEW ISSUE—BOOK-ENTRY ONLY

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 5, 2026

Underlying Bond Rating: Moody's Investor Services "A1"
Insured Bond Rating: S&P Global Ratings "AA" (stable outlook)
(BAM insured)
See "RATINGS" herein

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, interest on the Bonds is included in calculations of both: (a) average annual "adjusted financial statement income" for the purpose of determining whether a corporation is an "applicable corporation", as defined in Section 59(k) of the Tax Code; and (b) the amount of current "adjusted financial statement income" of such applicable corporation which is subject to the alternative minimum tax imposed by Section 55 of The Tax Code, for years beginning after December 31, 2022. The Bonds, and interest income therefrom, are free from taxation for purposes of personal, and corporate net, income taxes within the Commonwealth of Pennsylvania. (See section entitled "TAX MATTERS" herein.)

\$22,855,000*

CONNELLVILLE AREA SCHOOL DISTRICT

(Fayette County, Pennsylvania)

General Obligation Bonds, Series of 2026

Consisting of:

\$12,450,000* General Obligation Bonds, Series A of 2026

\$10,405,000* General Obligation Bonds, Series B of 2026

Dated: Date of Delivery

Interest Due: May 15 and November 15

Principal Due: November 15, as shown on inside cover

First Interest Payment: _____

The Connellsville Area School District's (the "School District" or "District") General Obligation Bonds, Series of 2026 in the aggregate principal amount of \$22,855,000* consisting of two series, the \$12,450,000* General Obligation Bonds, Series A of 2026 (the "2026A Bonds"), and the \$10,405,000* General Obligation Bonds, Series B of 2026 (the "2026B Bonds"), and together with the 2026A Bonds, the "Bonds" will be issued as fully registered securities. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, the Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to the designated corporate trust office of U.S. Bank Trust Company, National Association, (the "Paying Agent"), Pittsburgh, Pennsylvania acting as paying agent and sinking fund depository. Interest on the Bonds is payable initially on _____, _____, and thereafter, semiannually on May 15 and November 15 of each year, until the principal sum thereof is paid. Payment of interest on the Bonds will be made to the registered owners of the Bonds as of the Record Date (see "THE BONDS" *infra*).

The Bonds are subject to redemption prior to maturity (See "REDEMPTION OF BONDS" herein).

The Bonds are general obligations of the School District, payable from local taxes, state subsidies and other general revenues. The School District has covenanted in the resolution authorizing the Bonds adopted by the Board of School Directors of the School District on September 23, 2026 (the "Resolution") that it will budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution, or any other of its legally available revenues or funds, the principal of the Bonds and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and all available taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable real property within the School District, to the extent available by law. (See "SECURITY FOR THE BONDS" and "PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS", including the description of the Taxpayer Relief Act and other legislation described therein).

The proceeds of the 2026A Bonds will be used to finance: (1) HVAC and electrical upgrades, window and locker replacements, bathroom renovations, and parking lot resurfacing; (2) capitalized interest; and (3) the costs associated with issuing and insuring the 2026A Bonds. The proceeds of the 2026B Bonds will be used to (1) advance refund all or a portion of the School District's outstanding General Obligation Bonds, Taxable Series of 2021; and (2) pay the costs associated with issuing and insuring the 2026B Bonds. (See "PURPOSE OF THE ISSUE" herein.)

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

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



MATURITIES, AMOUNTS, RATES AND YIELDS/PRICES

See Inside Cover

The Bonds are offered for delivery when, as and if issued by the School District and received by the Underwriter and subject to the approving legal opinion of Clark Hill PLC, Pittsburgh, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the School District by Timothy Witt, Esq., of Watson Mundorff, LLP, Solicitor to the School District. Certain legal matters will be passed upon for the Underwriter by its counsel, Cozen O'Connor, Pittsburgh, Pennsylvania. It is expected that the Bonds in definitive form will be available for delivery in New York, New York on or about _____, 2026.

STIFEL

Dated: _____, 2026

*Preliminary, Subject to Change

\$22,855,000*
CONNELLVILLE AREA SCHOOL DISTRICT
(Fayette County, Pennsylvania)

\$12,450,000* General Obligation Bonds, Series A of 2026

Dated: Date of Delivery
Interest Due: May 15 and November 15

Principal Due: November 15, as shown below
First Interest Payment: _____, _____

Maturity Date (November 15) Year	Principal Amounts	Interest Rates	Initial Offering Yields	CUSIP Numbers⁽¹⁾
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\$10,405,000* General Obligation Bonds, Series B of 2026

Dated: Date of Delivery
Interest Due: May 15 and November 15

Principal Due: November 15, as shown below
First Interest Payment: _____, _____

Maturity Date (November 15) Year	Principal Amounts	Interest Rates	Initial Offering Yields	CUSIP Numbers⁽¹⁾
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⁽¹⁾ The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District or the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

*Preliminary, Subject to Change

CONNELLSVILLE AREA SCHOOL DISTRICT
(Fayette County, Pennsylvania)
732 Rockridge Road
P.O. Box 861
Connellsville, PA 15425-0861
(724) 628-3300
www.casdfalcons.org

BOARD OF SCHOOL DIRECTORS

Name	Office
Mr. Jon Detwiler	President
Mr. David Panzella	Vice President
Mr. Michael Coughenour	Member
Mrs. Cecilia Driscoll	Member
Mr. Paul Harshman	Member
Mr. David Martray	Member
Mr. Daniel Martucci	Member
Mr. Robert Renzi	Member
Mrs. Marci Sangston	Member
Mrs. Diana DeWitt*	Secretary
* Non-voting member	

SUPERINTENDENT

MR. RICHARD EVANS

BUSINESS MANAGER

MRS. CHERIE ROUTZAHN

SCHOOL DISTRICT SOLICITOR

MR. TIMOTHY WITT, ESQ.
WATSON MUNDORFF, LLP
Connellsville, Pennsylvania

BOND COUNSEL

CLARK HILL PLC
Pittsburgh, Pennsylvania

PAYING AGENT

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION
Pittsburgh, Pennsylvania

DISSEMINATION AGENT

DIGITAL ASSURANCE CERTIFICATION (DAC)
Orlando, Florida

UNDERWRITER

STIFEL, NICOLAUS & COMPANY, INCORPORATED
Pittsburgh, Pennsylvania

LIMITED SCOPE UNDERWRITER'S COUNSEL

COZEN O'CONNOR
Pittsburgh, Pennsylvania

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

THE ORDER AND PLACEMENT OF THE MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE 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 OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT 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 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS OR THE RESOLUTION IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF CERTAIN STATES, IF ANY, IN WHICH THE BONDS 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 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS SUBMITTED IN CONNECTION WITH THE SALE OF THE BONDS REFERRED TO HEREIN, AND MAY NOT BE REPRODUCED OR BE USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES AT ANY TIME IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

Neither the School District's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forecasted information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted information.

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 which could affect the revenues and obligations of the School District include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the School District. Such 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.

The School District does not generally publish its business plans and strategies or make external disclosures of its anticipated financial position or results of operations. Accordingly, the School District does not intend to update or otherwise revise the forecasted financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, the School District does not intend to update or revise the forecasted financial information to reflect changes in general economic or industry conditions. Additional information relating to the principal assumptions used in preparing the projections is set forth herein.

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

References to website addresses presented herein are for information purposes only and, unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

The School District deems this Preliminary Official Statement to be final for the purpose of SEC Rule 15c2-12(b)(1).

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. No person is authorized to detach this **SUMMARY STATEMENT** from this Official Statement or otherwise use it without the entire Official Statement.

Issuer	Connellsville Area School District, Fayette County, Pennsylvania (the "School District" or "District").
The Bonds	The Bonds described herein are in the aggregate principal amount of \$22,855,000* and consists of two series, the \$12,450,000* General Obligation Bonds, Series A of 2026 (the "2026A Bonds"), and the \$10,405,000* General Obligation Bonds, Series B of 2026 (the "2026B Bonds"), and together with the 2026A Bonds, the "Bonds". The Bonds are initially dated the Date of Delivery and will mature as shown in the MATURITY SCHEDULE shown on the inside of the Cover Pages of this Official Statement. Interest on the Bonds will begin to accrue on the Date of Delivery and is payable initially on _____, _____, and on each May 15 and November 15 thereafter. (See " THE BONDS " herein.)
Redemption Provisions	The Bonds are subject to redemption prior to their stated dates of maturity. (See " REDEMPTION OF BONDS " herein.)
Form of Bonds	Book-entry form only.
Purpose of the Issue	The proceeds of the 2026A Bonds will be used to finance: (1) HVAC and electrical upgrades, window and locker replacements, bathroom renovations, and parking lot resurfacing; (2) capitalized interest; and (3) the costs associated with issuing and insuring the 2026A Bonds. The proceeds of the 2026B Bonds will be used to (1) advance refund all or a portion of the School District's outstanding General Obligation Bonds, Taxable Series of 2021; and (2) pay the costs associated with issuing and insuring the 2026B Bonds. (See " PURPOSE OF THE ISSUE " herein.)
Security for the Bonds	The Bonds are general obligations of the Connellsville Area School District, a public school district located in Fayette County, Pennsylvania (the "School District"), payable from local taxes, state subsidy and other general revenues. The School District has covenanted in the Resolution authorizing the Bonds adopted by the Board of the School District on September 23, 2026 (the "Resolution") that it will budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its legally available revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and available taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable real property within the School District, within the limits prescribed by law. (See " TAXING POWERS AND LIMITS ", " SECURITY FOR THE BONDS " " PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF THE SCHOOL DISTRICT " and " Act 1 of Special Session 2006 (Taxpayer Relief Act) " herein.)
Credit Enhancement	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). (See " MUNICIPAL BOND INSURANCE " herein.)
Bonds Rating	The Bonds are expected to receive a credit rating of "AA" from S&P Global Ratings New York, New York, with the understanding that the above-described municipal bond insurance policy will be issued at the time of settlement of the Bonds. Moody's has also assigned its underlying rating of "A1" to the Bonds (based upon the School District's financial condition). (See " RATING " herein.)
Continuing Disclosure Undertaking	The District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities and Exchange Act of 1934, as amended and interpreted (the "Rule"). (See " CONTINUING DISCLOSURE UNDERTAKING " herein.)

*Preliminary, Subject to Change

This 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 the Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance and this Official Statement including Appendices must be considered in its entirety.

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PRELIMINARY OFFICIAL STATEMENT

\$22,855,000* **CONNELLVILLE AREA SCHOOL DISTRICT** **(Fayette County, Pennsylvania)**

Consisting of:
\$12,450,000* General Obligation Bonds, Series A of 2026
\$10,405,000* General Obligation Bonds, Series B of 2026

INTRODUCTION

This Official Statement, including the cover page and inside cover pages hereof and Appendices hereto, is furnished by the Connellsville Area School District (the "School District" or "District"), located in Fayette County, Pennsylvania, in connection with the offering of the Bonds described herein, issued in the aggregate principal amount of \$22,855,000* and consisting of two series, the \$12,450,000* General Obligation Bonds, Series A of 2026 (the "2026A Bonds"), and the \$10,405,000* General Obligation Bonds, Series B of 2026 (the "2026B Bonds" and, together with the 2026A Bonds, the "Bonds"). The Bonds are being issued pursuant to a resolution of the Board of School Directors of the School District adopted on September 23, 2026 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. C.S.A. §8001 et seq., as amended (the "Debt Act").

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable semiannually on May 15 and November 15 of each year, commencing _____, _____. Subject to the applicable provisions for Book-Entry payment of the Bonds, interest on any Bond is payable to the registered owner which appears on the registration books of the Paying Agent on the appropriate Record Date as described below. The principal of the Bonds is payable at the designated corporate trust office of U.S. Bank Trust Company, National Association, Pittsburgh, Pennsylvania (the "Paying Agent" or "Sinking Fund Depository"). The Bonds are only transferable on the registration books maintained by the Paying Agent upon presentation and surrender thereof (see "THE BONDS" herein). The Bonds are subject to redemption as stated herein.

The information which follows contains summaries of the Resolution, the Bonds, relevant provisions of state and federal laws, and the School District's budget and financial statements, among others. Such summaries do not purport to be complete and reference is made to the Resolution, the School District's budget and financial statements and other documents, copies of which are on file and available for examination at the offices of the School District. Reference is also made to the Bonds and to the full text of the cited laws and regulations.

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

PURPOSE OF THE ISSUE

The proceeds of the 2026A Bonds will be used to finance: (1) HVAC and electrical upgrades, window and locker replacements, bathroom renovations, and parking lot resurfacing; (2) capitalized interest; and (3) the costs associated with issuing and insuring the 2026A Bonds.

The proceeds of the 2026B Bonds will be used to (1) advance refund all or a portion of the School District's outstanding General Obligation Bonds, Taxable Series of 2021 (the "2021 Bonds"); and (2) pay the costs associated with issuing and insuring the Bonds.

On the date of issuance of the 2026B Bonds, the School District will deposit approximately \$_____ of the proceeds of the 2026B Bonds with U.S. Bank Trust Company, National Association, as escrow agent (the "Escrow Agent") pursuant to an Escrow Trust Agreement to be dated the date of issuance of the 2026B Bonds by and between the School District and the Escrow Agent (the "Escrow Agreement"). In accordance with the provisions of the Escrow Agreement, the Escrow Agent shall purchase certain direct obligations of the United States, which will be sufficient, together with interest earnings, to pay all of the principal of and interest becoming due on a portion of the 2021 Bonds, being those 2021 Bonds maturing on _____ through and including November 15, 2033, (the "Refunded 2021 Bonds").

*Preliminary, Subject to Change

Escrow Verification

The accuracy of the mathematical computations supporting the adequacy of the maturing principal amounts of, and interest earned on, the United States Treasury Obligations deposited pursuant to the Escrow Agreement to pay the principal of, and interest when due on the Refunded 2021 Bonds, will be verified by _____ as a condition to the delivery of the 2026B Bonds.

Sources and Uses of the Bonds

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

SOURCE OF FUNDS	2026A	2026B	Total
Par Amount of the Bonds			
Plus/Less: Net Original Issue Premium/Discount			
TOTAL SOURCES OF FUNDS			
USE OF FUNDS			
Construction Fund Deposit			
Escrow Deposit for Refunded 2021 Bonds			
Capitalized Interest			
Costs of Issuance ⁽¹⁾			
TOTAL USES OF FUNDS			

⁽¹⁾Includes legal, underwriter's discount, bond insurance premium, printing, escrow agent, verification report, rating, CUSIP, paying agent, and other miscellaneous costs.

THE BONDS

Description: Payment of Principal and Interest

The Bonds will be issued in registered form, without coupons, in denominations of \$5,000 principal amount and integral multiples thereof, will be in the combined principal amount of \$22,855,000* and will be dated the date of delivery, when interest begins to accrue. The Bonds will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on each of the Bonds will be payable initially on _____, _____, and thereafter, semiannually on May 15 and November 15 of each year until the maturity date of such Bonds or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. Interest shall be computed on the basis of a 30-day month and a 360-day year.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of Bonds certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. Each Beneficial Owner of a Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described herein. See "BOOK – ENTRY ONLY SYSTEM" herein.

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

The principal of certificated Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of such Bonds, or registered assigns, upon surrender of such Bonds to U.S. Bank Trust Company, National Association (the "Paying Agent"), acting as paying agent and sinking fund depository for the Bonds, at its specified corporate trust office (or to any successor paying agent or alternate designated office(s)).

Interest will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of such Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is

registered and authenticated on or prior to the Record Date preceding _____, _____, in which event such Bond shall bear interest from the date of delivery, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each certificated Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business the last day of the month immediately preceding any interest payment date (whether or not a day on which the Paying Agent is open for business) (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such certificated Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

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

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under "BOOK-ENTRY ONLY SYSTEM," certificated Bonds are transferable or exchangeable upon surrender of such Bond to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of a certificated Bond in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same series, maturity date 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 a Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same series, maturity date and interest rate.

Neither the School District nor the Paying Agent shall be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange of any portion of any Bond selected for redemption until after the redemption date or (c) to register the transfer of or to exchange any Bonds during the period beginning at the close of business on the fifteenth day preceding the date of maturity of the Bonds and ending at the close of business on the date of maturity.

SECURITY FOR THE BONDS

General Obligation Pledge Security

The Bonds are general obligations of the School District and are payable from its local taxes, state subsidies and other general revenues. The School District has covenanted in the Resolution that it will provide in its budget for each year, and will appropriate from its general revenues in each year, the amount of the debt service due on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and available taxing power, which taxing power presently includes *ad valorem* taxes on all taxable property within the School District, within limitations provided by law (See "**TAXING POWERS AND LIMITS**" and "**PENNSYLVANIA ACTS AFFECTING LOCAL TAXING POWERS OF SCHOOL DISTRICTS**" herein).

The Debt Act presently provides for enforcement of debt service payments as hereinafter described (see "**Actions in the Event of Default on the Bonds**" herein), and the Public School Code (as hereinafter defined) presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "**State Subsidy Intercept Under Section 633 of the Pennsylvania School Code**" herein).

Sinking Fund

A sinking fund for the payment of debt service on the Bonds, which will be designated "Sinking Fund, General Obligation Bonds, Series of 2026" (the "Sinking Fund"), and created in accordance with the Resolution, will be maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds (or such earlier date as may be required by the Bond Insurer) (as hereinafter defined) 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 principal then due on the Bonds.

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

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

Actions in the Event of Default on the Bonds

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

State Subsidy Intercept Under Section 633 of the Pennsylvania School Code

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

There can be no assurance, however, that any payments pursuant to this withholding provision will be made by the date on which such payments are due to the Bondholders. The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

Pennsylvania Budget Adoption

Over the past several years the Commonwealth started its fiscal year without a fully adopted state budget.

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

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

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

After months of negotiations, Governor Josh Shapiro signed the state's budget for the 2025-2026 fiscal year late on November 12, 2025. The \$50.1 billion budget included (i) \$8.262 billion for the basic education funding appropriation, which was more than a \$100 million increase over the basic education funding appropriation for the 2024-2025 fiscal year, and (ii) \$1.526 billion for the special education appropriation, which was a \$40,000,000 increase over the same appropriation for the 2024-2025 fiscal year. The budget also increased the Ready to Learn Block Grant program appropriation by approximately 68% from the 2024-2025 fiscal year. In addition, the budget hoped to provide \$175 million in estimated savings for school districts through reforms to the cyber charter school law.

After approximately two weeks of delay, Governor Josh Shapiro signed the state's budget for the 2026-2027 fiscal year on July 12, 2026. The \$50.85 billion budget represents a 1.4% increase in spending over the prior fiscal year. The budget includes \$8.3 billion for the basic education funding appropriation, which is a \$50 million increase over the 2025-2026 fiscal year appropriation, and \$1.58 billion for the special education funding appropriation, which is a \$55 million increase over the same appropriation for the 2025-2026 fiscal year. The budget also includes \$75 million in annual savings for cyber charter funding reforms to the existing cyber charter school law.

During a state budget impasse, school districts in the Commonwealth cannot be certain that state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others.

Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the Public School Code, however legislation included in Act 85 of 2016 attempted to address the timeliness of the withholding provisions of Section 633 of the Public School Code during any budget impasses. See "Act 85 of 2016" hereinafter.

Act 85 of 2016

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

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

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

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

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

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

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

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation. No assurances can be provided regarding the timeliness and manner of PDE application and enforcement of Act 85 of 2016's provisions in the event of a budget impasse. Given Act 85 of 2016's requirements for the presentation of a justification to leadership chairs in the General Assembly, and their generation of comment, no assurances can be given regarding the timeliness of payments, even if funds are available for the same.

MUNICIPAL BOND INSURANCE

BOND INSURANCE POLICY

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$505.6 million, \$295.6 million and \$210.0 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

BOND INSURANCE RISK FACTORS

In the event of a default in the payment of principal or interest with respect to the Bonds when any such payment becomes due, any owner of the Bonds shall have a claim under the Policy for such payment. However, in the event of any acceleration of the due date of such principal resulting from any default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, any payments to be made pursuant to the Policy will be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. In addition, the Policy does not insure the payment of any redemption premium.

Under most circumstances, any default in the payment of principal and interest does not accelerate the obligations of the insurer (BAM, with respect to the Bonds) (the "Bond Insurer") without its consent. The Bond Insurer may direct, and must consent to, any remedies that a trustee might exercise following such a default and the Bond Insurer's consent may be required in connection with amendments to the Resolution in those circumstances.

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

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

The obligations of the Bond Insurer under the Policy are general obligations of the Bond Insurer and, upon an event of default by the Bond Insurer, the remedies available to a trustee may be limited by applicable bankruptcy law or other similar laws related to the insolvency of entities like the Bond Insurer.

NEITHER THE SCHOOL DISTRICT, NOR THE UNDERWRITER, HAS MADE AN INDEPENDENT INVESTIGATION INTO THE CLAIMS PAYING ABILITY OF THE BOND INSURER AND NO ASSURANCE OR REPRESENTATION REGARDING THE FINANCIAL STRENGTH OR PROJECTED FINANCIAL STRENGTH OF THE BOND INSURER IS GIVEN. THUS, WHEN MAKING AN INVESTMENT DECISION, POTENTIAL INVESTORS SHOULD CAREFULLY CONSIDER THE ABILITY OF THE SCHOOL DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS AND THE CLAIMS PAYING ABILITY OF THE BOND INSURER, PARTICULARLY OVER THE LIFE OF THE INVESTMENT. SEE "MUNICIPAL BOND INSURANCE" HEREIN FOR FURTHER INFORMATION PROVIDED BY THE BOND INSURER WITH RESPECT TO ITSELF AND THE POLICY, WHICH INCLUDES FURTHER INSTRUCTIONS FOR OBTAINING CURRENT FINANCIAL INFORMATION CONCERNING THE BOND INSURER.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been provided by The Depository Trust Company, New York, New York ("DTC") and is not deemed to be a representation of the School District or the Underwriter.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 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 and www.dtc.org.

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

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

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

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

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

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

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

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

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

Disclaimer of Liability for Failures of DTC

The School District and the Underwriter cannot and do not give any assurances that DTC, the Direct and Indirect Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the owner of Bonds, or will distribute any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The School District and the Underwriter are not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds, or any error or delay relating thereto.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners of the Bonds (other than under the caption "**TAX MATTERS**") shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. Payments made by the paying agent to DTC or its nominee shall satisfy the School District's obligations with respect to the Bonds to the extent of such payments.

Discontinuance of Book-Entry-Only System

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District and the Paying Agent. In addition, the School District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under either of such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered, and the following provisions will apply: (i) principal or redemption price of the Bonds will be payable upon surrender of the Bonds at the designated corporate trust office of the Paying Agent; (ii) Bonds may be transferred or exchanged for other Bonds of authorized denominations at the designated office of the Paying Agent of the Bonds, without cost to the owner thereof except for any tax or other governmental charge; and (iii) Bonds will be issued in denominations as described above under **"THE BONDS"**.

REDEMPTION OF BONDS

Optional Redemption

The 2026A Bonds stated to mature on or after November 15, 20__ are subject to redemption prior to maturity at the option of the School District, in whole or in part, from time to time, on any date on and after November 15, 20__ upon not less than thirty (30) days' notice, to be given in the manner required by the Resolution, at 100% of principal, together with accrued interest to the redemption date.

The 2026B Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption

The 2026A Bonds maturing on November 15, of the years ____, ____ and ____ are subject to mandatory redemption by the School District, in part, by lot, at a redemption price at 100% at the principal amount thereof plus accrued interest to the date fixed for redemption, on November 15, in the years and in amounts set forth below:

<i>Bonds stated to mature November 15, ____:</i>	
<u>Year</u>	<u>Amount</u>

*Term Maturity

The 2026B Bonds maturing on November 15, of the years ____, ____ and ____ are subject to mandatory redemption by the School District, in part, by lot, at a redemption price at 100% at the principal amount thereof plus accrued interest to the date fixed for redemption, on November 15, in the years and in amounts set forth below:

<i>Bonds stated to mature November 15, ____:</i>	
<u>Year</u>	<u>Amount</u>

*Term Maturity

Such mandatory redemption shall be made upon payment of the principal amount of the Bonds being redeemed, plus accrued interest to the date fixed for redemption.

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

Notice of Redemption

*While Cede & Co., as nominee of DTC, is the registered owner of the Bonds, 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 by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books;

provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

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

If at the time of mailing the notices of redemption the School District shall not have deposited with the Paying Agent money sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, that is subject to the deposit of the redemption money with the Paying Agent no later than the opening of business on the redemption date, and such notice shall be of no effect unless such money is so deposited.

Manner of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, 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 Bonds of any particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.

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

If the redemption date for any Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of 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.

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

THE SCHOOL DISTRICT

Introduction

The School District is located in the heart of the Laurel Highlands in Fayette County, approximately 45 miles southeast of the city of Pittsburgh, Pennsylvania. The School District covers an area of 215.7 square miles and serves the City of Connellsville, which is 12 miles from the Fayette County seat, along with the Boroughs of Dawson, Dunbar, South Connellsville and Vanderbilt and the Townships of Bullskin, Connellsville, Dunbar, Saltlick and Springfield. Most of the industry in the School District is located in and around Connellsville with farming and recreational opportunities such as hiking, biking, white water rafting and skiing confined to the eastern (mountain) and western (valley) portions of the School District. Such area industries include glass closures (lids), bituminous coal, metal working machinery, wood products, service-related industries and Marcellus Shale Natural Gas extraction and related businesses such as environmental labs, drilling and well service equipment, excavation and hauling and the like. Additional information with respect to the economic and demographic characteristics of the School District can be found in Appendix A of this Official Statement.

Organization and Central Administration

The School District is governed by a nine-member Board of School Directors elected for staggered 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 these officials are appointed by the School Board.

School Facilities

The School District currently operates four elementary schools, one middle school, a career and technical school, and a high school. Information regarding those school building facilities is set forth in the following table.

TABLE 1
CONNELLSVILLE AREA SCHOOL DISTRICT
FACILITIES

	Original Building Construction	Most Recent Additional Renovations	Grades	Pupil Capacity	2026-27 Enrollment
Elementary:					
Bullskin Township	1956	1962, 1998	K-5	575	396
Dunbar Township	1968	-	K-5	800	531
Springfield CNP	2004	1967, 2004	K-5	375	273
West Crawford	1960	1999	K-5	689	439
Secondary:					
Middle	1956	1966, 1999	6-8	1,151	896
Connellsville CTC	1972	2009	9-12	620	175
Connellsville Area Senior High	1970	2014	9-12	1,575	1,008

Source: School District Officials

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Enrollment Trends

The following table presents recent trends in school enrollment and projections of enrollments.

TABLE 2
CONNELLSVILLE AREA SCHOOL DISTRICT
ENROLLMENT TRENDS

School Year Ending June 30	Actual Enrollments		
	Elementary	Secondary	Total
2021-22	1,773	2,323	4,096
2022-23	1,783	2,228	4,011
2023-24	1,802	2,213	4,015
2024-25	1,795	2,227	4,022
2025-26	1,707	2,147	3,854
2026-27	1,639	2,079	3,718
Projected Enrollments			
2027-28	1,673	1,962	3,635
2028-29	1,614	1,976	3,590
2029-30	1,570	1,967	3,537

Source of Actual Enrollments: School District Officials

Source of Projected Enrollments: Pennsylvania Department of Education.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Department of Education of the Commonwealth. 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 each fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District'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). Its financial statements are audited annually by an independent certified public accountant, as required by Commonwealth law.

The School District keeps its books and prepares its financial reports according to a modified accrual basis of accounting. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Turnley Robertson & Associates LLC, New Brighton, Pennsylvania, currently serves as auditor for the School District.

Budgeting Process in School Districts under the Taxpayer Relief Act

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

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act (as defined hereinafter), 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 ninety (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 twenty (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 ten (10) days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the PDE no later than eighty-five (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 (as defined hereinafter) (See **Act 1 of Special Session of 2006 (the "Taxpayer Relief Act")** herein) and within ten (10) days, but not later than seventy-five (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. The current referendum exceptions relate to increases in pension, special education and debt service expenses.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required, 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 fifty-five (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 fifty (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 one hundred ten (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 thirty (30) days, and made available for public inspection at least twenty (20) days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Summary and Discussion of Financial Results

A summary of comparative General Fund Balance Sheets and changes in fund balances is presented in Tables 3 and 4 which follow.

Table 3 shows the General Fund Balance Sheets for the past five (5) years. Table 4 shows a summary of Revenues and Expenditures during the past five (5) years and the 2025-26 and 2026-27 Final General Fund Budget Summary.

TABLE 3
CONNELLVILLE AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Fiscal Years Ending June 30th)

ASSETS	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Cash and Cash Equivalents	\$ 8,020,718	\$ 10,705,475	\$ 19,413,658	\$ 16,818,237	\$ 17,393,020
Investments	5,669,005	4,346,144	4,859,086	8,179,800	9,312,002
Taxes Receivable, net	2,238,201	2,140,606	2,116,164	2,375,089	2,577,304
Due from Other Funds	1,575,171	915,611	1,160,126	962,398	-
Due from Other Governments	3,993,246	11,359,687	4,901,243	7,186,788	4,555,881
Other Accounts Receivable	204,239	75,560	57,893	43,433	31,863
Prepaid Expense	634,975	913,644	856,315	1,135,764	838,240
TOTAL ASSETS	\$ 22,335,555	\$ 30,456,727	\$ 33,364,485	\$ 36,701,509	\$ 34,708,310
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
LIABILITIES					
Due to Other Funds	\$ -	\$ -	\$ -	\$ 3,000,000	\$ 685,501
Accounts Payable	338,550	395,055	883,569	1,047,850	447,300
Accrued Salaries and Benefits	9,009,753	9,075,830	8,170,746	7,937,642	8,356,499
Payroll Deductions and Withholdings	88,339	89,047	101,452	108,019	320,034
Unearned Revenue	106,657	62,221	158,562	85,262	61,414
Other Current Liabilities	140,529	145,392	144,798	149,045	150,875
TOTAL LIABILITIES	\$ 9,683,828	\$ 9,767,545	\$ 9,459,127	\$ 12,327,818	\$ 10,021,623
DEFERRED INFLOWS OF RESOURCES					
Delinquent Real Estate Taxes	\$ 1,301,429	\$ 1,311,061	\$ 1,379,989	\$ 1,404,657	\$ 1,462,813
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,301,429	\$ 1,311,061	\$ 1,379,989	\$ 1,404,657	\$ 1,462,813
FUND BALANCES (DEFICIT)					
Nonspendable	\$ 634,975	\$ 913,644	\$ 856,315	\$ 1,135,764	\$ 838,240
Assigned	4,234,380	13,105,973	15,532,438	15,153,893	15,384,544
Unassigned	6,480,943	5,358,504	6,136,616	6,679,377	7,001,090
TOTAL FUND BALANCES	\$ 11,350,298	\$ 19,378,121	\$ 22,525,369	\$ 22,969,034	\$ 23,223,874
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 22,335,555	\$ 30,456,727	\$ 33,364,485	\$ 36,701,509	\$ 34,708,310

Source: School District Financial Statements for the years ended June 30, 2021, 2022, 2023, 2024 and 2025.

TABLE 4

CONNELLSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(Years Ending June 30)

						<u>Budgeted</u>	<u>Budgeted</u>
REVENUES	2021	2022	2023	2024	2025	2026	2027
Local Sources	\$ 21,126,354	\$ 21,027,024	\$ 21,189,320	\$ 23,183,417	\$ 25,032,006	\$24,275,991	\$23,912,005
State Sources	50,545,252	52,183,025	56,453,655	57,445,165	60,147,059	61,465,065	65,356,447
Federal Sources	4,982,187	15,112,389	8,003,241	8,704,657	3,244,035	2,624,785	3,032,908
Other Sources	-	-	-	-	-	-	-
TOTAL REVENUES	\$ 76,653,793	\$ 88,322,438	\$ 85,646,216	\$ 89,333,239	\$ 88,423,100	\$ 88,365,841	\$ 92,301,360
EXPENDITURES							
Instruction	\$ 44,962,743	\$ 46,839,804	\$ 48,779,037	\$ 51,089,656	\$ 53,922,364	\$ 52,796,058	\$ 55,319,772
Support services	21,373,489	21,969,119	24,115,474	25,397,166	26,159,895	26,256,565	28,218,512
Noninstructional Services	1,101,772	1,166,080	1,264,530	1,290,867	1,337,797	1,464,003	1,362,451
Capital Outlay	-	32,983	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 67,438,004	\$ 70,007,986	\$ 74,159,041	\$ 77,777,689	\$ 81,420,056	\$ 80,516,626	\$ 84,900,735
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 9,215,789	\$ 18,314,452	\$ 11,487,175	\$ 11,555,550	\$ 7,003,044	\$ 7,849,215	\$ 7,400,625
OTHER FINANCING SOURCES (USES)							
Sales of Fixed Assets	\$ 1,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance Recoveries	-	91,225	434,040	10,924	243,282	-	-
Refund of Prior Year Revenues	(37,995)	(137,986)	-	-	(4,270)	-	-
Budgetary Reserve	-	-	-	-	-	(833,000)	-
Other Expenditures and Financing Uses	-	-	-	-	-	(7,455,420)	(7,400,625)
Operating Transfers Out	(6,206,942)	(10,239,868)	(8,773,967)	(11,122,809)	(6,987,216)	-	-
TOTAL OTHER FINANCING SOURCES	\$ (6,243,371)	\$ (10,286,629)	\$ (8,339,927)	\$ (11,111,885)	\$ (6,748,204)	\$ (8,288,420)	\$ (7,400,625)
Net Change in Fund Balances	\$ 2,972,418	\$ 8,027,823	\$ 3,147,248	\$ 443,665	\$ 254,840	\$ (439,205)	\$ -
Fund Balances - July 1,	\$ 8,377,880	\$ 11,350,298	\$ 19,378,121	\$ 22,525,369	\$ 22,969,034	\$ 21,833,270	\$ 22,385,634
Prior Year Adjustments	-	-	-	-	-	-	-
Fund Balances - June 30,	\$ 11,350,298	\$ 19,378,121	\$ 22,525,369	\$ 22,969,034	\$ 23,223,874	\$ 21,394,065	\$ 22,385,634

Sources: School District Financial Statements for the years ended June 30, 2021, 2022, 2023, 2024 and 2025.
General Fund Budget for Fiscal Year End June 30, 2026, and 2027.

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TAXING POWERS AND LIMITS

Subject to certain limitations imposed by the Taxpayer Relief Act, as amended, ("Act 1") (see "PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS – The Taxpayer Relief Act, as Amended (Act 1)" herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

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

PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS

The Taxpayer Relief Act, as Amended (Act 1)

Pennsylvania Act No. 1 of the Special Session of 2006, as amended ("Act 1" or the "Taxpayer Relief Act"), which became effective June 27, 2006 provides, *inter alia*, that a school district may not levy any tax for the support of the public schools which was not levied in the 2006-07 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 (Act 511), 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 provided below applies.

The Index exceptions in Act 1 are:

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, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and

3. to make payments into the 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 Indexes applicable to the School District in the current and previous fiscal years (not including exemptions) are as follows:

Fiscal Year (ending June 30)	Applicable Index
2021-22	4.30%
2022-23	4.90%
2023-24	5.90%
2024-25	7.60%
2025-26	5.70%
2026-27	5.00%

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

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

Status of the Bonds under Act 1

The Bonds represent the refunding of indebtedness originally incurred after the effective date of Act 1, as well as new money for construction. Therefore, any increase in the tax levy necessary to pay debt service on the Bonds is **NOT** eligible for an exception from the provisions of Act 1.

Act 1 does not affect the School District's covenant under the Debt Act to budget, appropriate and pay debt service on the Bonds and all other outstanding debt of the School District.

THE SUMMARY OF ACT 1, IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OR A LEGAL REPRESENTATION THEREOF, AND A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 1, AS PART OF ANY DECISION TO PURCHASE THE BONDS.

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, by increasing the rate of income tax the board of school directors must first give public notice of its intent to adopt a resolution to place a referendum question on the ballot at the general or municipal election preceding the fiscal year when the maximum rate of the income tax will be increased, hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or

municipal election preceding the fiscal year when the maximum rate of the income tax will be increased for approval by the voters.

The School District has not placed, and does not expect to place, a referendum question on the ballot that would authorize a change in the occupation tax.

Act 48 of 2003

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-06 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:

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

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

The total budgeted expenditures in the School District's budget for the 2026-27 fiscal year are \$84,900,735, and the School District's estimated ending unassigned fund balance is \$7,400,625 which as a percentage of total budgeted expenditures for the 2026-27 fiscal year is 8.72%.

SET FORTH IN THE TWO IMMEDIATELY PRECEDING SUBSECTIONS ARE SUMMARIES OF PORTIONS OF ACT 130 OF 2008 AND ACT 48 OF 2003. THESE SUMMARIES ARE NOT INTENDED TO BE EXHAUSTIVE DISCUSSIONS OF THE PROVISIONS OF ACT 130 OF 2008 OR ACT 48 OF 2003 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS THEREOF. A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 130 OF 2008 AND ACT 48 OF 2003 AND CONSULT WITH HIS OR HER ATTORNEY AND/OR TAX ADVISOR AS PART OF ANY DECISION TO PURCHASE THE BONDS.

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Tax Levy Trends

Table 5 shows the tax rates of the School District and Table 6 shows the comparative trend of real property tax rates for the School District, the municipalities that comprise the School District and Fayette County, for the years indicated.

TABLE 5
CONNELLSVILLE AREA SCHOOL DISTRICT TAX RATES

Year	Real Estate (mills)	Real Estate Transfer	Wage and Income	Per Capita (\$)	Local Services (\$)
2021-22	14.25	0.50%	0.50%	N/A	N/A
2022-23	14.25	0.50%	0.50%	N/A	N/A
2023-24	15.09	0.50%	0.50%	N/A	N/A
2024-25	16.24	0.50%	0.50%	N/A	N/A
2025-26	16.24	0.50%	0.50%	N/A	N/A
2026-27	16.24	0.50%	0.50%	N/A	N/A

Source: School District Officials

TABLE 6
**CONNELLSVILLE AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

	2021	2022	2023	2024	2025	2026
Fayette County	6.760	6.764	6.764	6.764	8.464	8.464
School District (June 30 ending)	14.248	14.248	15.089	16.235	16.235	16.235
Bullskin Township	0.459	0.459	0.459	0.459	0.459	0.459
Connellsville Township	1.533	1.533	1.533	1.533	1.533	1.533
Dunbar Township	0.578	0.578	0.578	0.578	0.578	0.578
Saltlick Township	1.750	1.750	1.750	1.750	1.750	1.750
Springfield Township	1.000	1.000	1.000	1.000	2.000	2.000
Dawson Borough	2.400	2.400	2.400	2.400	2.400	2.400
Dunbar Borough	1.665	1.665	2.665	2.665	2.665	2.665
South Connellsville Borough	2.500	4.500	4.500	4.500	4.500	4.500
Vanderbilt Borough	2.000	2.000	2.000	2.000	2.000	2.000
Connellsville City	8.250	8.250	8.250	8.250	8.250	8.250

Source: School District Officials

Real Property Tax

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

TABLE 7
CONNELLSVILLE AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value	Ratio
2021	\$1,558,459,399	\$1,178,847,280	75.64%
2022	1,645,792,580	1,181,382,550	71.78%
2023	1,673,245,411	1,195,116,860	71.42%
2024	1,832,779,792	1,204,848,730	65.73%
2025	1,851,784,448	1,215,691,360	65.65%

Source: PA State Tax Equalization Board.

TABLE 8
CONNELLSVILLE AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2024 Market Value	2024 Assessed Value	2025 Market Value	2025 Assessed Value
Connellsville Area School District	\$1,832,779,792	\$1,204,848,730	\$1,851,784,448	\$1,215,691,360
Bullskin Township	450,239,789	311,808,390	452,675,092	313,000,400
Connellsville City	270,067,876	172,370,880	272,676,262	173,968,730
Connellsville Township	126,584,258	75,870,550	127,213,446	76,212,030
Dawson Borough	11,384,427	8,964,820	11,363,674	8,952,720
Dunbar Borough	32,542,473	23,349,520	32,472,614	23,308,520
Dunbar Township	428,872,692	294,390,110	433,679,920	297,208,980
Saltlick Township	270,879,165	156,041,030	277,203,764	159,753,840
South Connellsville Borough	73,809,450	46,270,460	74,942,567	46,883,800
Springfield Township	155,593,239	108,156,730	156,880,089	108,903,500
Vanderbilt Borough	12,806,423	7,626,240	12,677,020	7,498,840

Source: Pennsylvania State Tax Equalization Board.

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TABLE 9
CONNELLVILLE AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	2020	2021	2022	2023	2024
Residential	\$785,081,330	\$787,092,430	\$790,123,460	\$794,608,770	\$799,976,780
Trailers	83,338,550	83,448,020	84,218,620	85,725,750	85,777,280
Lot	\$24,612,910	\$24,541,990	\$24,678,970	\$24,544,640	\$24,106,350
Industrial	\$13,808,390	\$15,317,940	\$14,597,150	\$17,241,620	\$17,233,550
Commercial	\$146,111,100	\$153,835,140	\$151,891,480	\$154,916,340	\$159,700,110
Agriculture	\$81,354,470	\$80,992,130	\$86,640,380	\$87,456,790	\$87,445,080
Mineral	\$10,228,520	\$9,653,470	\$9,653,470	\$10,112,400	\$10,112,400
Land	\$24,523,760	\$23,966,160	\$19,579,020	\$20,510,550	\$20,497,180
Total	\$1,169,059,030	\$1,178,847,280	\$1,181,382,550	\$1,195,116,860	\$1,204,848,730

Source: Pennsylvania State Tax Equalization Board.

TABLE 10
CONNELLVILLE AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

		Current Year		Total Current	% of Current Plus
	Total Adjusted	Collections	Delinquent	Plus Delinquent	Delinquent
Year	Flat Billing	(July – June) ⁽¹⁾	Collections ⁽²⁾	Collections	Collections
2020-21	\$15,082,448	\$13,718,181	\$1,761,543	\$15,479,724	102.63%
2021-22	15,298,411	14,088,867	1,384,323	15,473,190	101.14%
2022-23	15,141,466	13,609,554	1,536,931	15,146,485	100.03%
2023-24	16,225,583	14,866,239	1,566,242	16,432,481	101.28%
2024-25	17,520,901	15,714,874	1,803,745	17,518,619	99.99%
2025-26	17,350,821	15,863,054	1,817,241	17,680,295	101.90%

Source: School District Officials.

⁽¹⁾ Includes current and interim taxes collected during the fiscal year.

School District records current until 60 days past year end. Current year refunds are deducted from current taxes.

⁽²⁾ Includes delinquent real estate collections only.

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The ten largest real property taxpayers, together with 2025 assessed values, are shown in Table 10. The aggregate assessed value of these taxpayers totals approximately 2.82% of total taxable assessed value.

**TABLE 11
CONNELLSVILLE AREA SCHOOL DISTRICT
LARGEST REAL PROPERTY TAXPAYERS, 2025**

Taxpayer	Product/ Service	2025 Assessed Valuation
Wal-Mart Real Est Business Trust	Wal-Mart Super Store	\$5,757,740
Gator Laurel Partners LLP	Shopping Mall	4,494,640
Widewaters Connellsville Co LLC	Shopping Center Gas St	4,309,110
DP 116 LLC	Campground	4,246,900
Widewaters Connellsville Co LLC	Med Center	3,949,590
Columbia Gas Of Pennsylvania Inc	Office/Warehouse	2,469,520
St Development Co LLC	Medical Center	2,456,440
Fairlane Holdings LLC	Auto Dealership	2,282,610
Fay-Penn Economic Dev Council	Warehouse	2,197,250
Harper Casey H & Cheryl	Auto Dealership	2,167,090
Total Assessed Value		\$34,330,890

Source: School District Officials.

Other Taxes

Under Act 511, the School District expects to collect, based on the fiscal year 2026-27 Budget, approximately \$4,023,571 in taxes. Among the taxes authorized by Act 511 are the Real Estate Transfer Tax, Wage and Other Earned Income Tax (including net profits) and the Per Capita Tax which are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property of \$1,832,779,792, is \$21,993,358.

Real Estate Transfer. The School District collects a tax of 0.500% of the value of real estate transfers. It expects to collect, based on the fiscal year 2026-27 Budget, approximately \$314,421 or less than 1% of the District's revenues*.

Earned Income Tax. The School District collects a tax of 0.500% on the earned income of residents. It expects to collect, based on the fiscal year 2026-27 Budget, approximately \$3,709,150 or 4.02% of the District's revenues*.

*Total fiscal year 2026-27 estimated revenues \$92,301,360 (based on 2026-27 Budget)

COMMONWEALTH AID TO SCHOOL DISTRICTS

General

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.

The largest subsidy, the basic instructional subsidy, is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth. School districts also receive subsidies for special education, pupil transportation, vocational education, health service and debt service.

Current Lack of State Appropriations for Debt Service Subsidies

State law presently provides that school districts will receive reimbursement from the Commonwealth for a portion of debt service on certain outstanding debt of the district, upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the school district's Aid Ratio. The School District officials have estimated that the Bonds are not eligible for reimbursement from the Department of Education.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contained authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This new moratorium went into effect on May 15, 2016 and expired on June 30, 2017. On November 6, 2017, House Bill 178 became law without the signature of the Governor and became known as Act 55 of 2017. Contained in Act 55 of 2017 was an extension of the PlanCon moratorium through the end of the 2017-18 fiscal year. Subsequently, the Commonwealth enacted Act 42 of 2018, which permitted PlanCon reimbursements for applications submitted between July 1, 2017, and November 6, 2017, if the school district votes to proceed with construction and award bids on its construction contracts no later than July 1, 2021.

To date, the CFA, has issued \$1,559,680,000, to provide for Plan Con reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the principal amount of \$412,520,000 issued on January 18, 2018 and its Revenue Bonds, Series A of 2019 (Federally Taxable) in the principal amount of \$388,975,000 issued on May 22, 2019. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years, for other outstanding debt of the School District. However, the School District cannot be certain that any future PlanCon reimbursement will be provided by PDE as the ability for CFA to issue additional Bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

Recently enacted Act 70 of 2019 (approved July 2, 2019) reforms the PlanCon program by, among other things, reducing the number of individual parts to the program, adjusting the reimbursement formulae, providing reimbursement for certain repair and maintenance projects and limiting state reimbursement payments to fixed amount over a twenty-year period. However, the General Assembly has not included PlanCon funding in recent fiscal year budgets, and so the moratorium on new projects first imposed by Act 25 of 2016 continues. To the extent that Act 70, or any future legislation, contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

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DEBT AND DEBT LIMITS

Debt Statement

Table 12 which follows shows the debt of the School District as of the date of settlement, assuming the issuance of the Bonds.

TABLE 12

**CONNELLSVILLE AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of October 1, 2026)**

DIRECT DEBT	<u>Gross Outstanding</u>	<u>Local Effort or Net of Available Funds and Estimated State Aid⁽²⁾</u>
Series A of 2026	\$12,450,000	\$12,450,000
Series B of 2026 ⁽¹⁾	10,405,000	10,405,000
Series of 2020	15,855,000	11,124,490
Series A of 2019	10,605,000	8,621,080
Series of 2019	33,670,000	27,910,127
GROSS DIRECT DEBT	\$82,985,000	\$70,510,697
OVERLAPPING DEBT		
Municipal Debt	\$468,000	\$468,000
Fayette County ⁽³⁾	25,874,721	25,874,721
TOTAL OVERLAPPING DEBT	\$26,342,721	\$26,342,721
TOTAL DIRECT AND OVERLAPPING DEBT	\$109,327,721	\$96,853,418
DEBT RATIOS		
Direct Debt to:		
Market Value	4.48%	3.81%
Assessed Value	6.83%	5.80%
Per Capita	\$2,516.91	\$2,138.57
Direct and Overlapping Debt to:		
Market Value	5.90%	5.23%
Assessed Value	8.99%	7.97%
Per Capita	\$3,315.88	\$2,937.53
Assessed Value (2025)	\$1,215,691,360	
Market Value (2025)	\$1,851,784,448	
Population (2020 Estimate)	32,971	

⁽¹⁾ Includes the General Obligation Bonds, Taxable Series of 2021 to be refunded as described in this Preliminary Official Statement. Preliminary and subject to change.

⁽²⁾ Gives effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on its current Aid Ratio. See "COMMONWEALTH AID TO SCHOOL DISTRICTS".

⁽³⁾ Pro rata 24.66% share of \$104,908,079 non-electoral principal amount outstanding as of October 1, 2026, based on the total 2025 assessed value of the municipalities within Fayette County.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Debt 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 Debt 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:

Connellsville Area School District

Total Revenues for 2023-24	\$86,697,719
Total Revenues for 2024-25	86,608,768
Total Revenues for 2025-26 (estimated)	88,365,841
Total Revenues, Past Three Years	<u>\$261,672,328</u>
Annual Arithmetic Average (Borrowing Base)	\$87,224,109

Under the Debt Act as presently in effect, no school district may 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:

	Legal	Net Debt	Remaining
	<u>Limit</u>	<u>Outstanding*</u>	<u>Borrowing</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			<u>Capacity</u>
225% of Borrowing Base	\$196,254,246	\$82,985,000	\$113,269,246

*Includes the Bonds offered through this Preliminary Official Statement.

Debt Service Requirements

Table 13 represents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 14 represents data on the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

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

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TABLE 13

**CONNELLSVILLE AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS**

Year	Debt	Series A of 2026		Series B of 2026		Subtotal	Requirements
		Principal	Interest	Principal	Interest		
2026-27							
2027-28							
2028-29							
2029-30							
2030-31							
2031-32							
2032-33							
2033-34							
2034-35							
2035-36							
2036-37							
2037-38							
2038-39							
2039-40							
2040-41							
2041-42							
2042-43							
2043-44							
2044-45							
2045-46							
2046-47							
Total							

Totals may not add due to rounding.

TABLE 14

**CONNELLSVILLE AREA SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY STATE AID***

2026-27 Estimated Commonwealth Aid Received	\$65,356,447
2026-27 Debt Service Requirement	\$7,400,625
Maximum Future Debt Service Requirement	\$ _
Coverage of 2025-26 Debt Service Requirement	8.83x
Coverage of Maximum Future Debt Service Requirement	____x

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

Future Financing

The School District is contemplating up to \$10 million in additional projects within the next three years.

LABOR RELATIONS

School District Employees

There are presently 841 represented employees of the School District, including 304 teachers and 24 administrators, as well as 513 support personnel. The Support Personnel include: secretaries, maintenance staff, teacher aides, cafeteria staff and security personnel.

Employee Contracts

The professional/instructional employees of the School District are represented for purposes of collective bargaining by the Connellsville Educational Association, an affiliate of the Pennsylvania State Education Association (the "PSEA"). The current contract between the School District and CEA expires on June 30, 2027.

Custodial, and Maintenance employees are represented for purposes of collective bargaining by the Connellsville Education Support Personnel Association, which is also affiliated with the PSEA. The expiration date of this collective bargaining agreement is June 30, 2030.

Food service employees, are represented for purposes of collective bargaining by the International Brotherhood of Teamsters. The expiration date of this collective bargaining agreement is June 30, 2028.

Secretarial, clerk, para-professional, classroom aides, monitors, and truant officer employees are represented by the Connellsville Educational Support Personnel Association (CESPA). The expiration date of the current collective bargaining agreement is June 30, 2028.

Pension Program

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

Contributions are required by active members, School Districts, and the Commonwealth as established by the Public School Employees' Retirement Code. Member contributions for those 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. The contribution rate for members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5%. 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 33.60% for the fiscal year 2026-2027. Current financial projections indicate the possibility of increases in the contribution rate in the next five years.

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 began to transition from a traditional defined benefit system to 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 were permitted 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 are now required to select one of those three new retirement benefit plan options and are not eligible to participate in the former 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 was not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-2035 through 2049-2050, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and, are projected to be lower, in the aggregate, over the study period.

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

<u>Fiscal Year</u>	<u>Contributions</u>
2020-21	\$24,566,000
2021-22	\$10,803,294
2022-23	\$11,788,512
2023-24	\$11,330,727
2024-25	\$11,501,789
2025-26 ⁽¹⁾	\$12,146,482

⁽¹⁾ Estimated.

At June 30, 2025, the School District reported a liability of \$90,239,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2023, to June 30, 2024. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2025, the School District's proportion was 0.2156% which was a decrease of 0.0094% from its proportion measured as of June 30, 2024.

As of June 30, 2025, the PSERS plan was 64.8% funded, with an unfunded actuarial accrued liability of approximately \$42.0 billion. PSERS' rate of return for fiscal year ended June 30, 2025 was 9.67%. The Fund had plan net assets of \$83.7 billion at June 30, 2025. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Preliminary Official Statement.

Source: School District Administrative Officials and PSERS.

Other Post-Employment Benefits

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

The School District annually appropriates funds to meet its obligation to pay such benefits on a "pay-as-you-go" basis, and has not established any fund or irrevocable trust for the accumulation of assets with which to pay such benefits in future years. In the fiscal year ended June 30, 2025, the School District's OPEB cost was approximately \$10,995,730, and its budgeted cost for the fiscal year ended June 30, 2026 was \$14,671,481.

BONDHOLDER CONSIDERATIONS

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

Economic Factors Affecting the Financial Condition of the School District

Changes in current economic conditions, at local, regional and national levels, could adversely affect the School District's operating revenues and expenses and, consequently, the School District's ability to pay debt service on the Bonds. Among the factors that could have such adverse effects are: changes in local demographics; closures or relocation of key industries and employers; increases in local rates of unemployment; decreases in the assessed value of real estate within the School District; decreases in real estate tax collections; future contract negotiations with organized labor and the consequent impact on wage scales and operating costs; increasing costs of special education or the costs of other physical or mental health care mandated by the State or federal governments; loss of reduction of State and federal subsidies and reimbursements for operating and capital costs; delays in adoption of, failure to budget and appropriate within or other adverse changes to, the Commonwealth's budget, as the same may affect School District revenues or the timely payment thereof. For further information regarding recent Commonwealth budget experiences, See **"COMMONWEALTH AID TO SCHOOL DISTRICTS – Current Lack of State Appropriations for Debt Service"** and **"SECURITY FOR THE BONDS" – Pennsylvania Budget Adoption**.
Uncertainty of Tax Revenues

There can be no assurance or guaranty that the School District will realize sufficient revenues through its taxing and other revenue generating powers to make full and timely payment of the debt service on the Bonds. The School District's ability to increase its rates of taxation is limited by the provisions of Act 1. (See **"TAXING POWERS AND LIMITS"** and **"PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS—The Taxpayer Relief Act, as Amended (Act 1)"** herein).

Additionally, the availability of tax and other locally generated revenue dependent is on the tax base within the School District and the ability of this base to support the tax burden imposed in any year not only by the School District, but also by such overlapping taxing authorities including Fayette County.

However, the School District has never defaulted on the payment of principal of or interest on any general obligation debt or any tax anticipation note issues.

Competing Commonwealth Intercept Obligations

Under current Pennsylvania law, Commonwealth subsidies to school districts can be intercepted for purposes other than to pay debt service then due and owing on school district debt. For example, Commonwealth law authorizes the diversion of Commonwealth subsidies directly to local charter schools if the School District fails to transfer required appropriations to the charter school. Additionally, state law authorizes the diversion of state subsidies to the Public School Employees Retirement System ("PSERS") if a school district fails to fully fund its annual contribution to the retirement system. (See '**COMMONWEALTH AID TO SCHOOL DISTRICTS**' and '**PENSION PROGRAM**' herein.) If any such diversion occurs, it could materially adversely affect the School District's ability to pay debt service on the Bonds.

Commonwealth Funding Adjustments or Failure to appropriate

For the fiscal year ended June 30, 2027, the School District's expects \$65,356,447 in Commonwealth appropriation which represents approximately 70.8% of the anticipated revenues of the School District. The School District's annual appropriation is dependent upon the adoption by the Commonwealth of its annual budget and corresponding appropriation legislation, which by law are supposed to be enacted prior to the start of each fiscal year beginning July 1. However, more than one Commonwealth budget over the last several years has not been fully adopted on time, resulting in the payment of such annual appropriations to school districts. See "SECURITY FOR THE BONDS" – Pennsylvania Budget Adoption".

Enforcement of Remedies; Public Education Duties

Enforcement of a claim for payment of principal of and interest on the Bonds may be subject to the provisions of laws enacted by the United States or the Commonwealth, or the case law developed by competent courts applying general principles of equity, all of which could extend the time for payment or impose other constraints upon enforcement.

School District officials are generally charged with the duty of providing for the education, safety and general welfare of their students. Confronted with a choice between providing education services to its students or funding other obligations like debt service on the Bonds, Bond purchasers should consider carefully the risk that such officials might choose to provide educational services to its students from its limited funds available before it pays its other obligations.

Actions in The Event of Default

If the School District fails or neglects to budget, appropriate and pay debt service on the Bonds when due, a holder or trustee may petition the Court of Common Pleas of Fayette County, and upon a finding of such failure or neglect, the Court may direct, by order of mandamus, the School District to pay into the sinking fund established for the Bonds the first tax moneys or other available revenues or moneys thereafter received. Such judgment could mandate that the School District pay such debt service prior to all other School District expenses, including School District employee wages and benefits. Notwithstanding such provisions of law, courts generally exercise wide discretion in deciding whether to grant a writ of mandamus, and the judges who enter such orders are usually elected to the bench by local voters. Additionally, School District officials presented with a writ could resign rather than carry out the mandamus order, in which case it is uncertain the extent to which Bond purchasers would be able to cause other School District officials to pay amounts then due and owing.

In the event the School District defaults in the payment of the principal of or the interest on the Bonds after the same shall come due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for thirty (30) days, or if the School District fails to comply with any provision of the Bonds or the Resolution, the Debt Act provides that the holders of 25% in aggregate principal amount of such Bonds then outstanding may, upon appropriate action, appoint a trustee to represent the Bond purchasers. The trustee may, and upon request of the holders of 25% in principal amount of such Bonds then outstanding and upon being provided with indemnity satisfactory to it, shall, take such action on behalf of the Bond purchasers as is more specifically set forth in the Debt Act. Such representation by the trustee shall be exclusive.

Financial Distress/Bankruptcy

In the event of financial distress, Commonwealth school districts are subject to state oversight under the provisions of Act 141. Pursuant to the provisions of Act 141, if a school district is declared in "financial recovery status," a chief recovery officer is appointed, serves at the pleasure of the Secretary of Education, and is compensated by the Pennsylvania Department of Education ("PDE"). The chief recovery officer is appointed to

develop, implement, and administer a financial recovery plan for the school district, coordinate PDE's provision of technical assistance to the school district, attend regular and executive sessions of the school district's board of school directors; and meet at least monthly with an advisory committee which is also established pursuant to the provisions of Act 141. Chief recovery officers are afforded wide discretion by state courts in developing and implementing financial plans.

The chief recovery officer is required to develop a financial recovery plan for a school district in financial recovery status within ninety (90) days of appointment, subject to extension by PDE. The school board must approve the financial recovery plan, which is subject to final approval by PDE. The financial recovery plan must provide for the payment of lawful financial obligations of the school district and may include, among other things, recommendations for balancing the budget through tax or fee changes, and for enhancing the ability of the school district to negotiate new debt.

Following PDE's approval of the financial recovery plan, the chief recovery officer is required to oversee implementation of the plan by "directly controlling the implementation process," including directing employees and elected or appointed officials of the school district to take or refrain from taking certain actions. The school board is required to comply with all directives of the chief recovery officer and may take no action that is inconsistent with the plan, not specifically identified in the recovery plan or not directed by the chief recovery officer as necessary to implement the plan. If the school board fails to comply with the foregoing, the school district must be subject to the appointment of a receiver pursuant to the School Code.

Any receiver is required to assume the powers and duties of the chief recovery officer and the board of school directors and shall have the powers and duties to implement the financial recovery plan including the power to direct the board of school directors to levy and raise taxes. A receiver, however, may not unilaterally levy or raise taxes or unilaterally abrogate, alter, or otherwise interfere with a lien, charge, covenant or relative priority held by a holder of a debt obligation of a school district. Section 672-A(c)(3) of Article VI-A of the Public School Code further provides that nothing in the financial recovery provisions of such article or financial recovery plan shall be construed to authorize a receiver to "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 in Section 642-A(a)(3)" of Article VI-A of the Public School Code which authorizes the receiver to "cancel or renegotiate any contract to which the board of school directors or the school district is a party, if the cancellation or renegotiation of contract will effect needed economies in the operation of the district's schools." Collective bargaining agreements are, however, specifically exempted from such clause.

Owing to the existence of Act 141, the Commonwealth has *not* authorized school districts to utilize Chapter 9 of the Bankruptcy Code, and so the rights and remedies of Bond purchasers with respect to the School District's obligations are *not* subject to the provisions of the U.S. Bankruptcy Code under current Commonwealth law. If Commonwealth law were to change on this issue, and the School District were to file for bankruptcy, Bond purchasers could become subject to the provisions of Chapter 9, and the remedies provided under the Debt Act might not be available to Bond purchasers. Although the Bonds represent a general obligation indebtedness of the School District, for which it has pledged its full faith, credit and all available taxing power, some judicial decisions have held that general obligation indebtedness constitutes an unsecured obligation of the debtor, with a correspondingly lower priority for payment and satisfaction, in the event of bankruptcy. In such an event, holders of the Bonds should not expect to receive any payment of debt service prior to confirmation of a plan of adjustment or dismissal of the case. Moreover, holders of the Bonds, as unsecured creditors, generally would not be entitled to a claim for interest accruing during the pendency of the proceeding.

Cybersecurity

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

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations

No Assurance of Secondary Market for the Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Accordingly, purchasers of the Bonds should be prepared to have their funds committed until the Bonds mature. It is not the present practice of the Underwriter to make a secondary market in the Bond issues for which it serves as Underwriter. Prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different than the original purchase price.

Risk of Audit by the 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 the Internal Revenue Service will commence an audit of any outstanding tax-exempt obligation of the School District, including the Bonds ("Tax-Exempt Bonds"). If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and owners of the Tax-Exempt Bonds may have no right to participate in such procedure. Neither the School District, the Underwriter nor Bond Counsel is obligated to defend the tax-exempt status of Tax-Exempt Bonds on behalf of the owners of the Tax-Exempt Bonds, nor to pay or reimburse the cost of any owners of the Tax-Exempt Bonds with respect to any audit or litigation relating to the Tax-Exempt Bonds. See "**TAX MATTERS**" herein.

LITIGATION

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

DEFAULTS AND REMEDIES

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

TAX MATTERS

State Tax Matters

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

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

Federal Income Tax Matters

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds (including in the case of Bonds sold at an original issue discount, the difference between the initial offering price and par) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of Federal individual alternative minimum tax. However, interest on the Bonds is included in calculations of both: (a) average annual "adjusted financial statement income" for the purpose of determining whether a corporation is an "applicable corporation," as defined in Section 59(k) of the Tax Code; and (b) the amount of current "adjusted financial statement income" of such applicable corporation which is subject to the alternative minimum tax imposed by Section 55 of the Tax Code, for tax years beginning after December 31, 2022.

Original Issue Discount

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

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

Original Issue Premium

The Bonds that mature on ____ (the "Premium Bonds") are being offered and sold at an original issue premium ("OIP"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes OIP on such Premium Bond. An initial purchaser of a Premium Bond must amortize any OIP over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the OIP to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As OIP is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of OIP for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Holders of Premium Bonds should consult their own tax advisors as to the effect of OIP with respect to their federal tax liability.

Continuing Compliance

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

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

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

Collateral Tax Liabilities

Although Bond Counsel will render an opinion that interest on the Bonds is excludable from gross income for Federal and Commonwealth income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may result in other collateral effects on a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than

what is set forth in its opinion; each Bondholder or potential Bondholder is urged to consult with its own tax advisors with respect to the effects of purchasing, holding or disposing of the Bonds on its tax liabilities.

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

Change in Law; Adverse Determinations

From time to time, certain legislative proposals may be introduced, or are pending, in the Congress of the United States or the various state legislatures, including some that carry retroactive effective dates, that, if, enacted, could alter or amend the federal and state tax matters described above or affect the market value of the Bonds. No prediction can be made whether or in what form any such proposal or proposals might be enacted into law or whether, if enacted, the same would apply to Bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

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

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

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the School District (being an "obligated person" with respect to the Bonds, within the meaning of the Rule), will execute a Continuing Disclosure Undertaking. See Appendix C for the proposed form of Continuing Disclosure Undertaking (the "Continuing Disclosure Undertaking").

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

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

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

The Municipal Securities Rulemaking Board ("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) 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>.

Some operating data of the School District may be inherently included in the annual filings of audited financial statements, the summary of the budget, contents of Official Statements prepared by the School District for bond issues as well as other publicly available information. In connection with the Continuing Disclosure Undertaking associated with the Bonds, the School District may not be filing this information separately, but it may be available in the other annual filings of the School District or publicly available elsewhere.

The School District has procedures in place to ensure that future filings of the required annual information and event notices will be accomplished within all required time periods. The School District has engaged Digital Assurance Certification, LLC as its Dissemination Agent for the purpose of complying with Rule 15c2-12.

COMPLIANCE WITH PREVIOUS CONTINUING DISCLOSURE UNDERTAKINGS

The School District has entered into prior undertakings to provide certain annual financial information, including audited financial statements, certain operating data and notices of certain events under the Rule, as described in the continuing disclosure agreements or certificates associated with prior bond issues. The School District failed to timely file its annual audited financial statements for fiscal years, 2021, 2022, 2023, 2024, and 2025 with respect to the School District's outstanding Pennsylvania State Public School Building Authority Revenue Bonds, Series B of 2011. The School District has procedures in place to ensure ongoing timely filings of its continuing disclosure requirements.

RATING

The Bonds are expected to receive a rating of "AA" by S&P Global Ratings, with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investor Services has also assigned an underlying rating of "A1" to the Bonds. An explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. There is no assurance that any such rating will be in effect for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the School District at an aggregate price of \$_____, (which represents par, less underwriter's discount of \$_____, plus/less net original issue premium/discount of \$_____). The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased.

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 Bonds are offered subject to the receipt of the unqualified approving legal opinion of Clark Hill PLC, Bond Counsel, of Pittsburgh, Pennsylvania, a form of which is included as Appendix D of this Preliminary Official Statement. Certain legal matters will be passed upon for the School District by Timothy Witt, Esq., Solicitor of Watson Mundorff, LLP, Connellsville, Pennsylvania, School District Solicitor. Certain legal matters will be passed upon for the Underwriter by Cozen O'Connor, Pittsburgh, Pennsylvania, as Limited Scope Underwriter's Counsel.

MISCELLANEOUS

This Official Statement has been prepared under the direction of the School District by Stifel, Nicolaus & Company, Inc., Pittsburgh, Pennsylvania, in its capacity as Underwriter 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 Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Underwriter upon request. The information assembled in this Official Statement is not to be construed as a contract with holders of the Bonds.

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

CONNELLSVILLE AREA SCHOOL DISTRICT
Fayette County, Pennsylvania

By: /s/
President, Board of School Directors

APPENDIX A

**DEMOGRAPHIC AND ECONOMIC INFORMATION
RELATING TO CONNELLSVILLE AREA SCHOOL DISTRICT**

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Introduction

The School District is located in the heart of the Laurel Highlands in Fayette County, approximately 45 miles southeast of the city of Pittsburgh, Pennsylvania. The School District covers an area of 215.7 square miles and serves the City of Connellsville, which is 12 miles from the Fayette County seat, Uniontown, along with the Boroughs of Dawson, Dunbar, South Connellsville and Vanderbilt and the Townships of Bullskin, Connellsville, Dunbar, Saltlick and Springfield. Most of the industry in the School District is located in and around Connellsville with farming and recreational opportunities such as hiking, biking, white water rafting and skiing confined to the eastern (mountain) and western (valley) portions of the School District. Such area industries include glass closures (lids), bituminous coal, metal working machinery, wood products, Marcellus Shale natural gas extraction and service related industries.

Connellsville comprises the central, more densely populated section of the School District. The western district, with a more moderate population density, consists of rolling hills of farmland encompassing the Youghiogheny River Valley. The eastern district is comprised of the large mountainous area of Chestnut Ridge and Laurel Ridge (2,500 feet in elevation). This portion of the School District is sparsely populated.

The School District is located approximately 40 miles northeast of Morgantown, West Virginia in southwestern Pennsylvania. U.S. Route 119 passes through the School District with Interstates 70, 76 (Pennsylvania Turnpike) and U.S. Route 40 passing nearby. Being nestled in the Laurel Highlands resort area, the School District and surrounding area offers attractions such as Ohiopyle white water rafting, Fallingwater (a Frank Lloyd Wright designed home), Seven Springs Mountain Resort, Nemacolin Resort, Linden Hall United Steel Workers' Resort, Fayette County Fairgrounds, Youghiogheny River for fishing and rafting, various municipal parks, and the Great Allegheny Passage (Youghiogheny River biking and hiking trail).

Population

Table A-1 shows recent population trends for the School District, Fayette County, and the Commonwealth of Pennsylvania. Table A-2 shows age composition and average number of persons per household in the School District, Fayette County and the Commonwealth.

TABLE A-1
RECENT POPULATION TRENDS

Geographic Area	2000 (Actual)	2010 (Actual)	2020 (Actual)	2000-2020 Change	2000-2020 % Change
School District	38,303	34,479	33,300	(5,003)	-15.02%
Fayette County	148,644	136,601	128,804	(19,840)	-15.40%
Pennsylvania	12,281,054	12,702,379	13,002,700	721,646	5.55%

Source: U.S. Census Bureau, American Community Survey (ACS)

TABLE A-2
AGE COMPOSITION

Geographic Area	Under 18 Years	18-64 Years	65 Years and Over
Fayette County	19.1%	59.2%	21.7%
Pennsylvania	20.6%	60.7%	18.7%

Source: U.S. Census Bureau, American Community Survey (ACS)

Table A-3 shows recent trends in labor force, employment, and unemployment for the County and the State.

TABLE A-3

RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

Fayette County	2022	2023	2024	2025
Civilian Labor Force	54,200	54,200	54,000	53,700
Employment	51,000	51,500	51,300	50,700
Unemployment	3,200	2,600	2,700	2,900
Unemployment Rate	5.8%	4.9%	4.9%	5.5%

Pennsylvania	2022	2023	2024	2025
Civilian Labor Force (000)	6,479	6,559	6,572	6,542
Employment (000)	6,209	6,318	6,321	6,262
Unemployment (000)	270	241	251	280
Unemployment Rate (000)	4.2%	3.7%	3.8%	4.3%

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

TABLE A-4

LARGEST EMPLOYERS

The largest employers located within Fayette County include:

Rank	Employer
1	State Government
2	Nemacolin Woodlands Inc.
3	The Uniontown Hospital
4	Wal-Mart Associates Inc.
5	Connellsville Area School District
6	Fayette County
7	Fayette Resources Incorporated
8	Albert Gallatin Area School District
9	Heartland Fabrication LLC
10	Laurel Highlands School District

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

Income

The data in Table A-5 shows recent trends in per capita income for Fayette County and the Commonwealth.

TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME*

Geographic Area	2000	2010	2020	2000 – 2020 \$ Change	2000 – 2020 % Change
Fayette County	\$15,274	\$19,460	\$27,368	\$12,094	79.18%
Pennsylvania	20,880	26,374	34,352	13,472	64.52

*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: U.S. Census Bureau, American Community Survey (ACS)

Medical Facilities

Located within the School District is Penn Highlands Hospital and Health Care. Residents can also travel to the Frick Hospital-Independence Health in Mount Pleasant and the WVU-Uniontown Hospital in Uniontown, and to the Pittsburgh area for medical services.

Utilities

Columbia Gas of Pennsylvania, Inc. provides gas service to residents. Electric services are provided by West Penn Power Company, and Verizon and Laurel Highlands Telephone Company provide telephone services to the area. Water service is provided by the North Fayette County Municipal Authority, Pennsylvania American Water Company, Indian Creek Valley Water Authority and Pleasant Valley Water Authority. Sewer services are provided by Bullskin Township Connellsville Township Joint Sewer Authority, Connellsville Municipal Authority, Dunbar Township Municipal Authority, Dunbar/Borough Township Sanitary Authority, South Connellsville Municipal Authority, Yough Sanitary Authority and to a limited extent, Kamber Management.

Transportation

Connellsville is located at the intersection of U.S. Routes 201, 119 and 711. Amtrak provides daily passenger service from its Connellsville Station. Also located in the School District is the Connellsville Airport, an all-weather, general service facility.

Education

While there are no higher educational facilities located within the School District, residents are within commuting distance of the Pennsylvania State University, Fayette Campus approximately one mile from the School District and the University of Pittsburgh Campus located in Greensburg, Pennsylvania and Westmoreland County Community College, New Stanton, approximately 15 miles from the School District. Also located within commuting distance are a number of Pittsburgh area higher educational facilities.

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APPENDIX B

**AUDITED FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2025**

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CONNELLSVILLE AREA SCHOOL DISTRICT

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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**CONNELLVILLE AREA  
SCHOOL DISTRICT**

FAYETTE COUNTY, PENNSYLVANIA

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

AND

OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE

WITH INDEPENDENT AUDITOR'S REPORT

**FOR THE YEAR ENDED  
JUNE 30, 2025**

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**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**FAYETTE COUNTY, PENNSYLVANIA**  
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**FAYETTE COUNTY, PENNSYLVANIA**  
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# **Turnley Robertson & Associates LLC**

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1000 3<sup>rd</sup> Avenue  
New Brighton, Pennsylvania 15066  
(724) 384-1081  
FAX (724) 384-8908

**Management and Board of Education  
Connellsville Area School District  
Connellsville, Pennsylvania**

## **Independent Auditor's Report**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Connellsville Area School District, Fayette County, Pennsylvania as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Connellsville Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Connellsville Area School District as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Connellsville Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Connellsville Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Connellsville Area School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv-xiv and the other required supplementary information on pages 47-55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Connellsville Area School District's basic financial statements. The accompanying supplementary information – the schedule of expenditures of federal awards on page 61 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 February 23, 2026, on our consideration of the Connellsville Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Connellsville Area School District's internal control over financial reporting and compliance.

*Turnley Robertson & Associates LLC*

Turnley Robertson & Associates LLC

February 23, 2026  
New Brighton, Pennsylvania

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**

**June 30, 2025**

The discussion and analysis of Connellsville Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management 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. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**MISSION STATEMENT**

Through the cooperative efforts of educators, parents, and community, the Connellsville Area School District shall provide a safe, well-maintained and challenging educational environment designed to meet the diverse needs of our school population in order to develop respectful, responsible, knowledgeable students inspired to become successful life-long learners in an ever-changing technological society.

**PRIMARY GOVERNMENTAL UNIT**

The Connellsville Area School District is the Primary Governmental Unit of the Connellsville Area Career and Technical Center, formerly known as the North Fayette Area Vocational Technical School. As of July 1, 2001, the Board of Education of the School District assumed sole responsibility for the operation of the Connellsville Area Career and Technical Center, making it a component unit of the Connellsville Area School District.

**FINANCIAL STATEMENTS**

The financial statements consist of three parts: Management Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of Connellsville Area School District. The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the School District's overall financial status.

## CONNELLSVILLE AREA SCHOOL DISTRICT

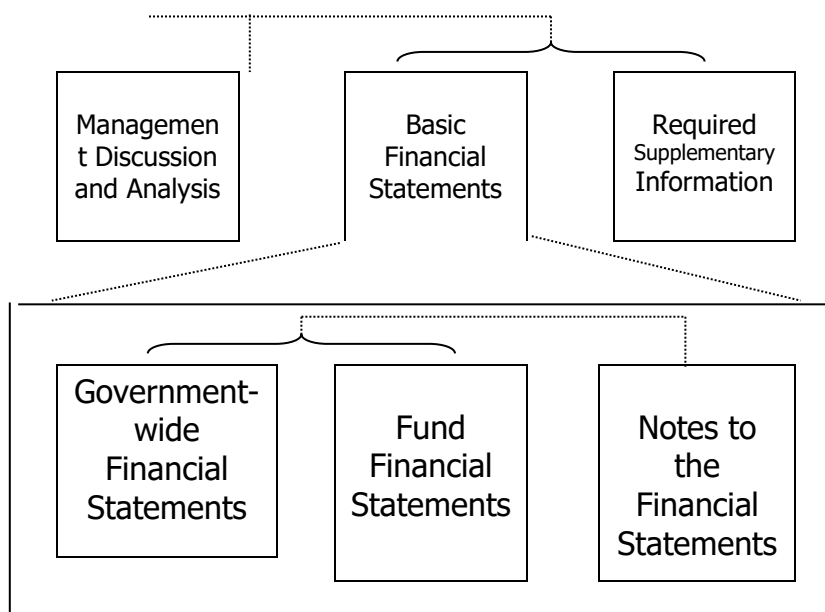
### *Management's Discussion and Analysis (MD&A)*

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 tell in general how the District's services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. The District accounts for food service as an enterprise fund. The Connellsville Area Career and Technical Center does not maintain an enterprise fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements with the comparison of Connellsville Area School District's budget for the year.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1  
Required components of  
Connellsville Area School District's  
Financial Report



**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**

Figure A-2 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 discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
Major Features of Connellsville Area School District's  
Government-wide and Fund Financial Statements  
Fund Statements

|                                        | Government-<br>wide<br>Statements                                                    | Governmental<br>Funds                                                                                                                                                                      | Proprietary<br>Funds                                                                                                | Fiduciary Funds                                                                                       |
|----------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Scope                                  | Entire District (except fiduciary funds)                                             | The activities of the District that are not proprietary or fiduciary, such as education, administration and community services                                                             | Activities the District operates similar to private business – Food Services                                        | Instances in which the District is the trustee or agent to someone else's resources – Custodial Funds |
| Required financial statements          | Statement of net position<br>Statement of activities                                 | Balance Sheet<br>Statement of revenues, expenditures, and changes in fund balance                                                                                                          | Statement of net position<br>Statement of revenues, expenses and changes in net position<br>Statement of cash flows | Statement of fiduciary net position<br>Statement of changes in fiduciary net position                 |
| 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                                                                     | Accrual accounting and economic resources focus                                                       |
| Type of asset/liability information    | All assets and liabilities, 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                                | All assets and liabilities, both 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                                  | All revenues and expenses during year, regardless of when cash is received or paid                    |

## **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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are 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 non-financial 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 and by bond requirements.

**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 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.

**Proprietary funds** – These funds are used to account for the District 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 provide more detail and additional information, such as cash flows.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

Fund Financial Statements (Continued)

Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as student activity custodial funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong.

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

The District's total net position was a deficit of \$78,153,828 at June 30, 2025.

Table A-1  
Fiscal Years ended June 30, 2025 and June 30, 2024  
Condensed Statement of Net Position

|                                                                | ----- JUNE 30, 2025 -----  |                             |                        | JUNE 30, 2024          |
|----------------------------------------------------------------|----------------------------|-----------------------------|------------------------|------------------------|
|                                                                | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                  | TOTAL                  |
| Current Assets                                                 | \$ 39,159,431              | \$ 2,139,159                | \$ 41,298,590          | \$ 40,840,789          |
| Capital Assets                                                 | 77,351,158                 | 41,617                      | 77,392,775             | 82,005,301             |
| Deferred Outflows of Resources                                 | 15,764,704                 | 515,062                     | 16,279,766             | 19,117,597             |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>     | <b>\$ 132,275,293</b>      | <b>\$ 2,695,838</b>         | <b>\$ 134,971,131</b>  | <b>\$ 141,963,687</b>  |
| Current Liabilities                                            | \$ 15,997,949              | \$ 46,644                   | \$ 16,044,593          | \$ 15,947,791          |
| Long-term Liabilities                                          | 186,277,512                | 3,480,701                   | 189,758,213            | 200,695,547            |
| Deferred Inflows of Resources                                  | 7,106,924                  | 215,229                     | 7,322,153              | 5,357,695              |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOWS OF RESOURCES</b> | <b>\$ 209,382,385</b>      | <b>\$ 3,742,574</b>         | <b>\$ 213,124,959</b>  | <b>\$ 222,001,033</b>  |
| Net Investment in                                              |                            |                             |                        |                        |
| Capital Assets (Deficit)                                       | \$ (3,488,578)             | \$ 41,617                   | \$ (3,446,961)         | \$ (4,067,831)         |
| Unrestricted (Deficit)                                         | (73,618,514)               | (1,088,353)                 | (74,706,867)           | (75,969,515)           |
| <b>TOTAL NET POSITION (Deficit)</b>                            | <b>\$ (77,107,092)</b>     | <b>\$ (1,046,736)</b>       | <b>\$ (78,153,828)</b> | <b>\$ (80,037,346)</b> |

There was a slight increase in current assets of \$457,801 (1.1%) during the 2024-2025 fiscal year. Governmental activities capital assets decreased mainly due to depreciation expense exceeding capital expenses net of dispositions by \$4,605,726 for the 2024-2025 fiscal year. There was a slight increase in current liabilities of \$96,802 (.61%) during the 2024-2025 fiscal year. The change in deferred outflows of resources, long-term liabilities, and deferred inflows of resources is attributed to the updated valuation received from the Pennsylvania School Employees Retirement System (PSERS), in accordance with GASB Statement No. 68, 'Accounting and Financial Reporting for Pensions', and GASB Statement No. 75, 'Accounting and Financial Reporting for Postemployment Benefits other than Pensions' (OPEB), including the District's updated independent valuation of its' OPEB obligation as of June 30, 2025. The District's total net pension liability decreased from \$100,094,000 at June 30, 2024 to \$90,239,000 at June 30, 2024. The District's total net OPEB liability increased from \$14,671,481 at June 30, 2024 to \$15,494,812 at June 30, 2025. Compensated absences also increased from \$3,641,123 at June 30, 2024 to \$7,291,248 at June 30, 2025.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

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 represented 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 State of Pennsylvania, and the local taxes assessed to community taxpayers.

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2  
Fiscal Years ended June 30, 2025 and June 30, 2024  
Changes in Net Position from Operating Results

|                                      | ----- JUNE 30, 2025 -----  |                             |                      | JUNE 30, 2024        |
|--------------------------------------|----------------------------|-----------------------------|----------------------|----------------------|
|                                      | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                | TOTAL                |
| <b>REVENUES</b>                      |                            |                             |                      |                      |
| <b>Program Revenues:</b>             |                            |                             |                      |                      |
| Charges for Services                 | \$ 3,260,229               | \$ 201,643                  | \$ 3,461,872         | \$ 3,328,182         |
| Operating Grants and Contributions   | 28,012,405                 | 3,858,286                   | 31,870,691           | 35,840,052           |
| Capital Grants and Contributions     | 1,334,596                  | -                           | 1,334,596            | 1,196,647            |
| <b>General Revenues:</b>             |                            |                             |                      |                      |
| Property, Other Taxes, PA Relief Tax | 24,026,149                 | -                           | 24,026,149           | 22,110,707           |
| Grants, Subsidies and Contributions  | 35,150,438                 | -                           | 35,150,438           | 34,472,643           |
| Investment Earnings                  | 1,323,092                  | 69,248                      | 1,392,340            | 912,182              |
| Miscellaneous                        | 426,233                    | 4,557                       | 430,790              | 370,513              |
| <b>TOTAL REVENUES</b>                | <b>\$ 93,533,142</b>       | <b>\$ 4,133,734</b>         | <b>\$ 97,666,876</b> | <b>\$ 98,230,926</b> |
| <b>EXPENSES</b>                      |                            |                             |                      |                      |
| Instruction                          | \$ 61,497,339              | \$ -                        | \$ 61,497,339        | \$ 56,437,432        |
| Instructional Student Support        | 5,650,851                  | -                           | 5,650,851            | 5,884,714            |
| Administrative and Financial Support | 6,118,473                  | -                           | 6,118,473            | 6,033,210            |
| Operation and Maintenance of Plant   | 8,446,833                  | -                           | 8,446,833            | 8,059,042            |
| Pupil Transportation                 | 7,298,688                  | -                           | 7,298,688            | 6,754,469            |
| Student Activities                   | 1,337,045                  | -                           | 1,337,045            | 1,286,079            |
| Community Services                   | 26,764                     | -                           | 26,764               | 33,124               |
| Interest on Long-term Debt/Refunds   | 1,814,332                  | -                           | 1,814,332            | 2,635,520            |
| Food Services                        | -                          | 3,593,033                   | 3,593,033            | 3,632,107            |
| <b>TOTAL EXPENSES</b>                | <b>\$ 92,190,325</b>       | <b>\$ 3,593,033</b>         | <b>\$ 95,783,358</b> | <b>\$ 90,755,697</b> |
| <b>CHANGE IN NET POSITION</b>        | <b>\$ 1,342,817</b>        | <b>\$ 540,701</b>           | <b>\$ 1,883,518</b>  | <b>\$ 7,475,229</b>  |

The positive change in overall net position is related to **1)** General Fund revenues and other financing sources exceeding expenses and other financing uses by \$254,840 and **2)** the results of the updated actuarial valuations from PSERS for pension and OPEB benefits, and the District's independent valuation for OPEB benefits.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3  
Fiscal Years ended June 30, 2025 and June 30, 2024  
Net Cost of Governmental Activities

|                                                            | ----- JUNE 30, 2025 -----        |                                | ----- JUNE 30, 2024 -----        |                                |
|------------------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                            | <b>TOTAL COST<br/>OF SERVICE</b> | <b>NET COST<br/>OF SERVICE</b> | <b>TOTAL COST<br/>OF SERVICE</b> | <b>NET COST<br/>OF SERVICE</b> |
| <b>EXPENSES</b>                                            |                                  |                                |                                  |                                |
| Instruction                                                | \$ 61,497,339                    | \$ 38,944,150                  | \$ 56,437,432                    | \$ 30,082,733                  |
| Instructional Student Support                              | 5,650,851                        | 4,127,828                      | 5,884,714                        | 4,582,028                      |
| Administrative and Financial Support                       | 6,118,473                        | 5,040,489                      | 6,033,210                        | 4,867,834                      |
| Operation and Maintenance of Plant                         | 8,446,833                        | 7,551,323                      | 8,059,042                        | 6,862,473                      |
| Pupil Transportation                                       | 7,298,688                        | 2,361,496                      | 6,754,469                        | 1,982,128                      |
| Student Activities                                         | 1,337,045                        | 1,069,073                      | 1,286,079                        | 1,017,312                      |
| Community Services                                         | 26,764                           | 9,000                          | 33,124                           | 9,000                          |
| Interest on Long-term Debt/Refunds                         | 1,814,332                        | 479,736                        | 2,635,520                        | 1,438,873                      |
| <b>TOTAL EXPENSES</b>                                      | <b>\$ 92,190,325</b>             | <b>\$ 59,583,095</b>           | <b>\$ 87,123,590</b>             | <b>\$ 50,842,381</b>           |
| <b>Less:</b>                                               |                                  |                                |                                  |                                |
| Unrestricted Grants, Subsidies                             |                                  | 35,150,438                     |                                  | 34,472,643                     |
| <b>TOTAL NEEDS FROM LOCAL TAXES<br/>AND OTHER REVENUES</b> |                                  | <b>\$ 24,432,657</b>           |                                  | <b>\$ 16,369,738</b>           |

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

Table A-4 reflects the activities of the Food Service program, the only Business-type activities of the District.

Table A-4  
Fiscal Years ended June 30, 2025 and June 30, 2024  
Net Cost of Business-type Activities

|                                       | ----- JUNE 30, 2025 -----        |                                | ----- JUNE 30, 2024 -----        |                                |
|---------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                       | <b>TOTAL COST<br/>OF SERVICE</b> | <b>NET COST<br/>OF SERVICE</b> | <b>TOTAL COST<br/>OF SERVICE</b> | <b>NET COST<br/>OF SERVICE</b> |
| <b>EXPENSES</b>                       |                                  |                                |                                  |                                |
| Food Service                          | \$ 3,593,033                     | \$ 466,896                     | \$ 3,632,107                     | \$ 451,565                     |
|                                       | <u><b>\$ 3,593,033</b></u>       | <u><b>\$ 466,896</b></u>       | <u><b>\$ 3,632,107</b></u>       | <u><b>\$ 451,565</b></u>       |
| Investment earnings/Miscellaneous     |                                  | 73,805                         |                                  | 6,551                          |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b> |                                  |                                |                                  |                                |
| <b>NET INCOME &lt;LOSS&gt;</b>        |                                  | <u><b>\$ 540,701</b></u>       |                                  | <u><b>\$ 458,116</b></u>       |

The Statement of Revenues, Expenses and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operations.

**THE DISTRICT FUNDS**

At June 30, 2025, the District governmental funds reported a combined fund balance of \$27,930,092, which is an increase of \$55,668 from June 30, 2024. The increase in fund balance was due to General Fund revenues and other financing sources exceeding expenditures and other financing uses by \$254,840 offset by Capital Project Fund expenditures and other financing uses exceeding revenues and other financing sources by \$199,172. Total revenues of the General Fund (excluding other financing sources) decreased \$910,139 (1.02%) from the prior fiscal year. Local revenues increased by \$1,848,589 (7.97%). The most significant increase in local revenues was to current real estate tax (including discounts and penalties), increasing \$924,510 (6.3%) from the prior year due to an increase in tax millage. State revenues increased \$2,701,894 (4.7%). The most significant increases to state revenues were basic education subsidy increasing by \$496,991 and property tax relief subsidy increasing by \$337,069 and a Ready to Learn Adequacy Supplement subsidy received by the District totaling \$1,264,724. Federal revenues decreased \$5,460,622 (62.7%). This decrease in federal revenues is related to a decrease in COVID-19 related grants received by the District. Total expenditures of the General Fund (excluding other financing uses) increased by \$3,642,367 (4.7%) from the prior fiscal year.

A brief summary of each fund is as follows:

**Capital Project Fund:**

The Capital Project Fund's fund balance decreased by \$199,172 in 2024-2025. The net decrease was due to expenditures exceeding revenues by that amount.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
***Management's Discussion and Analysis (MD&A)***

**THE DISTRICT FUNDS (Continued)**

**General Fund:**

The General Fund had an operational increase in fund balance of \$7,003,044 (prior to interfund transfers and insurance recoveries) in 2024-2025. The General Fund's fund balance at June 30, 2025, is \$23,223,874.

**General Fund Budget:**

During the fiscal year, the Board of Education authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

The Board approved a budget for 2024-2025 with a tax millage increase of .11467 mills. Actual revenues, excluding other financing sources, (\$88,423,100) were over budgeted revenues (\$85,508,155) by \$2,914,945. Actual local revenues were over budget by \$1,896,361 (8.2%) primarily due to wage tax, delinquent real estate tax, interest income, and ACCESS funds received from the IU being over budget by \$672,738, \$378,745, \$481,873, and \$207,559 respectively. Actual state subsidy revenues were over budget by \$453,489 (.76%), mainly due to unbudgeted cyber charter subsidy and ready to learn adequacy supplement totaling \$210,804 and \$1,264,724 respectively and transportation subsidy exceeding budget by \$909,781. These were offset by the retirement subsidy being under budget by \$1,359,022. Actual federal subsidies were over budget by \$565,095 (21.1%) primarily due to COVID-19 related grants received by the District being over budget by approximately \$372,644. Additionally, Title I, Title II, Title IV, and ACCESS funds were over budget by \$33,777, \$40,755, \$28,941, and \$88,453 respectively.

Actual expenditures, excluding other financing uses, (\$81,420,056) were over budgeted expenditures (\$78,510,245) by \$2,909,811 (3.7%). There were various functional areas that were over budget as reflected on page 7 of the audit report. The two notable areas where the District was over budget were for 'regular programs' and 'special programs', which were over budget by \$431,932 \$1,624,322 respectively. The remaining expenditure categories were slightly over or under budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS:**

At June 30, 2025, the District had \$77,392,775 invested in a broad range of capital assets, including land, site improvements, buildings and furniture and equipment (net of depreciation). This amount includes \$51,672,160 of expenses incurred during the 2007-2008 through 2014-2015 years for renovations to the District and Connellsville Area Career and Technical Center. The overall investment in fixed assets represents a net decrease (including additions, deletions, and depreciation) of \$4,612,526, or 5.62% from last year. Depreciation expense for 2024-2025 amounted to \$5,397,683 (\$5,390,883 for governmental funds and \$6,800 for business-type activities).

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**

**CAPITAL ASSETS: (Continued)**

A comparative summary of the District's investment in fixed assets is as follows:

|                            | ----- JUNE 30, 2025 -----  |                             |                      | JUNE 30, 2024        |
|----------------------------|----------------------------|-----------------------------|----------------------|----------------------|
|                            | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                | TOTAL                |
| Land                       | \$ 259,084                 | \$ -                        | \$ 259,084           | \$ 259,084           |
| Site Improvements          | 558,003                    | -                           | 558,003              | 631,308              |
| Buildings and Improvements | 73,828,084                 | -                           | 73,828,084           | 78,048,072           |
| Furniture and Equipment    | 2,705,987                  | 41,617                      | 2,747,604            | 3,066,837            |
| <b>TOTAL</b>               | <b>\$ 77,351,158</b>       | <b>\$ 41,617</b>            | <b>\$ 77,392,775</b> | <b>\$ 82,005,301</b> |

**DEBT ADMINISTRATION:**

As of July 1, 2024, the District had total outstanding bond and note principal of \$86,512,988. During 2024-2025 the District made payments against principal totaling \$5,327,335 resulting in ending outstanding debt of \$81,185,653 as of June 30, 2025. The District is scheduled to make principal and interest payments totaling \$8,399,575 during the 2025-2026 fiscal year.

The District's general obligation bond and note insured bond rating by Standard & Poor's Ratings Services Group is "AA" (Stable Outlook) with an underlying rating of "A-/Stable".

Other obligations include long-term portion of compensated absences amounting to \$7,291,248 for specific employees of the District, a net OPEB liability of \$15,494,812, and a net pension liability of \$90,239,000 as more detailed in the notes to the financial statements.

**MAJOR FINANCIAL NEWS:**

The Connellsville Area School District was able to sustain the sound fiscal position that was achieved over the prior five budget years by reducing actual costs to the deficit budget and recognized General Fund excess revenues over expenditures. It is the goal of the District to succeed both financially and academically. The largest increase in revenues was from state sources and federal funds from ESSER Funds relating to COVID relief in the 2021-22, 2022-23, and the 2023-24 fiscal years. The 2023-2024 fiscal year was the last year with significant amounts of ESSER Funds which had to be spent by December 15, 2024.

The District does not expect significant growth in the near future given the residential nature of the local economy. Most of the industry is located in and around Connellsville with farming and recreational opportunities such as hiking, biking, white water rafting and skiing confined to portions of the District. There does not appear to be any significant growth in area industries including glass, closures (lids), bituminous coal, metal working machinery, wood products and service-related industries.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

**MAJOR FINANCIAL NEWS: (Continued)**

The expenditure budget for the 2025-2026 year is \$2,638,802 higher than the final budget for 2024-2025. This was due mainly to increases in costs associated with the District's special programs services of \$1,065,802 and student support services of \$834,583. The Board of Education approved the budget, with no tax increase, maintaining the millage rate of 16.2354. This budget was adopted with a deficit of \$344,965. While the budget was a deficit budget, when the state budget was passed, it contained a significant increase in the adequacy funding in the Ready to Learn Grant. This should lessen the amount of potential deficit or create surplus for the 2025-26 year.

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

This 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 of Director's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office at Connellsville Area School District, 732 Rockridge Road, Connellsville, PA 15425-0861.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

|                                                                               | Governmental<br>Activities | Business-Type<br>Activities | Total                  |
|-------------------------------------------------------------------------------|----------------------------|-----------------------------|------------------------|
| <b>ASSETS</b>                                                                 |                            |                             |                        |
| <b>Current Assets:</b>                                                        |                            |                             |                        |
| Cash and Cash Equivalents                                                     | \$ 17,605,161              | \$ 1,453,086                | \$ 19,058,247          |
| Investments                                                                   | 14,018,220                 | -                           | 14,018,220             |
| Taxes Receivable, net                                                         | 2,577,304                  | -                           | 2,577,304              |
| Internal Balances                                                             | (529,641)                  | 529,641                     | -                      |
| Due From Other Governments                                                    | 4,618,284                  | 20,632                      | 4,638,916              |
| Inventories                                                                   | -                          | 135,800                     | 135,800                |
| Other Accounts Receivable                                                     | 31,863                     | -                           | 31,863                 |
| Prepaid Expenses                                                              | 838,240                    | -                           | 838,240                |
| <b>Total Current Assets</b>                                                   | <b>\$ 39,159,431</b>       | <b>\$ 2,139,159</b>         | <b>\$ 41,298,590</b>   |
| <b>Noncurrent Assets:</b>                                                     |                            |                             |                        |
| Land (non-depreciable)                                                        | \$ 259,084                 | \$ -                        | \$ 259,084             |
| Site Improvements (net)                                                       | 558,003                    | -                           | 558,003                |
| Building and Building Improvements (net)                                      | 73,828,084                 | -                           | 73,828,084             |
| Furniture and Equipment (net)                                                 | 2,705,987                  | 41,617                      | 2,747,604              |
| <b>Total Noncurrent Assets</b>                                                | <b>\$ 77,351,158</b>       | <b>\$ 41,617</b>            | <b>\$ 77,392,775</b>   |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 116,510,589</b>      | <b>\$ 2,180,776</b>         | <b>\$ 118,691,365</b>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                                        |                            |                             |                        |
| Deferred Interest on Refunding                                                | \$ 1,374,959               | \$ -                        | \$ 1,374,959           |
| Deferred Bond Insurance Premiums                                              | 28,595                     | -                           | 28,595                 |
| Deferred Outflows Related to Pensions                                         | 12,898,218                 | 495,570                     | 13,393,788             |
| Deferred Outflows Related to OPEB                                             | 1,462,932                  | 19,492                      | 1,482,424              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                                   | <b>\$ 15,764,704</b>       | <b>\$ 515,062</b>           | <b>\$ 16,279,766</b>   |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS<br/>OF RESOURCES</b>                    | <b>\$ 132,275,293</b>      | <b>\$ 2,695,838</b>         | <b>\$ 134,971,131</b>  |
| <b>LIABILITIES</b>                                                            |                            |                             |                        |
| <b>Current Liabilities:</b>                                                   |                            |                             |                        |
| Accounts Payable                                                              | \$ 515,327                 | \$ 26,431                   | \$ 541,758             |
| Accrued Salaries and Benefits                                                 | 8,718,876                  | 15,396                      | 8,734,272              |
| Payroll Deductions and Withholdings                                           | 320,034                    | -                           | 320,034                |
| Bonds and Notes Payable (Current Portion)                                     | 5,481,542                  | -                           | 5,481,542              |
| Accrued Interest                                                              | 749,881                    | -                           | 749,881                |
| Unearned Revenue                                                              | 61,414                     | 4,817                       | 66,231                 |
| Other Current Liabilities                                                     | 150,875                    | -                           | 150,875                |
| <b>Total Current Liabilities</b>                                              | <b>\$ 15,997,949</b>       | <b>\$ 46,644</b>            | <b>\$ 16,044,593</b>   |
| <b>Noncurrent Liabilities:</b>                                                |                            |                             |                        |
| Bonds Payable - Long-Term Portion (Net)                                       | \$ 74,864,042              | \$ -                        | \$ 74,864,042          |
| Notes Payable - Long-Term Portion (Net)                                       | 1,869,111                  | -                           | 1,869,111              |
| Net Pension Liability                                                         | 86,900,157                 | 3,338,843                   | 90,239,000             |
| Net OPEB Liability                                                            | 15,352,954                 | 141,858                     | 15,494,812             |
| Compensated Absences                                                          | 7,291,248                  | -                           | 7,291,248              |
| <b>Total Noncurrent Liabilities</b>                                           | <b>\$ 186,277,512</b>      | <b>\$ 3,480,701</b>         | <b>\$ 189,758,213</b>  |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 202,275,461</b>      | <b>\$ 3,527,345</b>         | <b>\$ 205,802,806</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                         |                            |                             |                        |
| Deferred Inflows Related to Pensions                                          | \$ 4,762,998               | \$ 183,002                  | \$ 4,946,000           |
| Deferred Inflows Related to OPEB                                              | 2,343,926                  | 32,227                      | 2,376,153              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                    | <b>\$ 7,106,924</b>        | <b>\$ 215,229</b>           | <b>\$ 7,322,153</b>    |
| <b>NET POSITION</b>                                                           |                            |                             |                        |
| Net Investment in Capital Assets (Deficit)                                    | \$ (3,488,578)             | \$ 41,617                   | \$ (3,446,961)         |
| Unrestricted (Deficit)                                                        | (73,618,514)               | (1,088,353)                 | (74,706,867)           |
| <b>TOTAL NET POSITION (Deficit)</b>                                           | <b>\$ (77,107,092)</b>     | <b>\$ (1,046,736)</b>       | <b>\$ (78,153,828)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND NET POSITION</b> | <b>\$ 132,275,293</b>      | <b>\$ 2,695,838</b>         | <b>\$ 134,971,131</b>  |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**EXHIBIT B**

| Functions/Programs                               | Expenses             | Program Revenues        |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Position |                             |                        |
|--------------------------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|------------------------|
|                                                  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total                  |
| <b>Governmental Activities:</b>                  |                      |                         |                                          |                                        |                                                      |                             |                        |
| Instruction                                      | \$ 61,497,339        | \$ 3,050,666            | \$ 19,502,523                            | \$ -                                   | \$ (38,944,150)                                      |                             | \$ (38,944,150)        |
| Instructional Student Support                    | 5,650,851            | -                       | 1,523,023                                | -                                      | (4,127,828)                                          |                             | (4,127,828)            |
| Administrative and Financial Support Services    | 6,118,473            | -                       | 1,077,984                                | -                                      | (5,040,489)                                          |                             | (5,040,489)            |
| Operation and Maintenance of Plant Services      | 8,446,833            | 100,220                 | 795,290                                  | -                                      | (7,551,323)                                          |                             | (7,551,323)            |
| Pupil Transportation                             | 7,298,688            | -                       | 4,937,192                                | -                                      | (2,361,496)                                          |                             | (2,361,496)            |
| Student Activities                               | 1,337,045            | 109,343                 | 158,629                                  | -                                      | (1,069,073)                                          |                             | (1,069,073)            |
| Community Services                               | 26,764               | -                       | 17,764                                   | -                                      | (9,000)                                              |                             | (9,000)                |
| Interest on Long-Term Debt/Refunds               | 1,814,332            | -                       | -                                        | 1,334,596                              | (479,736)                                            |                             | (479,736)              |
| <b>Total Governmental Activities</b>             | <b>\$ 92,190,325</b> | <b>\$ 3,260,229</b>     | <b>\$ 28,012,405</b>                     | <b>\$ 1,334,596</b>                    | <b>\$ (59,583,095)</b>                               |                             | <b>\$ (59,583,095)</b> |
| <b>Business-Type activities:</b>                 |                      |                         |                                          |                                        |                                                      |                             |                        |
| Food Service                                     | \$ 3,593,033         | \$ 201,643              | \$ 3,858,286                             | \$ -                                   | \$ -                                                 | \$ 466,896                  | \$ 466,896             |
| <b>Total Business-Type Activities</b>            | <b>\$ 3,593,033</b>  | <b>\$ 201,643</b>       | <b>\$ 3,858,286</b>                      | <b>\$ -</b>                            | <b>\$ -</b>                                          | <b>\$ 466,896</b>           | <b>\$ 466,896</b>      |
| <b>Total Primary Government</b>                  | <b>\$ 95,783,358</b> | <b>\$ 3,461,872</b>     | <b>\$ 31,870,691</b>                     | <b>\$ 1,334,596</b>                    | <b>\$ (59,583,095)</b>                               | <b>\$ 466,896</b>           | <b>\$ (59,116,199)</b> |
| <b>General Revenues:</b>                         |                      |                         |                                          |                                        |                                                      |                             |                        |
| Taxes:                                           |                      |                         |                                          |                                        |                                                      |                             |                        |
| Property Taxes Levied for General Purposes (net) |                      |                         |                                          |                                        | \$ 17,576,775                                        | \$ -                        | \$ 17,576,775          |
| Other Taxes Levied for General Purposes          |                      |                         |                                          |                                        | 4,267,820                                            | -                           | 4,267,820              |
| Property Tax Relief Payment                      |                      |                         |                                          |                                        | 2,181,554                                            | -                           | 2,181,554              |
| Grants and Contributions - Unrestricted          |                      |                         |                                          |                                        | 35,150,438                                           | -                           | 35,150,438             |
| Investment Earnings                              |                      |                         |                                          |                                        | 1,323,092                                            | 69,248                      | 1,392,340              |
| Miscellaneous Income                             |                      |                         |                                          |                                        | 426,233                                              | 4,557                       | 430,790                |
| <b>Total General Revenues</b>                    |                      |                         |                                          |                                        | <b>\$ 60,925,912</b>                                 | <b>\$ 73,805</b>            | <b>\$ 60,999,717</b>   |
| <b>Change in Net Position</b>                    |                      |                         |                                          |                                        | <b>\$ 1,342,817</b>                                  | <b>\$ 540,701</b>           | <b>\$ 1,883,518</b>    |
| Net Position — July 1, 2024 (Deficit)            |                      |                         |                                          |                                        | (78,449,909)                                         | (1,587,437)                 | (80,037,346)           |
| <b>Net Position — June 30, 2025 (Deficit)</b>    |                      |                         |                                          |                                        | <b>\$ (77,107,092)</b>                               | <b>\$ (1,046,736)</b>       | <b>\$ (78,153,828)</b> |

The accompanying notes are an integral part of these financial statements

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2025**

|                                                                                | GENERAL<br>FUND      | CAPITAL<br>PROJECT<br>FUND | CAREER AND<br>TECHNICAL CENTER<br>FUND | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--------------------------------------------------------------------------------|----------------------|----------------------------|----------------------------------------|--------------------------------|
| <b>ASSETS:</b>                                                                 |                      |                            |                                        |                                |
| Cash and Cash Equivalents                                                      | \$ 17,393,020        | \$ -                       | \$ 212,141                             | \$ 17,605,161                  |
| Investments                                                                    | 9,312,002            | 4,706,218                  | -                                      | 14,018,220                     |
| Taxes Receivable, net                                                          | 2,577,304            | -                          | -                                      | 2,577,304                      |
| Due from Other Funds                                                           | -                    | -                          | 155,860                                | 155,860                        |
| Due from Other Governments                                                     | 4,555,881            | -                          | 62,403                                 | 4,618,284                      |
| Other Accounts Receivable                                                      | 31,863               | -                          | -                                      | 31,863                         |
| Prepaid Expenses                                                               | 838,240              | -                          | -                                      | 838,240                        |
| <b>TOTAL ASSETS</b>                                                            | <b>\$ 34,708,310</b> | <b>\$ 4,706,218</b>        | <b>\$ 430,404</b>                      | <b>\$ 39,844,932</b>           |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>           |                      |                            |                                        |                                |
| <b>LIABILITIES:</b>                                                            |                      |                            |                                        |                                |
| Due to Other Funds                                                             | \$ 685,501           | \$ -                       | \$ -                                   | \$ 685,501                     |
| Accounts Payable                                                               | 447,300              | -                          | 68,027                                 | 515,327                        |
| Accrued Salaries and Benefits                                                  | 8,356,499            | -                          | 362,377                                | 8,718,876                      |
| Payroll Deductions and Withholdings                                            | 320,034              | -                          | -                                      | 320,034                        |
| Unearned Revenue                                                               | 61,414               | -                          | -                                      | 61,414                         |
| Other Current Liabilities                                                      | 150,875              | -                          | -                                      | 150,875                        |
| <b>TOTAL LIABILITIES</b>                                                       | <b>\$ 10,021,623</b> | <b>\$ -</b>                | <b>\$ 430,404</b>                      | <b>\$ 10,452,027</b>           |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                          |                      |                            |                                        |                                |
| Delinquent Real Estate Taxes                                                   | \$ 1,462,813         | \$ -                       | \$ -                                   | \$ 1,462,813                   |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                     | <b>\$ 1,462,813</b>  | <b>\$ -</b>                | <b>\$ -</b>                            | <b>\$ 1,462,813</b>            |
| <b>FUND BALANCES:</b>                                                          |                      |                            |                                        |                                |
| Nonspendable                                                                   | \$ 838,240           | \$ -                       | \$ -                                   | \$ 838,240                     |
| Assigned                                                                       | 15,384,544           | 4,706,218                  | -                                      | 20,090,762                     |
| Unassigned                                                                     | 7,001,090            | -                          | -                                      | 7,001,090                      |
| <b>TOTAL FUND BALANCES</b>                                                     | <b>\$ 23,223,874</b> | <b>\$ 4,706,218</b>        | <b>\$ -</b>                            | <b>\$ 27,930,092</b>           |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 34,708,310</b> | <b>\$ 4,706,218</b>        | <b>\$ 430,404</b>                      | <b>\$ 39,844,932</b>           |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

**Total Fund Balances - Governmental Funds** **\$ 27,930,092**

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$173,554,487 and the accumulated depreciation is \$96,203,329. 77,351,158

Property taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds. 1,462,813

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions 12,898,218

Deferred outflows of resources related to OPEB 1,462,932

Deferred inflows of resources related to pensions (4,762,998)

Deferred inflows of resources related to OPEB (2,343,926)

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

|                                  |    |               |               |
|----------------------------------|----|---------------|---------------|
| Bonds and Notes Payable (Net)    | \$ | (82,214,695)  |               |
| Deferred Interest on Refunding   |    | 1,374,959     |               |
| Deferred Bond Insurance Premiums |    | 28,595        |               |
| Accrued Interest on Debt         |    | (749,881)     |               |
| Net Pension Liability            |    | (86,900,157)  |               |
| Net OPEB Liability               |    | (15,352,954)  |               |
| Accrued Compensated Absences     |    | (7,291,248)   |               |
|                                  |    | (191,105,381) | (191,105,381) |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (DEFICIT)** **\$ (77,107,092)**

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                                              | GENERAL FUND          | CAPITAL<br>PROJECT<br>FUND | DEBT<br>SERVICE<br>FUND | CAREER AND<br>TECHNICAL CENTER<br>FUND | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--------------------------------------------------------------|-----------------------|----------------------------|-------------------------|----------------------------------------|--------------------------------|
| <b>REVENUES</b>                                              |                       |                            |                         |                                        |                                |
| Local Sources                                                | \$ 25,032,006         | \$ 168,114                 | \$ -                    | \$ 2,783,215                           | \$ 27,983,335                  |
| State Sources                                                | 60,147,059            | -                          | -                       | 1,691,498                              | 61,838,557                     |
| Federal Sources                                              | 3,244,035             | -                          | -                       | 165,778                                | 3,409,813                      |
| <b>Total Revenue</b>                                         | <b>\$ 88,423,100</b>  | <b>\$ 168,114</b>          | <b>\$ -</b>             | <b>\$ 4,640,491</b>                    | <b>\$ 93,231,705</b>           |
| <b>EXPENDITURES</b>                                          |                       |                            |                         |                                        |                                |
| Instruction                                                  | \$ 53,922,364         | \$ -                       | \$ -                    | \$ 3,303,597                           | \$ 57,225,961                  |
| Support Services                                             | 26,159,895            | -                          | -                       | 1,221,010                              | 27,380,905                     |
| Noninstructional Services                                    | 1,337,797             | -                          | -                       | 27,884                                 | 1,365,681                      |
| Capital Outlay                                               | -                     | 367,286                    | -                       | -                                      | 367,286                        |
| Debt Service                                                 | -                     | -                          | 6,987,216               | -                                      | 6,987,216                      |
| <b>Total Expenditures</b>                                    | <b>\$ 81,420,056</b>  | <b>\$ 367,286</b>          | <b>\$ 6,987,216</b>     | <b>\$ 4,552,491</b>                    | <b>\$ 93,327,049</b>           |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 7,003,044</b>   | <b>\$ (199,172)</b>        | <b>\$ (6,987,216)</b>   | <b>\$ 88,000</b>                       | <b>\$ (95,344)</b>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                            |                         |                                        |                                |
| Insurance Recoveries                                         | \$ 243,282            | \$ -                       | \$ -                    | \$ -                                   | \$ 243,282                     |
| Refund of Prior Year Revenues                                | (4,270)               | -                          | -                       | (88,000)                               | (92,270)                       |
| Operating Transfers In                                       | -                     | -                          | 6,987,216               | -                                      | 6,987,216                      |
| Operating Transfers Out                                      | (6,987,216)           | -                          | -                       | -                                      | (6,987,216)                    |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (6,748,204)</b> | <b>\$ -</b>                | <b>\$ 6,987,216</b>     | <b>\$ (88,000)</b>                     | <b>\$ 151,012</b>              |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 254,840</b>     | <b>\$ (199,172)</b>        | <b>\$ -</b>             | <b>\$ -</b>                            | <b>\$ 55,668</b>               |
| FUND BALANCE - JULY 1, 2024                                  | 22,969,034            | 4,905,390                  | -                       | -                                      | 27,874,424                     |
| <b>FUND BALANCE - JUNE 30, 2025</b>                          | <b>\$ 23,223,874</b>  | <b>\$ 4,706,218</b>        | <b>\$ -</b>             | <b>\$ -</b>                            | <b>\$ 27,930,092</b>           |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA 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, 2025**

|                                                               |           |               |
|---------------------------------------------------------------|-----------|---------------|
| <b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b> | <b>\$</b> | <b>55,668</b> |
|---------------------------------------------------------------|-----------|---------------|

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

|                                                                                                                                                                                                                                                                                                                                 |  |             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------|
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$5,390,883) exceeds capital outlays (\$785,157) in the period. |  | (4,605,726) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------|

|                                                                                                                                                                                                                      |  |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. |  | 4,468,379 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

|                                                                                                                                                                                                                                                            |  |        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|
| Bond issue premiums/discounts are recognized as revenue/expense in the fund statements when the bond is issued. These amounts are recognized as part of long-term debt in the government-wide financial statements and accreted over the life of the bond. |  | 71,937 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|

|                                                                                                                                                                                                                                                             |  |           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| Deferred interest on the refunding of a bond issue and bond insurance premiums are recognized as a contra long-term liability in the government-wide financial statements and amortized as a component of interest expense over the life of the bond issue. |  | (166,187) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

|                                                                                                                                                                     |  |           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. |  | 5,327,335 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

|                                                                                                                                                                                                                                                                                                                                                                                             |  |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. |  | 29,759 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|

|                                                                                                                                                                                                                                                             |  |        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|
| Because certain property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year. |  | 58,156 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|

|                                                                                                                                                                                                                                                                                                                                                                                                            |  |             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------|
| In the statement of activities, certain operating expenses - compensated absences and retiree benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This is the amount by which compensated absences and retiree health benefits earned exceeded the amount paid. |  | (3,896,504) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------|

|                                                          |           |                         |
|----------------------------------------------------------|-----------|-------------------------|
| <b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b> | <b>\$</b> | <b><u>1,342,817</u></b> |
|----------------------------------------------------------|-----------|-------------------------|

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                                          | Budgeted Amounts      |                       | Actual                | Variance with             |
|----------------------------------------------------------|-----------------------|-----------------------|-----------------------|---------------------------|
|                                                          | Original              | Final                 | (Budgetary Basis)     | Final Budget Over (Under) |
| <b>REVENUES</b>                                          |                       |                       |                       |                           |
| Local Sources                                            | \$ 23,135,645         | \$ 23,135,645         | \$ 25,032,006         | \$ 1,896,361              |
| State Sources                                            | 59,693,570            | 59,693,570            | 60,147,059            | 453,489                   |
| Federal Sources                                          | 2,678,940             | 2,678,940             | 3,244,035             | 565,095                   |
| <b>Total Revenues</b>                                    | <b>\$ 85,508,155</b>  | <b>\$ 85,508,155</b>  | <b>\$ 88,423,100</b>  | <b>\$ 2,914,945</b>       |
| <b>EXPENDITURES</b>                                      |                       |                       |                       |                           |
| Regular Programs                                         | \$ 31,404,875         | \$ 31,404,875         | \$ 31,836,807         | \$ 431,932                |
| Special Programs                                         | 16,088,586            | 16,088,586            | 17,712,908            | 1,624,322                 |
| Vocational Programs                                      | 2,872,551             | 2,872,551             | 2,716,173             | (156,378)                 |
| Other Instructional Programs                             | 1,205,364             | 1,205,364             | 1,551,607             | 346,243                   |
| Non-Public School Programs                               | 81,293                | 81,293                | 104,869               | 23,576                    |
| Pupil Personnel Services                                 | 2,134,048             | 2,134,048             | 2,172,254             | 38,206                    |
| Instructional Staff Services                             | 2,183,821             | 2,183,821             | 2,149,788             | (34,033)                  |
| Administrative Services                                  | 3,349,671             | 3,349,671             | 3,376,274             | 26,603                    |
| Pupil Health                                             | 848,475               | 848,475               | 959,205               | 110,730                   |
| Business Services                                        | 909,484               | 909,484               | 881,522               | (27,962)                  |
| Operation & Maintenance of Plant Services                | 7,239,572             | 7,239,572             | 7,512,815             | 273,243                   |
| Student Transportation Services                          | 6,985,309             | 6,985,309             | 7,289,952             | 304,643                   |
| Support Services - Central                               | 1,784,951             | 1,784,951             | 1,782,745             | (2,206)                   |
| Other Support Services                                   | 37,000                | 37,000                | 35,340                | (1,660)                   |
| Student Activities                                       | 1,357,245             | 1,357,245             | 1,311,033             | (46,212)                  |
| Community Services                                       | 28,000                | 28,000                | 26,764                | (1,236)                   |
| <b>Total Expenditures</b>                                | <b>\$ 78,510,245</b>  | <b>\$ 78,510,245</b>  | <b>\$ 81,420,056</b>  | <b>\$ 2,909,811</b>       |
| <b>Excess (Deficiency) of Revenues over Expenditures</b> | <b>\$ 6,997,910</b>   | <b>\$ 6,997,910</b>   | <b>\$ 7,003,044</b>   | <b>\$ 5,134</b>           |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                       |                       |                       |                           |
| Insurance Recoveries                                     | \$ -                  | \$ -                  | \$ 243,282            | \$ 243,282                |
| Refund of Prior Year Revenues                            | -                     | -                     | (4,270)               | (4,270)                   |
| Budgetary Reserve                                        | (200,000)             | (200,000)             | -                     | 200,000                   |
| Operating Transfers Out                                  | (7,455,999)           | (7,455,999)           | (6,987,216)           | 468,783                   |
| <b>Total Other Financing Sources (Uses)</b>              | <b>\$ (7,655,999)</b> | <b>\$ (7,655,999)</b> | <b>\$ (6,748,204)</b> | <b>\$ 907,795</b>         |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <b>\$ (658,089)</b>   | <b>\$ (658,089)</b>   | <b>\$ 254,840</b>     | <b>\$ 912,929</b>         |
| FUND BALANCE - JULY 1, 2024                              | 22,525,369            | 22,525,369            | 22,969,034            | 443,665                   |
| <b>FUND BALANCE - JUNE 30, 2025</b>                      | <b>\$ 21,867,280</b>  | <b>\$ 21,867,280</b>  | <b>\$ 23,223,874</b>  | <b>\$ 1,356,594</b>       |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2025**

|                                                                               | <b>FOOD<br/>SERVICES</b> |
|-------------------------------------------------------------------------------|--------------------------|
| <b>ASSETS</b>                                                                 |                          |
| <b>Current Assets:</b>                                                        |                          |
| Cash and Cash Equivalents                                                     | \$ 1,453,086             |
| Due from Other Funds                                                          | 529,641                  |
| Due from Other Governments                                                    | 20,632                   |
| Inventories                                                                   | 135,800                  |
| <b>TOTAL CURRENT ASSETS</b>                                                   | <b>\$ 2,139,159</b>      |
| <b>Noncurrent Assets:</b>                                                     |                          |
| Furniture & Equipment                                                         | \$ 41,617                |
| <b>TOTAL NONCURRENT ASSETS</b>                                                | <b>\$ 41,617</b>         |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 2,180,776</b>      |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                                        |                          |
| Deferred Outflows Related to Pension                                          | \$ 495,570               |
| Deferred Outflows Related to OPEB                                             | 19,492                   |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                                   | <b>\$ 515,062</b>        |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                        | <b>\$ 2,695,838</b>      |
| <b>LIABILITIES</b>                                                            |                          |
| <b>Current Liabilities:</b>                                                   |                          |
| Accounts Payable                                                              | \$ 26,431                |
| Accrued Salaries and Benefits                                                 | 15,396                   |
| Unearned Revenue                                                              | 4,817                    |
| <b>TOTAL CURRENT LIABILITIES</b>                                              | <b>\$ 46,644</b>         |
| <b>Noncurrent Liabilities:</b>                                                |                          |
| Net Pension Liability                                                         | \$ 3,338,843             |
| Net OPEB Liability                                                            | 141,858                  |
| <b>TOTAL NONCURRENT LIABILITIES</b>                                           | <b>\$ 3,480,701</b>      |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 3,527,345</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                         |                          |
| Deferred Inflows Related to Pension                                           | \$ 183,002               |
| Deferred Inflows Related to OPEB                                              | 32,227                   |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                    | <b>\$ 215,229</b>        |
| <b>NET POSITION</b>                                                           |                          |
| Net Investment in Capital Assets                                              | \$ 41,617                |
| Unrestricted (Deficit)                                                        | (1,088,353)              |
| <b>TOTAL NET POSITION (Deficit)</b>                                           | <b>\$ (1,046,736)</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND NET POSITION</b> | <b>\$ 2,695,838</b>      |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                                | <b><u>FOOD<br/>SERVICES</u></b> |
|------------------------------------------------|---------------------------------|
| <b><u>OPERATING REVENUES</u></b>               |                                 |
| Food Services Revenue                          | \$ 201,643                      |
| <b>Total Operating Revenues</b>                | <b><u>\$ 201,643</u></b>        |
| <b><u>OPERATING EXPENSES</u></b>               |                                 |
| Personnel Services - Salaries                  | \$ 1,389,748                    |
| Personnel Services - Employee Benefits         | 463,941                         |
| Purchased Professional/Technical Services      | 2,750                           |
| Purchased Property Services                    | 9,177                           |
| Other Purchased Services                       | 309                             |
| Food/Milk/Donated Commodities                  | 1,711,645                       |
| Supplies                                       | 3,855                           |
| Other Objects                                  | 4,808                           |
| Depreciation                                   | 6,800                           |
| <b>Total Operating Expenses</b>                | <b><u>\$ 3,593,033</u></b>      |
| <b>OPERATING INCOME/(LOSS)</b>                 | <b><u>\$ (3,391,390)</u></b>    |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b> |                                 |
| Earnings on Investments                        | \$ 69,248                       |
| State Sources                                  | 451,086                         |
| Federal Sources                                | 3,407,200                       |
| Refund of Prior Year Expenses                  | 4,557                           |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <b><u>\$ 3,932,091</u></b>      |
| <b>CHANGE IN NET POSITION</b>                  | <b><u>\$ 540,701</u></b>        |
| NET POSITION - JULY 1, 2024 (Deficit)          | <u>(1,587,437)</u>              |
| <b>NET POSITION - JUNE 30, 2025 (Deficit)</b>  | <b><u>\$ (1,046,736)</u></b>    |

The accompanying notes are an integral part of these financial statements

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                                                                                                  | <b>FOOD<br/>SERVICES</b>     |
|------------------------------------------------------------------------------------------------------------------|------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                               |                              |
| Cash Received from Users                                                                                         | \$ 201,281                   |
| Cash Payments to Employees for Services                                                                          | (3,234,836)                  |
| Cash Payments to Suppliers for Goods and Services                                                                | (1,450,167)                  |
| <b>Net Cash Provided by (Used for) Operating Activities</b>                                                      | <b><u>\$ (4,483,722)</u></b> |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>                                                   |                              |
| State Sources                                                                                                    | \$ 451,086                   |
| Federal Sources                                                                                                  | 3,090,440                    |
| Refund of Prior Year Expenses                                                                                    | 4,557                        |
| <b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>                                          | <b><u>\$ 3,546,083</u></b>   |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                                               |                              |
| Earnings on Investments                                                                                          | \$ 69,248                    |
| <b>Net Cash Provided by (Used for) Investing Activities</b>                                                      | <b><u>\$ 69,248</u></b>      |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                                      | <b>\$ (868,391)</b>          |
| CASH AND CASH EQUIVALENTS - JULY 1, 2024                                                                         | <u>2,321,477</u>             |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2025</b>                                                                 | <b><u>\$ 1,453,086</u></b>   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>PROVIDED (USED) BY OPERATING ACTIVITIES:</b>        |                              |
| Operating Income (Loss)                                                                                          | <b>\$ (3,391,390)</b>        |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)<br/>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                              |
| Depreciation                                                                                                     | 6,800                        |
| Donated Commodities                                                                                              | 306,943                      |
| (Increase) Decrease in Due from Other Funds                                                                      | (529,641)                    |
| (Increase) Decrease in Inventories                                                                               | (14,827)                     |
| (Increase) Decrease in Deferred Outflows of Resources                                                            | 112,980                      |
| Increase (Decrease) in Accounts Payable                                                                          | (9,739)                      |
| Increase (Decrease) in Accrued Salaries and Benefits                                                             | 3,737                        |
| Increase (Decrease) in Net Pension Liability                                                                     | (364,635)                    |
| Increase (Decrease) in Net OPEB Liability                                                                        | (8,695)                      |
| Increase (Decrease) in Deferred Inflows of Resources                                                             | 84,471                       |
| Increase (Decrease) in Unearned Revenue                                                                          | (361)                        |
| Increase (Decrease) in Due to Other Funds                                                                        | (679,365)                    |
| <b>Total Adjustments</b>                                                                                         | <b><u>\$ (1,092,332)</u></b> |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>                                                      | <b><u>\$ (4,483,722)</u></b> |
| <b>NONCASH NONCAPITAL FINANCING ACTIVITIES:</b>                                                                  |                              |
| During the year, the District received \$306,943 in food commodities<br>from the U.S. Department of Agriculture  |                              |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2025**

|                                           | <b>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</b> | <b>CACTC<br/>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</b> |
|-------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------|
|                                           | <hr/>                                               | <hr/>                                                         |
| <b>ASSETS</b>                             |                                                     |                                                               |
| Cash and Cash Equivalents                 | \$ 179,200                                          | \$ 40,542                                                     |
| <b>TOTAL ASSETS</b>                       | <b><u>\$ 179,200</u></b>                            | <b><u>\$ 40,542</u></b>                                       |
|                                           | <hr/>                                               | <hr/>                                                         |
| <b>LIABILITIES AND NET POSITION</b>       |                                                     |                                                               |
| <b>LIABILITIES:</b>                       |                                                     |                                                               |
| Other Current Liabilities                 | \$ -                                                | \$ -                                                          |
| <b>TOTAL LIABILITIES</b>                  | <b><u>\$ -</u></b>                                  | <b><u>\$ -</u></b>                                            |
|                                           | <hr/>                                               | <hr/>                                                         |
| <b>NET POSITION:</b>                      |                                                     |                                                               |
| Unrestricted                              | \$ 179,200                                          | \$ 40,542                                                     |
| <b>TOTAL NET POSITION</b>                 | <b><u>\$ 179,200</u></b>                            | <b><u>\$ 40,542</u></b>                                       |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$ 179,200</u></b>                            | <b><u>\$ 40,542</u></b>                                       |
|                                           | <hr/>                                               | <hr/>                                                         |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                         | <b>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</b> | <b>CACTC<br/>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</b> |
|-----------------------------------------|-----------------------------------------------------|---------------------------------------------------------------|
| <b>ADDITIONS</b>                        |                                                     |                                                               |
| Student Club Organization Receipts      | \$ 387,372                                          | \$ 59,859                                                     |
| <b>TOTAL ADDITIONS</b>                  | <b>\$ 387,372</b>                                   | <b>\$ 59,859</b>                                              |
| <b>DEDUCTIONS</b>                       |                                                     |                                                               |
| Student Club Organization Disbursements | \$ 364,469                                          | \$ 55,272                                                     |
| <b>TOTAL DEDUCTIONS</b>                 | <b>\$ 364,469</b>                                   | <b>\$ 55,272</b>                                              |
| <b>CHANGE IN NET POSITION</b>           | <b>\$ 22,903</b>                                    | <b>\$ 4,587</b>                                               |
| NET POSITION - JULY 1, 2024             | 156,297                                             | 35,955                                                        |
| <b>NET POSITION - JUNE 30, 2025</b>     | <b>\$ 179,200</b>                                   | <b>\$ 40,542</b>                                              |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Connellsville Area School District was established under the authority of an act of the state legislature that designated a school board as the governing body. The District operates eight elementary schools, two junior high schools and one high school. This District also serves several surrounding municipalities, which include the Townships of Bullskin, Connellsville, Dunbar, Saltlick and Springfield, the City of Connellsville, and the Boroughs of Dawson, Dunbar, South Connellsville and Vanderbilt. The District operates under a locally elected nine-member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the school district's activities. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Assistant to the Superintendent is responsible for budget and financial operations. Both of these officials are appointed by the School District.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Connellsville Area School District consists of all funds, departments, boards and agencies that are not legally separate from the District. Generally accepted accounting principles define component units as legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationships with the School District. For the Connellsville Area School District, this includes general operations of the District and the Connellsville Area Career and Technical Center, food service, and student related activities of the School District.

Effective July 1, 2001, the Board of Education of the School District assumed sole responsibility for the operation of the Connellsville Area Career and Technical Center (CACTC), formerly the North Fayette Area Vocational Technical School. Although the Career and Technical Center is a legally separate organization, the School District's Board of Education is also the governing body for the Career and Technical Center and is financially accountable for their operations. In addition, the Career and Technical Center's student enrollment consisted of students from the Connellsville Area School District exclusively. Accordingly, the Career and Technical Center meets the criteria for inclusion as a component unit of the School District and their financial activity is included (blended) in the accompanying financial statements.

The School District is associated with one jointly governed organization (Note 13) and one public entity risk pool (Note 14). These organizations are:

- Jointly Governed Organization:  
Intermediate Unit 1
- Public Entity Risk Pool:  
Allegheny County Schools Health Insurance Consortium

The financial statements of the Connellsville Area School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant of the School District's accounting policies are as follows:

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FINANCIAL STATEMENT PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibit D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the District's business-type activities (food service operations) and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which the business-type activity or government function is self-financing or draws from the general revenues of the School District.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the School District. Under generally accepted accounting standards, the focus of fund financial statements is on major funds rather than reporting funds by type. Major funds represent the District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For Pennsylvania school districts, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds are segregated and presented in a single column. Fiduciary funds are reported by fund type.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. The fair value of donated commodities used during the year is reported in the operating statements as an expense with a like amount reported as part of federal source revenue.

Fiduciary funds are reported using the economic resources measurement focus.

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

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Connellsville Area School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2025 under the modified accrual basis are **(1)** delinquent real estate and certain Act 511 taxes collected by the district within 60 days following the close of the fiscal year, **(2)** federal and state subsidies earned in the fiscal year 2024-2025, **(3)** tuition due from other Pennsylvania school districts, and **(4)** other miscellaneous revenues earned in fiscal year 2024-2025 but received subsequent to June 30, 2025. On the governmental fund financial statements, delinquent real estate tax receivables that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2025, are those for which the Board of Education's intention was to expense these items as budgeted for the 2024-2025 official budget, and for which the District has incurred an obligation during 2025 but has not paid as of June 30, 2025.

Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING**

The School District uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - The General Fund is used to account for all financial resources not required to be accounted for in some other fund. The general fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**CAPITAL PROJECT FUND** - The Capital Project Fund accounts for financial resources used for the acquisition, construction, or improvement of capital facilities and other assets financed through the issuance of the District's general obligation bond issues.

**DEBT SERVICE FUND** - The Debt Service Fund is used to account for transfers from the General Fund for the payment of principal and interest on general obligation bond/note issues outstanding.

**NON-MAJOR GOVERNMENTAL FUND:**

**CAREER AND TECHNICAL CENTER FUND** - The Career and Technical Center Fund represents the activities of the District's blended component unit – The Connellsville Area Career and Technical Center.

**Proprietary Funds** – The Proprietary Fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the School District (internal service funds). The Food Service Fund is used to account for all financial resources of the District's food service operations and is the District's sole and major proprietary (enterprise) fund.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments are therefore not available to support the School District's own programs. Custodial funds report fiduciary activities that are not held in a Trust or equivalent arrangement that meets specific criteria. The Districts' Custodial Funds are comprised of various student organization activity accounts administered by the District on behalf of the various student organizations of the District and the Career and Technical Center.

**BUDGETS**

On June 30, 2024, the Connellsville Area School District adopted its fiscal year June 30, 2025 annual budget for the General Fund totaling \$86,166,244 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual basis of accounting in accordance with generally accepted accounting principles. The original and final budgetary amounts are reflected in these financial statements (Exhibit G). Actual expenditures exceeded budget for the 2024-2025 fiscal year. All annual appropriations of the General Fund lapse at year-end.

The School District uses the following procedures in establishing this budgetary data:

- a. Prior to May of the preceding fiscal year, the school district prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the revenues and other sources of funds used to finance these expenditures.
- b. At least 20 days prior to the date set for budget adoption, the budget is made available for public inspection.
- c. A meeting of the Board of Education is then held for the purpose of adopting the proposed budget. The meeting may only be held after 10 days of public notification.
- d. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Education.
- e. The budget must be filed with the Commonwealth of Pennsylvania, Department of Education by July 15 of the fiscal year or within 30 days of adoption.
- f. Budgetary transfers are permitted after the first 90 days of the school district's fiscal year.

**CASH AND CASH EQUIVALENTS**

For the purposes of these basic financial statements, cash and cash equivalents include amounts in demand deposit accounts and any other highly liquid, short-term investments, with original maturity terms of less than three months.

**INVESTMENTS**

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, and PA Act 10 of 2016, Connellsville Area School District is permitted to invest funds consistent with sound business practices in the following types of investments:

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INVESTMENTS (Continued)**

- I. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investments of the Connellsville Area School District include deposits pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT). There were no deposit and investment transactions during the year that were in violation of state statutes.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as offsetting internal balances on the statement of net position.

**INVENTORIES**

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at a combination of actual cost and fair value on a first-in first-out basis. This inventory consists of purchased food and supplies and donated commodities from the U.S. Department of Agriculture as part of the food service program. The School District does not inventory the cost of such items as books and supplies but rather records these items as expenditures in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities' column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The School District maintains a capitalization threshold of \$1,000. The cost of infrastructure is included as part of site improvements in the government-wide statement of net position.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS AND DEPRECIATION (Continued)**

Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities. All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| <b><u>CATEGORY</u></b>     | <b><u>GOVERNMENTAL<br/>ACTIVITIES</u></b> | <b><u>BUSINESS-TYPE<br/>ACTIVITIES</u></b> |
|----------------------------|-------------------------------------------|--------------------------------------------|
| Site Improvements          | 15-20 years                               | N/A                                        |
| Buildings and Improvements | 15-50 years                               | N/A                                        |
| Furniture and Fixtures     | 5-10 years                                | N/A                                        |
| Vehicles                   | 7-10 years                                | 5 Years                                    |
| Equipment                  | 5-10 years                                | 3-10 years                                 |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**LONG-TERM DEBT FINANCING COSTS**

Bond and note issuance costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District did not incur bond or note issuance costs during the 2024-2025 fiscal year.

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public-School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 11.

**OTHER POSTEMPLOYMENT BENEFITS**

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public-School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on other postemployment benefits activity is included in Note 12.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with the provisions of applicable GASB Statements. Sick leave and vacation benefits are accrued as a liability at the time individuals become eligible in accordance with the terms of the District's collective bargaining agreements. With regard to sick leave, teachers and twelve-month employees are credited with ten days of sick leave annually to an unlimited maximum. Upon retirement, administrators with at least ten years of service will be reimbursed for unused sick days at a per diem rate of 50% of their daily rate up to 210 days. Teachers receive \$100 per day for each accumulated unused sick day up to 300 days. Custodians and secretaries are paid at one-half rate for each accumulated unused sick day and 40% of daily rate, respectively, up to a maximum of 200 days. Cafeteria personnel are paid for each accumulated unused sick day up to a maximum of 180 days.

With regard to vacation pay, District employees who are required to work on a twelve-month schedule are credited with vacation rates which vary with length of service or job classification. Unused vacation days for administrators and secretaries are added to sick days. Vacation days of other twelve-month employees are noncumulative. The entire compensated absences liability of \$7,291,248 is shown as a non-current liability in the government-wide statement of net position. This amount includes \$476,499 for the Connellsville Area Career and Technical Center. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund statement of net position (Exhibit H).

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences, retiree health benefits and health insurance consortium liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

Unearned revenue arises when the District receives resources before it has legal claim to them. This occurs 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 School District has a legal claim to the resources, the unearned revenue liability is removed, and revenue is recognized.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has four items that qualify for reporting in this category. They are deferred interest on refunding of bonds, deferred bond insurance premiums, and deferred outflows related to the School District's pension and OPEB plans, reported on the statement of net position (Exhibit A).

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The School District has three items that qualify for reporting in this category. They are delinquent real estate taxes reported on the governmental funds balance sheet (Exhibit C), and deferred inflows related to the School District's pension and OPEB plans, reported on the statement of net position (Exhibit A).

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy District obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'. The District had an unrestricted deficit net position of \$74,706,867 as of June 30, 2025.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in spendable form (such as inventory and prepaid expenses) or are required to be maintained intact. The District's non-spendable fund balance at June 30, 2025 totaled \$838,240.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amount constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The District's General Fund assigned fund balance totaling \$15,384,544 as of June 30, 2025 consists of **1)** \$1,905,107 for future health insurance increases, **2)** \$1,223,957 for future PSERS increases, **3)** \$1,607,334 for future CAEA salary increases, **4)** \$625,536 for other salary increases, **5)** \$6,330,468 for compensated absences, and **6)** \$3,692,142 for other post-employment benefits (OPEB). In addition, the District had \$4,706,218 assigned for capital purposes in the Capital Project Fund.
- Unassigned fund balance – amounts that are available for any purpose.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Education has given authority to assign fund balance to the Business Manager.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts.

Section 688 of the Pennsylvania Public School Code prohibits school districts from increasing real property taxes beyond the annual index increase permitted by law, unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the Connellsville Area School District, the estimated ending unassigned fund balance must not exceed 8.0% of total budgeted expenditures.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary (enterprise) fund. For the Connellsville Area School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are **(1)** investment earnings, **(2)** state and federal subsidies, including donated commodities from the U.S. Department of Agriculture, and **(3)** refund of prior year expenses. The District did not have non-operating expenses during the 2024-2025 fiscal year.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the School District's 2024-2025 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on Connellsville Area School District's financial statements.

- **GASB issued Statement No. 101**, '*Compensated Absences*'.
- **GASB issued Statement No. 102**, '*Certain Risk Disclosures*'.

**PENDING GASB PRONOUNCEMENTS**

- **GASB issued Statement No. 103**, '*Financial Reporting Model Improvements*'. The provisions of this statement are effective for the School's June 30, 2026 financial statements.
- **GASB issued Statement No. 104**, '*Disclosure of Certain Capital Assets*'. The provisions of this statement are effective for the School's June 30, 2026 financial statements.

The effects of implementing these statements on the School District's financial statements have not yet been determined.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS**

At June 30, 2025, Connellsville Area School District had the following carrying values on its cash and cash equivalents accounts:

|                                | <b><u>BANK<br/>BALANCE</u></b> | <b><u>CARRYING<br/>VALUE</u></b> |
|--------------------------------|--------------------------------|----------------------------------|
| General Fund                   | \$ 17,792,390                  | \$ 17,393,020                    |
| Career & Technical Center Fund | 218,960                        | 212,141                          |
| Enterprise Fund                | 1,453,120                      | 1,453,086                        |
| Custodial Fund                 | 185,563                        | 179,200                          |
| CACTC Custodial Fund           | 40,722                         | 40,542                           |
|                                | <b><u>\$ 19,690,755</u></b>    | <b><u>\$ 19,277,989</u></b>      |

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**CASH DEPOSITS (Continued)**

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a separate policy for custodial credit risk in addition to the requirements of State Law. As of June 30, 2025, \$19,073,944 of the District's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the School District's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000 are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**INVESTMENTS**

The amortized cost and fair value and maturity term of the District's investments as of June 30, 2025 are as follows:

|                            | <b><u>Amortized<br/>Cost/Fair<br/>Value</u></b> | <b><u>No Stated<br/>Maturity</u></b> |
|----------------------------|-------------------------------------------------|--------------------------------------|
| <b>Governmental Funds:</b> |                                                 |                                      |
| PLGIT                      | <u>\$ 14,018,220</u>                            | <u>\$ 14,018,220</u>                 |

The purpose of the Pennsylvania Local Government Investment Trust (PLGIT) is to enable their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972.

The funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares.

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's investments in PLGIT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**Interest Rate Risk:**

The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS (Continued)**

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy, in addition to the requirements of the Pennsylvania School Code that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of June 30, 2025, PLGIT was rated AAAm by the Standard and Poors nationally recognized statistical rating organization.

**Fair Value Measurements:**

The Connellsville Area School District's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. Generally accepted accounting standards provide a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1** – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.
- **Level 2** – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.
- **Level 3** – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments held in external investment pools such as PLGIT are not subject to the provisions of fair value measurements as they are recorded at amortized cost.

**NOTE 3 - PROPERTY TAXES**

The Connellsville Area School District levies property taxes August 1 of each fiscal year. The tax millage assessment for the 2024-2025 fiscal year was 16.2354 mills, which represents \$16.2354 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid subsequent to October 1. Taxes paid after November 30 are assessed a 10% penalty. Unpaid taxes are submitted to Fayette County for collection. Tax collectors are required under Act 169 of the Commonwealth of Pennsylvania to submit a reconciliation of their tax duplicate to the District by January 15<sup>th</sup> of the year following levy. The final tax collector reconciliations reflected \$1,583,484 in unpaid 2024 property taxes, which represents 9.04% of the total assessed property taxes (\$17,521,716) for the current fiscal year.

Taxes receivable as shown in the government-wide statement of net position include delinquent property taxes of \$1,462,813. For the purposes of the governmental fund financial statements, these delinquent property taxes receivable, although measurable, do not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off set as a credit to 'deferred inflows of resources' in the fund financial statements.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 3 - PROPERTY TAXES (Continued)**

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F). Taxes receivable are comprised of the following at June 30, 2025:

|                                                      |                            |
|------------------------------------------------------|----------------------------|
| Delinquent Property Taxes                            | \$ 1,462,813               |
| Delinquent Property Taxes (collected within 60 days) | 814,982                    |
| Wage Taxes                                           | 273,581                    |
| Deed Transfer Taxes                                  | 25,928                     |
|                                                      | <b><u>\$ 2,577,304</u></b> |

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

The amount of 'due from other governments', as reflected on the government-wide statement of net position, is comprised of the following:

|                                | <b><u>Governmental<br/>Activities</u></b> | <b><u>Business-Type<br/>Activities</u></b> |
|--------------------------------|-------------------------------------------|--------------------------------------------|
| Commonwealth of Pennsylvania:  |                                           |                                            |
| State Subsidies                | \$ 3,152,218                              | \$ -                                       |
| Federal Grants/Subsidies       | 789,938                                   | 20,632                                     |
| IDEA 611/IDEA 619 Funds/ACCESS | 207,520                                   | -                                          |
| Tuition - Other LEA's          | 468,608                                   | -                                          |
|                                | <b><u>\$ 4,618,284</u></b>                | <b><u>\$ 20,632</u></b>                    |

**NOTE 5 – INTER-FUND RECEIVABLES/PAYABLES/TRANSFERS**

Inter-fund receivables and payables as reflected on the governmental and proprietary funds balance sheets (Exhibits C and H) are as follows:

|                                | <b><u>RECEIVABLE</u></b> | <b><u>PAYABLE</u></b>    |
|--------------------------------|--------------------------|--------------------------|
| General Fund                   | \$ -                     | \$ 685,501               |
| Career & Technical Center Fund | 155,860                  | -                        |
| Food Service Fund              | 529,641                  | -                        |
|                                | <b><u>\$ 685,501</u></b> | <b><u>\$ 685,501</u></b> |

These inter-fund obligations represent reimbursements due for routine operating costs paid by each respective fund on behalf of the other funds. These obligations have been eliminated in the government-wide statement of net position. Inter-fund transfers for the fiscal year were as follows:

|                   | <b><u>TRANSFERS IN</u></b> | <b><u>TRANSFERS OUT</u></b> |
|-------------------|----------------------------|-----------------------------|
| General Fund      | \$ -                       | \$ 6,987,216                |
| Debt Service Fund | 6,987,216                  | -                           |
|                   | <b><u>\$ 6,987,216</u></b> | <b><u>\$ 6,987,216</u></b>  |

Transfers from the General Fund to The Debt Service Fund totaling \$6,987,216 were made to meet the required debt obligation payments of the School District.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 6 – OTHER ACCOUNTS RECEIVABLE**

The amount of 'other accounts receivable', totaling \$31,863, as reflected on the government-wide statement of net position is comprised of miscellaneous reimbursements due to the School District.

**NOTE 7 - OTHER CURRENT LIABILITIES**

The 'other current liabilities' balance of \$150,875 as reflected on the government-wide statement of net position, represents monies received and earmarked for the following programs and projects:

|                                    |                          |
|------------------------------------|--------------------------|
| Sam Glick Scholarship              | \$ 100,142               |
| Madeline T. VanNosdein Scholarship | 40,458                   |
| Health Fair                        | 2,852                    |
| Miscellaneous                      | 7,423                    |
|                                    | <u><u>\$ 150,875</u></u> |

**NOTE 8 - CAPITAL ASSETS**

A summary of the governmental and business-type fixed asset activity for the 2024-2025 fiscal year is as follows:

|                                                        | <u>Balance<br/>7/1/2024</u>   | <u>Additions</u>             | <u>Adjustments/<br/>Deductions</u> | <u>Balance<br/>6/30/2025</u>  |
|--------------------------------------------------------|-------------------------------|------------------------------|------------------------------------|-------------------------------|
| <b>Governmental Activities:</b>                        |                               |                              |                                    |                               |
| <b>Capital Assets, not being depreciated</b>           |                               |                              |                                    |                               |
| Land                                                   | \$ 259,084                    | \$ -                         | \$ -                               | \$ 259,084                    |
| <b>Total Capital Assets,<br/>not being depreciated</b> | <u><b>\$ 259,084</b></u>      | <u><b>\$ -</b></u>           | <u><b>\$ -</b></u>                 | <u><b>\$ 259,084</b></u>      |
| <b>Capital Assets, being depreciated</b>               |                               |                              |                                    |                               |
| Site Improvements                                      | \$ 2,959,431                  | \$ 28,737                    | \$ -                               | \$ 2,988,168                  |
| Building and Improvements                              | 147,301,792                   | -                            | (14,717)                           | 147,316,509                   |
| Furniture and Equipment                                | 22,249,024                    | 756,420                      | 14,717                             | 22,990,727                    |
| <b>Total Capital Assets,<br/>being depreciated</b>     | <u><b>\$ 172,510,246</b></u>  | <u><b>\$ 785,157</b></u>     | <u><b>\$ -</b></u>                 | <u><b>\$ 173,295,403</b></u>  |
| <b>Less: Accumulated depreciation</b>                  |                               |                              |                                    |                               |
| Site Improvements                                      | \$ (2,328,123)                | \$ (102,042)                 | \$ -                               | \$ (2,430,165)                |
| Building and Improvements                              | (69,253,720)                  | (4,234,705)                  | -                                  | (73,488,425)                  |
| Furniture and Equipment                                | (19,230,605)                  | (1,054,136)                  | -                                  | (20,284,740)                  |
| <b>Total Accumulated Depreciation</b>                  | <u><b>\$ (90,812,447)</b></u> | <u><b>\$ (5,390,883)</b></u> | <u><b>\$ -</b></u>                 | <u><b>\$ (96,203,330)</b></u> |
| <b>Governmental Activities<br/>Capital Assets, Net</b> | <u><b>\$ 81,956,883</b></u>   | <u><b>\$ (4,605,726)</b></u> | <u><b>\$ -</b></u>                 | <u><b>\$ 77,351,158</b></u>   |

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 8 - CAPITAL ASSETS (Continued)**

|                                          | <u>Balance</u><br><u>7/1/2024</u> | <u>Additions</u>         | <u>Deductions/</u><br><u>Adjustments</u> | <u>Balance</u><br><u>6/30/2025</u> |
|------------------------------------------|-----------------------------------|--------------------------|------------------------------------------|------------------------------------|
| <b>Business-Type Activities:</b>         |                                   |                          |                                          |                                    |
| <b>Capital Assets, being depreciated</b> |                                   |                          |                                          |                                    |
| Furniture and Equipment                  | \$ 346,699                        | \$ -                     | \$ -                                     | \$ 346,699                         |
| Less: Accumulated                        |                                   |                          |                                          |                                    |
| Depreciation                             | (298,281)                         | (6,800)                  | -                                        | (305,081)                          |
| <b>Business-Type Activities</b>          |                                   |                          |                                          |                                    |
| <b>Capital Assets, Net</b>               | <u><u>\$ 48,418</u></u>           | <u><u>\$ (6,800)</u></u> | <u><u>\$ -</u></u>                       | <u><u>\$ 41,617</u></u>            |

Depreciation expense was charged to governmental functions as follows:

|                                             |                            |
|---------------------------------------------|----------------------------|
| Instruction                                 | \$ 3,947,833               |
| Instructional Student Support               | 434,439                    |
| Administration & Financial Support Services | 416,659                    |
| Operation & Maintenance of Plant Services   | 478,109                    |
| Pupil Transportation                        | 18,479                     |
| Student Activities                          | 95,364                     |
|                                             | <u><u>\$ 5,390,883</u></u> |

**NOTE 9 – UNEARNED REVENUE**

The amount of 'unearned revenue', as reflected on the government-wide statement of net position, is comprised of the following:

|                          | <u>GOVERNMENTAL</u><br><u>ACTIVITIES</u> | <u>BUSINESS-TYPE</u><br><u>ACTIVITIES</u> |
|--------------------------|------------------------------------------|-------------------------------------------|
| Federal Grants           | \$ 1,755                                 | \$ -                                      |
| Miscellaneous            | 59,659                                   | -                                         |
| Student Account Balances | -                                        | 4,817                                     |
|                          | <u><u>\$ 61,414</u></u>                  | <u><u>\$ 4,817</u></u>                    |

**NOTE 10 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION NOTES - SERIES OF 2011 (DIRECT BORROWING)**

On June 9, 2011, the Connellsville Area School District issued General Obligation Note (State Public School Building Authority) Series of 2011 in the amount of \$15,300,000. The proceeds from the note are for the complete renovation, including general construction, HVAC, plumbing, asbestos abatement, food service and pool construction at Connellsville Area High School and to pay the costs associated with issuance of the note. The note interest rate is 5.426% and is payable on September 1 and March 1 each year through maturity. The note is scheduled to mature on September 1, 2026.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

**DEFAULT PROVISIONS – GENERAL OBLIGATION NOTES – SERIES OF 2011**

In the event of default, the School District will pay an amount equal to the sum of **1)** the outstanding amounts due under the Note, **2)** all other amounts which the School District is obligated to pay under the Note, and **3)** such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation the Authority, the Trustee, their agents and attorneys, and any expenses of liabilities incurred by the Authority or Trustee (or its assignee). In case the School District shall fail to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, including the exercise of remedies pursuant to the Local Government Unit Debt Act and may prosecute any such action or proceeding to judgement or final decree, and may enforce any such judgement or final decree against the School District and collect in the manner provided by law out of the property of the School District the money adjudged or decreed to be payable.

**GENERAL OBLIGATION BONDS – SERIES OF 2019**

In April of 2019 the Connellsville Area School District issued General Obligation Bonds, Series of 2019 in the amount of \$44,550,000. The proceeds from the bond issue will be used to **1)** refund the District's outstanding General Obligation Bonds, Series B of 2009, **2)** refund the District's outstanding General Obligation Bonds, Series A of 2014, **3)** fund various capital improvements throughout the District, and **4)** pay the costs associated with issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on February 15 and August 15 each year through maturity. Interest rates on the bonds range between 3% and 4%, with the bonds scheduled to mature on August 15, 2039. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION BONDS – SERIES A OF 2019**

In August of 2019 the Connellsville Area School District issued General Obligation Bonds, Series A of 2019 in the amount of \$11,185,000. The proceeds from the bond issue will be used to **1)** currently refund the District's outstanding General Obligation Bonds, Series of 2012, **2)** fund various capital projects throughout the District, and **3)** pay the costs associated with the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 each year through maturity. Interest rates on the bonds range between 2% and 2.25%, with the bonds scheduled to mature on May 15, 2033. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION BONDS – SERIES OF 2020**

On July 13, 2020 the Connellsville Area School District issued General Obligation Bonds, Series of 2020 in the amount of \$20,120,000. The proceeds from the bond issue will be used to **1)** refund the District's outstanding General Obligation Bonds, Series of 2013, **2)** refund the District's outstanding General Obligation Bonds, Series A of 2013, and **3)** pay the costs associated with the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 each year through maturity. Interest rates on the bonds range between 2% and 4%, with the bonds scheduled to mature on November 15, 2037. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS – SERIES OF 2021**

On September 30, 2021 the Connellsville Area School District issued General Obligation Bonds, Series of 2021 in the amount of \$15,895,000. The proceeds from the bond issue will be used to **1)** acquire certain capital equipment that was previously leased to the District pursuant to an Equipment Lease Purchase Agreement date June 30, 2017 between the District and First Security Finance, Inc. and **2)** pay the costs associated with the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 each year through maturity. The interest rate on the bonds is 4% with the bonds scheduled to mature on November 15, 2033. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**DEFAULT PROVISIONS – GENERAL OBLIGATION BONDS**

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

In connection with the District's various general obligation bond issues, the District entered into irrevocable trust agreements to purchase U.S. Government Securities in an amount sufficient to fully service prior years general obligation bond issues as they mature or are called. For financial reporting purposes, this debt is considered defeased and therefore removed as a liability from the District's financial statements.

The difference between the District's decreased debt and the reacquisition price (amounts deposited with escrow agent for refunding purposes) is considered 'deferred interest' and is being amortized over the life of the new bond issue. The remaining amount of deferred interest on refunding totaling \$1,541,146 is reflected as 'deferred outflows of resources' on the government-wide statement of net position. Total amortization for the 2024-2025 fiscal year was \$166,187 and was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

The School District paid bond insurance premiums in connection with its General Obligation Bonds – Series of 2020 totaling \$40,053. These costs are being amortized on a straight-line basis over the life of the bond issue. The un-amortized amount of bond insurance premiums totaling \$30,906 is reflected as 'deferred outflows of resources' on the government-wide statement of net position. Total amortization for the 2024-2025 fiscal year was \$2,311 and was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

The School District paid bond discount costs in connection with its various outstanding general obligation bond issues. These costs are being amortized on a straight-line basis over the life of the bond issues. The un-amortized amount of bond discount totaling \$288,430 is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)' in the governmental activities' column on the government-wide statement of net position. Amortization expense on bond discount for the year ended June 30, 2025 was \$26,757. This amount was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

The School District's various general obligation bond issues were issued at premiums which are being accreted as a component of interest expense on a straight-line basis over the life of the bond issues. The un-accreted amount of bond premiums totaling \$1,290,716 is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)' in the governmental activities' column on the government-wide statement of net position. Premium accretion for the year ended June 30, 2025 was \$101,005. This amount was credited to the 'Interest on Long-Term Debt' expense category in the statement of activities.

A summary of the Connellsville Area School District's general obligation notes and bonds outstanding at June 30, 2025 is as follows:

| YEAR END<br>JUNE 30, | 2011<br>PRINCIPAL   | 2011<br>INTEREST    | 2019<br>PRINCIPAL    | 2019<br>INTEREST    |
|----------------------|---------------------|---------------------|----------------------|---------------------|
| 2026                 | \$ 2,121,542        | \$ 830,178          | \$ 1,615,000         | \$ 1,125,419        |
| 2027                 | 1,869,111           | 415,089             | 1,985,000            | 1,053,419           |
| 2028                 | -                   | -                   | 2,070,000            | 972,319             |
| 2029                 | -                   | -                   | 2,020,000            | 906,931             |
| 2030                 | -                   | -                   | 2,075,000            | 857,006             |
| 2031-2035            | -                   | -                   | 11,340,000           | 3,362,903           |
| 2036-2040            | -                   | -                   | 16,165,000           | 1,375,119           |
|                      | <b>\$ 3,990,653</b> | <b>\$ 1,245,267</b> | <b>\$ 37,270,000</b> | <b>\$ 9,653,116</b> |

| YEAR END<br>JUNE 30, | 2019A<br>PRINCIPAL   | 2019A<br>INTEREST   | 2020<br>PRINCIPAL    | 2020<br>INTEREST    | 2021<br>PRINCIPAL    | 2021<br>INTEREST    |
|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| 2026                 | \$ 75,000            | \$ 248,491          | \$ 1,085,000         | \$ 473,540          | \$ 585,000           | \$ 240,405          |
| 2027                 | 80,000               | 246,991             | 1,130,000            | 429,240             | 610,000              | 232,422             |
| 2028                 | 585,000              | 245,391             | 1,165,000            | 383,340             | 1,545,000            | 215,428             |
| 2029                 | 760,000              | 233,691             | 1,210,000            | 335,840             | 1,535,000            | 188,898             |
| 2030                 | 780,000              | 218,491             | 1,255,000            | 286,540             | 1,560,000            | 159,888             |
| 2031-2035            | 4,255,000            | 832,001             | 6,745,000            | 855,448             | 6,470,000            | 299,018             |
| 2036-2040            | 4,145,000            | 335,370             | 4,350,000            | 148,075             | -                    | -                   |
|                      | <b>\$ 10,680,000</b> | <b>\$ 2,360,426</b> | <b>\$ 16,940,000</b> | <b>\$ 2,912,023</b> | <b>\$ 12,305,000</b> | <b>\$ 1,336,059</b> |

The following represents the changes in long-term liabilities for the District's governmental and business-type activities during the 2024-2025 fiscal year:

|                                 | Balance<br>7/1/2024   | Additions           | Reductions           | Balance<br>6/30/2025  | Due Within<br>One Year |
|---------------------------------|-----------------------|---------------------|----------------------|-----------------------|------------------------|
| <b>Governmental Activities:</b> |                       |                     |                      |                       |                        |
| Direct Borrowings:              |                       |                     |                      |                       |                        |
| General Obligation Notes        | \$ 6,067,988          | \$ -                | \$ 2,077,335         | \$ 3,990,653          | \$ 2,121,542           |
| General Obligation Bonds        | 80,445,000            | -                   | 3,250,000            | 77,195,000            | 3,360,000              |
| Net Pension Liability           | 96,390,522            | -                   | 9,490,365            | 86,900,157            | -                      |
| Net OPEB Obligation             | 14,520,928            | 1,058,331           | 226,305              | 15,352,954            | -                      |
| Compensated Absences            | 3,641,123             | 3,650,125           | -                    | 7,291,248             | -                      |
|                                 | <b>\$ 201,065,561</b> | <b>\$ 4,708,456</b> | <b>\$ 15,044,005</b> | <b>\$ 190,730,012</b> | <b>\$ 5,481,542</b>    |

|                                  | Balance<br>7/1/2024 | Additions   | Reductions        | Balance<br>6/30/2025 | Due Within<br>One Year |
|----------------------------------|---------------------|-------------|-------------------|----------------------|------------------------|
| <b>Business-Type Activities:</b> |                     |             |                   |                      |                        |
| Net Pension Liability            | \$ 3,703,478        | \$ -        | \$ 364,635        | \$ 3,338,843         | \$ -                   |
| Net OPEB Obligation              | 150,553             | -           | 8,695             | 141,858              | -                      |
|                                  | <b>\$ 3,854,031</b> | <b>\$ -</b> | <b>\$ 373,330</b> | <b>\$ 3,480,701</b>  | <b>\$ -</b>            |

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 – PENSION PLAN**

The Connellsville Area School District participates in the Public-School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description**

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

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. 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) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 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.

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

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

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.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 – PENSION PLAN (Continued)**

**Benefits Provided (Continued)**

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**Contributions**

**Member Contributions:**

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

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

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 – PENSION PLAN** (Continued)

**Member Contributions:** (Continued)

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

**Employer Contributions:**

The school district's contractually required contribution rate for the fiscal year ended June 30, 2025 was 32.92%\* of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$11,501,789 for the year ended June 30, 2025.

\*The defined contribution rate of 0.35% is an estimated rate. It is recommended employers use the actual defined contributions made to the PSERS defined contribution plan. This may impact contributions made to the pension plan.

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

At June 30, 2025, the School District reported a liability of \$90,239,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. The School 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 contributions. At June 30, 2025 the School District's proportion was .2156% which was a decrease of .0094% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the School District recognized pension expense of \$9,243,060. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|
| Difference between expected and actual experience               | \$ -                              | \$ 1,419,000                     |
| Changes in assumptions                                          | -                                 | -                                |
| Net difference between projected and actual investment earnings | 1,494,000                         | -                                |
| Changes in proportion                                           | 398,000                           | 3,527,000                        |
| Contributions subsequent to the measurement date                | 11,501,788                        | -                                |
|                                                                 | <u>\$ 13,393,788</u>              | <u>\$ 4,946,000</u>              |

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 – PENSION PLAN (Continued)**

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

The \$11,501,788 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Measurement<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Reporting<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Amortization<br/>Amount</b> |
|---------------------------------------------------------|-------------------------------------------------------|--------------------------------|
| 2025                                                    | 2026                                                  | \$ (3,693,000)                 |
| 2026                                                    | 2027                                                  | 1,558,000                      |
| 2027                                                    | 2028                                                  | (617,000)                      |
| 2028                                                    | 2029                                                  | (302,000)                      |

**Changes in Actuarial Assumptions**

The Total Pension Liability as of June 30, 2024, was determined by rolling forward the System's Total Pension Liability as of the June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2023
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2023 and as of June 30, 2024.
- 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.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 – PENSION PLAN (Continued)**

**Changes in Actuarial Assumptions (Continued)**

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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

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

| <b><u>Asset Class</u></b> | <b><u>Target<br/>Allocation</u></b> | <b><u>Long-Term<br/>Expected Real<br/>Rate of Return</u></b> |
|---------------------------|-------------------------------------|--------------------------------------------------------------|
| Global public equity      | 30.0%                               | 4.80%                                                        |
| Private equity            | 12.0%                               | 6.70%                                                        |
| Fixed Income              | 33.5%                               | 3.90%                                                        |
| Commodities               | 5.0%                                | 2.50%                                                        |
| Infrastructure            | 10.0%                               | 6.40%                                                        |
| Real estate               | 9.5%                                | 5.90%                                                        |
|                           | <u>100%</u>                         |                                                              |

The above table was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

**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 changes in the discount rate**

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

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11– PENSION PLAN (Continued)**

**Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate (Continued)**

|                                                                       | <b>1%<br/>Decrease<br/>6.00%</b> | <b>Current<br/>Discount<br/>Rate<br/>7.00%</b> | <b>1%<br/>Increase<br/>8.00%</b> |
|-----------------------------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|
| School District's proportionate share of<br>the net pension liability | <u>\$ 118,873,000</u>            | <u>\$ 90,239,000</u>                           | <u>\$ 66,060,000</u>             |

**Pension plan fiduciary net position**

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

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM**

**General Information about the Health Insurance Premium Assistance Program**

PSERS provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

**Premium Assistance Eligibility Criteria**

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

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

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

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

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Plan Description**

Connellsville Area School District employees participate in the PSERS – Health Insurance Premium Assistance program, which is a governmental cost sharing, multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public-school employees, part-time hourly public-school employees who render at least 500 hours of service in the school year, and part-time per diem public-school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.pa.gov/PSERS](http://www.pa.gov/PSERS).

**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 coverage through either their school employer or PSERS' Health Options Program.

**Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.63% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$217,798 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$3,834,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025 the District's proportion was 0.2158%, which is a decrease of .0091% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, Connellsville Area School District recognized OPEB expense of \$70,956. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

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

|                                                                 | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|-----------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience               | \$ 15,000                                 | \$ 58,000                                |
| Changes in assumptions                                          | 234,000                                   | 585,000                                  |
| Net difference between projected and actual investment earnings | 4,000                                     | -                                        |
| Changes in proportion                                           | 56,000                                    | 228,000                                  |
| Contributions subsequent to the measurement date                | 217,798                                   | -                                        |
|                                                                 | <u><u>\$ 526,798</u></u>                  | <u><u>\$ 871,000</u></u>                 |

The \$217,798 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 for the measurement year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Measurement<br/>Date<br/>Year ended<br/>June 30,</u> | <u>Reporting<br/>Date<br/>Year ended<br/>June 30,</u> | <u>Amortization<br/>Amount</u> |
|---------------------------------------------------------|-------------------------------------------------------|--------------------------------|
| 2025                                                    | 2026                                                  | \$ (125,000)                   |
| 2026                                                    | 2027                                                  | (170,000)                      |
| 2027                                                    | 2028                                                  | (184,000)                      |
| 2028                                                    | 2029                                                  | (43,000)                       |
| 2029                                                    | 2030                                                  | (40,000)                       |
| Thereafter                                              | Thereafter                                            | -                              |

**Actuarial Assumptions**

The Total OPEB Liability as of June 30, 2024, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal – level % of pay.
- Investment Return – 4.21% based on the S&P 20 Year Municipal Bond Rate.
- Salary Growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Actuarial Assumptions (Continued)**

- Mortality rates were based a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre-age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

| <u>OPEB - Asset Class</u> | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|---------------------------|------------------------------|-------------------------------------------------------|
| Cash                      | 100.0%                       | 1.70%                                                 |
|                           | <u>100.0%</u>                |                                                       |

The above table was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Discount Rate**

The discount rate used to measure the Total OPEB Liability was 4.21%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.21% which represents the S&P 20-year Municipal Bond Rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2024, 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, 2024, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2024, 489 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the net OPEB liability for June 30, 2024, calculated using current Healthcare cost trends as well as what the District net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

|                    | <b>1%<br/>Decrease</b> | <b>Current<br/>Trend<br/>Rates</b> | <b>1%<br/>Increase</b> |
|--------------------|------------------------|------------------------------------|------------------------|
| Net OPEB Liability | <u>\$ 3,833,000</u>    | <u>\$ 3,834,000</u>                | <u>\$ 3,834,000</u>    |

**Sensitivity of the proportionate share of the Net OPEB liability to changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.21%) or 1-percentage-point higher (5.21%) than the current rate:

|                    | <b>1%<br/>Decrease<br/>3.21%</b> | <b>Current Discount<br/>Rate<br/>4.21%</b> | <b>1%<br/>Increase<br/>5.21%</b> |
|--------------------|----------------------------------|--------------------------------------------|----------------------------------|
| Net OPEB Liability | <u>\$ 4,331,000</u>              | <u>\$ 3,834,000</u>                        | <u>\$ 3,417,000</u>              |

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

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN**

**Plan Description**

The Connellsville Area School District provides for post-employment health care benefits to all eligible employees covered by specific collective bargaining agreements entered into between the District and its personnel. To be eligible, participants must have at least ten (10) years of continuous service in the Connellsville Area School District and be of normal retirement age as defined by the PSERS (Note 11).

The above program was established by the authority of The Connellsville Area School District Board of Education. The program entitles eligible employees to health care benefits (health insurance only) for varying terms which range between 4 and 8 years. Employees are responsible for reimbursing the District for the PSERS health benefit contribution and any premium share in effect at the date of retirement.

The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**Funding Policy**

The governmental fund financial statements account for these benefits on a pay-as-you-go basis and are budgeted for and paid from the School District's General Fund. During the 2024-2025 fiscal year, the Connellsville Area School District paid approximately \$436,396 in retiree health care costs, which includes \$45,897 from the Connellsville Area Career and Technical Center.

**Participant Data**

The July 1, 2024 valuation (projected to June 30, 2025), reflected the following participant data:

|                                           | <b><u>PARTICIPANT<br/>DATA</u></b> |
|-------------------------------------------|------------------------------------|
| <b>SCHOOL DISTRICT:</b>                   |                                    |
| Active employees                          | 322                                |
| Inactives                                 | <u>45</u>                          |
| Total                                     | <u><b>367</b></u>                  |
| <br><b>CAREER &amp; TECHNICAL CENTER:</b> |                                    |
| Active employees                          | 24                                 |
| Inactives                                 | <u>4</u>                           |
| Total                                     | <u><b>28</b></u>                   |

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Changes in the Total OPEB Liability**

The District's total OPEB liability of \$10,995,730 was measured as of July 1, 2024 and was determined by an actuarial valuation performed as of July 1, 2024. The July 1, 2024 valuation reflected the following change in total OPEB liability:

|                                                    | <b>SCHOOL<br/>DISTRICT</b> | <b>CAREER &amp;<br/>TECH CENTER</b> | <b>TOTAL</b>         |
|----------------------------------------------------|----------------------------|-------------------------------------|----------------------|
| <b>Balance at June 30, 2024</b>                    | <b>\$ 9,956,081</b>        | <b>\$ 646,400</b>                   | <b>\$ 10,602,481</b> |
| <b>Changes for the year:</b>                       |                            |                                     |                      |
| Service Cost                                       | 474,695                    | 28,475                              | 503,170              |
| Interest                                           | 402,256                    | 25,621                              | 427,877              |
| Changes of benefit terms                           | -                          | -                                   | -                    |
| Differences between expected and actual experience | 553,197                    | 10,483                              | 563,680              |
| Changes of assumptions or other inputs             | -                          | -                                   | -                    |
| Benefit payments                                   | (390,499)                  | (45,897)                            | (436,396)            |
| Net Changes                                        | 1,039,649                  | 18,682                              | 1,058,331            |
| <b>Balance at June 30, 2025</b>                    | <b>\$ 10,995,730</b>       | <b>\$ 665,082</b>                   | <b>\$ 11,660,812</b> |

**Actuarial Assumptions**

- Actuarial Cost Method – Entry Age Normal Percentage of Pay
- Medical Inflation Rate – 6.5% increase in first year, 6% in the second year, decreasing by 0.5% per year to an ultimate rate of 5%
- Asset Valuation Method – Market Value
- Inflation – 2.6%
- Wage Inflation – 3%
- Salary Increases – 3.00% average, including inflation
- Investment Rate of Return – 5.20% (at 6/30/2025) and 3.93% (at 6/30/2024), per the Bond Buyer Municipal Bond Index AA
- Retirement Age – Eligible for unreduced PSERS benefit with 10 years
- Mortality – RP-2000 Combined Healthy with Scale BB

**OPEB Expense**

|                                   | <b>SCHOOL<br/>DISTRICT</b> | <b>CAREER &amp;<br/>TECH CENTER</b> | <b>TOTAL</b>      |
|-----------------------------------|----------------------------|-------------------------------------|-------------------|
| Service Cost                      | \$ 474,695                 | \$ 29,475                           | \$ 504,170        |
| Interest                          | 402,256                    | 25,621                              | 427,877           |
| Changes of benefit terms          | -                          | -                                   | -                 |
| Recognition of experience changes | (43,069)                   | (3,493)                             | (46,562)          |
| Recognition of assumption changes | (87,666)                   | (4,817)                             | (92,483)          |
| Benefit payments                  | -                          | -                                   | -                 |
| <b>OPEB Expense</b>               | <b>\$ 746,216</b>          | <b>\$ 46,786</b>                    | <b>\$ 793,002</b> |

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

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

For the year ended June 30, 2025, Connellsville Area School District recognized OPEB expense of \$792,001. At June 30, 2025, the School District reports deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                   | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|---------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| <b>SCHOOL DISTRICT:</b>                           |                                                  |                                                 |
| Difference between expected and actual experience | \$ 871,403                                       | \$ 1,114,470                                    |
| Changes in assumptions                            | -                                                | 278,778                                         |
|                                                   | <u>\$ 871,403</u>                                | <u>\$ 1,393,248</u>                             |
| <b>CAREER &amp; TECHNICAL CENTER:</b>             |                                                  |                                                 |
| Difference between expected and actual experience | \$ 84,223                                        | \$ 98,367                                       |
| Changes in assumptions                            | -                                                | 13,538                                          |
|                                                   | <u>\$ 84,223</u>                                 | <u>\$ 111,905</u>                               |
| <b>TOTAL</b>                                      | <u><u>\$ 955,626</u></u>                         | <u><u>\$ 1,505,153</u></u>                      |

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

| <b><u>Year ended<br/>June 30,</u></b> | <b><u>SCHOOL<br/>DISTRICT<br/>Amortization<br/>Amount</u></b> | <b><u>CAREER &amp;<br/>TECH CENTER<br/>Amortization<br/>Amount</u></b> | <b><u>TOTAL<br/>Amortization<br/>Amount</u></b> |
|---------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------|
| 2026                                  | \$ (99,365)                                                   | \$ (8,310)                                                             | \$ (107,675)                                    |
| 2027                                  | (99,365)                                                      | (5,291)                                                                | (104,656)                                       |
| 2028                                  | (99,365)                                                      | (3,141)                                                                | (102,506)                                       |
| 2029                                  | (78,891)                                                      | (1,539)                                                                | (80,430)                                        |
| 2030                                  | (117,796)                                                     | (7,217)                                                                | (125,013)                                       |
| 2031 and beyond                       | (27,063)                                                      | (2,184)                                                                | (29,247)                                        |

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following is the Total OPEB Liability to the District, as well as the Total OPEB Liability using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

|                                             | <b>1%<br/>Decrease<br/>4.20%</b> | <b>Discount<br/>Rate<br/>5.20%</b> | <b>1%<br/>Increase<br/>6.20%</b> |
|---------------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Total OPEB Liability - School District      | \$ 11,829,087                    | \$ 10,995,730                      | \$ 10,225,218                    |
| Total OPEB Liability - Career & Tech Center | 717,758                          | 665,082                            | 617,117                          |
| <b>TOTAL</b>                                | <b><u>\$ 12,546,845</u></b>      | <b><u>\$ 11,660,812</u></b>        | <b><u>\$ 10,842,335</u></b>      |

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

The following is the Total OPEB Liability to the District, as well as the Total OPEB Liability using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                                             | <b>1%<br/>Decrease</b>      | <b>Trend<br/>Rates</b>      | <b>1%<br/>Increase</b>      |
|---------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total OPEB Liability - School District      | \$ 9,943,647                | \$ 10,995,730               | \$ 12,198,632               |
| Total OPEB Liability - Career & Tech Center | 601,052                     | 665,082                     | 739,447                     |
| <b>TOTAL</b>                                | <b><u>\$ 10,544,699</u></b> | <b><u>\$ 11,660,812</u></b> | <b><u>\$ 12,938,079</u></b> |

**NOTE 13 - JOINTLY GOVERNED ORGANIZATION**

**INTERMEDIATE UNIT 1**

The Connellsville Area School District participates with other local educational agencies located in Fayette, Washington, and Greene Counties in the Intermediate Unit 1 (IU1). The IU1 was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for specific school districts located within the aforementioned tri-county region. The Intermediate Unit 1 is governed by a thirteen (13) member board appointed by the participating school districts on a rotating basis. The IU1 provides services related to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight. The Board of Education of each participating school district approves the IU1 annual operating budget. The Connellsville Area School District's operating contribution to IU1 for the 2024-2025 year was \$35,340 through state subsidy withholdings during the 2024-2025 year. The Intermediate Unit 1 issues separate financial statements annually which can be obtained by contacting the IU1 directly.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 14 – RISK AND UNCERTAINTIES**

**GENERAL INSURANCE**

The Connellsville Area School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**HEALTH INSURANCE**

The Connellsville Area School District is one of sixty members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public-school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium by all member school districts totaled \$484,491,083 for the year ended June 30, 2025 with Connellsville Area School District contributing \$10,497,897 for the 2024-2025 fiscal year. This amount includes \$1,006,309 paid for the Connellsville Area Career and Technical Center.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to, or responsible for, a proportionate share of the Consortium's net position, as determined on the fiscal year end after withdrawal. As of June 30, 2025, the net position available for benefits of the Consortium was \$84,042,714, of which \$1,641,668 was attributable to the Connellsville Area School District. This amount includes \$157,363 attributable to Connellsville Area Career and Technical Center.

**STATE AND FEDERAL SUBSIDIES**

The Connellsville Area School District's state and federally funded programs are subject to program compliance audits by various governmental agencies. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm. The District is potentially liable for any expenditure disallowed by the results of these program compliance audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**LEGAL MATTERS**

The Connellsville Area School District, in the normal course of operations, is party to various legal matters normally associated with school districts such as real estate tax assessment appeals, personnel wage and benefits, student education and athletics, construction projects, and other miscellaneous legal matters. The District is not aware of any current claims, litigation or assessments against the District that would be material and adversely impact the financial position of the District as of the date of this report.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the financial statements were available to be issued, February 23, 2026, which is the date of the Independent Auditor's Report. Management has determined that there are no events subsequent to June 30, 2025 through the date of the financial statements that require additional disclosure.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30,**

| <b>As of the measurement date of June 30,</b>                                                         | <b><u>2024</u></b> | <b><u>2023</u></b> | <b><u>2022</u></b> | <b><u>2021</u></b> | <b><u>2020</u></b> | <b><u>2019</u></b> | <b><u>2018</u></b> | <b><u>2017</u></b> | <b><u>2016</u></b> | <b><u>2015</u></b> |
|-------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| District's proportion of the net pension liability                                                    | 0.2156%            | 0.2250%            | 0.2232%            | 0.2274%            | 0.2297%            | 0.2309%            | 0.2215%            | 0.2232%            | 0.2229%            | 0.2352%            |
| District's proportionate share of the net pension liability                                           | \$ 90,239,000      | \$ 100,094,000     | \$ 99,232,000      | \$ 93,363,000      | \$ 113,102,000     | \$ 108,021,000     | \$ 106,331,000     | \$ 110,235,000     | \$ 110,462,000     | \$ 101,878,000     |
| District's covered payroll                                                                            | \$ 34,252,553      | \$ 34,450,303      | \$ 32,782,298      | \$ 32,226,950      | \$ 32,317,633      | \$ 31,849,249      | \$ 29,832,952      | \$ 29,718,150      | \$ 28,302,833      | \$ 30,260,164      |
| District's proportionate share of the net pension liability<br>as a percentage of its covered payroll | 263.45%            | 290.55%            | 302.70%            | 289.70%            | 349.97%            | 339.16%            | 356.42%            | 370.93%            | 390.29%            | 336.67%            |
| Plan fiduciary net position as a percentage of<br>the total pension liability                         | 64.63%             | 61.85%             | 61.34%             | 63.67%             | 54.32%             | 55.66%             | 54.00%             | 51.84%             | 50.14%             | 54.36%             |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED CONTRIBUTIONS**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30,**

|                                                                     | <u>2025</u>         | <u>2024</u>         | <u>2023</u>         | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        |
|---------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions                                | \$ 11,501,789       | \$ 11,330,727       | \$ 11,788,512       | \$ 11,125,032       | \$ 10,803,294       | \$ 10,701,741       | \$ 10,216,651       | \$ 9,429,628       | \$ 8,169,861       | \$ 7,313,452       |
| Contribution in relation to the contractually required contribution | <u>(11,501,789)</u> | <u>(11,330,727)</u> | <u>(11,788,512)</u> | <u>(11,125,032)</u> | <u>(10,803,294)</u> | <u>(10,701,741)</u> | <u>(10,216,651)</u> | <u>(9,429,628)</u> | <u>(8,169,861)</u> | <u>(7,313,452)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| District's covered payroll                                          | \$ 35,172,561       | \$ 34,252,553       | \$ 34,450,303       | \$ 32,782,298       | \$ 32,226,950       | \$ 32,317,633       | \$ 31,849,249       | \$ 29,832,952      | \$ 29,718,150      | \$ 28,302,833      |
| Contributions as a percentage of covered payroll                    | 32.70%              | 33.08%              | 34.22%              | 33.94%              | 33.52%              | 33.11%              | 32.08%              | 31.61%             | 27.49%             | 25.84%             |

Note: Beginning in 2018 with the implementation of GASB 75, contributions as reported above reflect the pension portion of the contribution only. The premium assistance (OPEB) portion of the contribution is reflected on a separate RSI schedule. Prior year contributions reflect both the pension and premium assistance amounts combined.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**PSERS PLAN**  
**JUNE 30,**

| <b>As of the measurement date of June 30,</b>                                                   | <b>2024</b>   | <b>2023</b>   | <b>2022</b>   | <b>2021</b>   | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   |
|-------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net OPEB liability                                                 | 0.2158%       | 0.2249%       | 0.2229%       | 0.2273%       | 0.2302%       | 0.2309%       | 0.2215%       | 0.2232%       | 0.2420%       |
| District's proportionate share of the net OPEB liability                                        | \$ 3,834,000  | \$ 4,069,000  | \$ 4,103,000  | \$ 5,388,000  | \$ 4,974,000  | \$ 4,911,000  | \$ 4,618,000  | \$ 4,548,000  | \$ 5,213,000  |
| District's covered payroll                                                                      | \$ 34,252,553 | \$ 34,450,303 | \$ 32,782,298 | \$ 32,226,950 | \$ 32,317,633 | \$ 31,849,249 | \$ 29,832,952 | \$ 29,718,150 | \$ 31,343,135 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 11.19%        | 11.81%        | 12.52%        | 16.72%        | 15.39%        | 15.42%        | 15.48%        | 15.30%        | 16.63%        |
| Plan fiduciary net position as a percentage of the total OPEB liability                         | 7.13%         | 7.22%         | 6.86%         | 5.30%         | 5.69%         | 5.56%         | 5.56%         | 5.73%         | N/A           |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year.

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED OPEB CONTRIBUTIONS**  
**PSERS PLAN**  
**JUNE 30,**

|                                                                     | <u>2025</u>      | <u>2024</u>      | <u>2023</u>      | <u>2022</u>      | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      |
|---------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contributions                                | \$ 217,798       | \$ 217,376       | \$ 256,198       | \$ 260,692       | \$ 262,947       | \$ 268,743       | \$ 260,117       | \$ 246,585       |
| Contribution in relation to the contractually required contribution | <u>(217,798)</u> | <u>(217,376)</u> | <u>(256,198)</u> | <u>(260,692)</u> | <u>(262,947)</u> | <u>(268,743)</u> | <u>(260,117)</u> | <u>(246,585)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll                                          | \$ 35,172,561    | \$ 34,252,553    | \$ 34,450,303    | \$ 32,782,298    | \$ 32,226,950    | \$ 32,317,633    | \$ 31,849,249    | \$ 29,832,952    |
| Contributions as a percentage of covered payroll                    | 0.62%            | 0.63%            | 0.74%            | 0.80%            | 0.82%            | 0.83%            | 0.82%            | 0.83%            |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**DISTRICT POST-RETIREMENT HEALTHCARE PLAN**  
**JUNE 30,**

|                                                                | <b><u>2025</u></b>   | <b><u>2024</u></b>  | <b><u>2023</u></b>  | <b><u>2022</u></b>  | <b><u>2021</u></b>   | <b><u>2020</u></b>   | <b><u>2019</u></b>  | <b><u>2018</u></b>  |
|----------------------------------------------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|
| Service cost                                                   | \$ 474,695           | \$ 376,590          | \$ 395,447          | \$ 495,188          | \$ 501,851           | \$ 382,557           | \$ 368,002          | \$ 408,098          |
| Interest                                                       | 402,256              | 365,395             | 346,488             | 227,970             | 229,759              | 319,989              | 365,923             | 347,925             |
| Change of benefits terms                                       | -                    | -                   | -                   | -                   | -                    | -                    | -                   | -                   |
| Differences between expected and<br>actual experience          | 553,197              | (230,400)           | (156,784)           | (1,093,777)         | (288,802)            | 730,685              | 309,256             | (340,651)           |
| Changes of assumptions or other inputs                         | -                    | -                   | -                   | -                   | -                    | -                    | (892,438)           | -                   |
| Benefit payments                                               | (390,499)            | (379,481)           | (307,035)           | (285,012)           | (271,610)            | (325,848)            | (630,433)           | (646,482)           |
| <b>Net Change in Total OPEB Liability</b>                      | <b>\$ 1,039,649</b>  | <b>\$ 132,104</b>   | <b>\$ 278,116</b>   | <b>\$ (655,631)</b> | <b>\$ 171,198</b>    | <b>\$ 1,107,383</b>  | <b>\$ (479,690)</b> | <b>\$ (231,110)</b> |
| <b>Total OPEB Liability - Beginning of Year</b>                | <b>9,956,081</b>     | <b>9,823,977</b>    | <b>9,545,861</b>    | <b>10,201,492</b>   | <b>10,030,294</b>    | <b>8,922,911</b>     | <b>9,402,601</b>    | <b>9,633,711</b>    |
| <b>Total OPEB Liability - End of Year</b>                      | <b>\$ 10,995,730</b> | <b>\$ 9,956,081</b> | <b>\$ 9,823,977</b> | <b>\$ 9,545,861</b> | <b>\$ 10,201,492</b> | <b>\$ 10,030,294</b> | <b>\$ 8,922,911</b> | <b>\$ 9,402,601</b> |
| <br>Covered payroll                                            | <br>\$ 23,828,062    | <br>\$ 25,601,563   | <br>\$ 24,291,846   | <br>\$ 22,396,414   | <br>\$ 24,987,323    | <br>\$ 27,116,953    | <br>\$ 25,147,607   | <br>\$ 23,907,469   |
| <br>Total OPEB liability as a percentage of<br>covered payroll | <br>46.15%           | <br>38.89%          | <br>40.44%          | <br>42.62%          | <br>40.83%           | <br>36.99%           | <br>35.48%          | <br>39.33%          |

This schedule is intended to illustrate information for a ten (10) year period. Information for the ten-year period will be presented as information becomes available.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**CAREER AND TECHNICAL CENTER'S POST-RETIREMENT HEALTHCARE PLAN**  
**JUNE 30,**

|                                                         | <b>2025</b>       | <b>2024</b>       | <b>2023</b>       | <b>2022</b>        | <b>2021</b>       | <b>2020</b>       | <b>2019</b>       | <b>2018</b>        |
|---------------------------------------------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| Service cost                                            | \$ 28,475         | \$ 29,289         | \$ 31,480         | \$ 33,184          | \$ 38,168         | \$ 26,040         | \$ 24,516         | \$ 21,855          |
| Interest                                                | 25,621            | 24,006            | 23,589            | 19,472             | 13,686            | 18,005            | 19,354            | 18,785             |
| Change of benefits terms                                | -                 | -                 | -                 | -                  | -                 | -                 | -                 | -                  |
| Differences between expected and actual experience      | 10,483            | (11,253)          | (27,405)          | (116,988)          | 89,225            | 56,886            | 27,853            | (44,907)           |
| Changes of assumptions or other inputs                  | -                 | -                 | -                 | -                  | -                 | -                 | (47,263)          | -                  |
| Benefit payments                                        | (45,897)          | (48,102)          | (20,142)          | (7,182)            | (11,434)          | (5,031)           | (18,274)          | (27,744)           |
| <b>Net Change in Total OPEB Liability</b>               | <b>\$ 18,682</b>  | <b>\$ (6,060)</b> | <b>\$ 7,522</b>   | <b>\$ (71,514)</b> | <b>\$ 129,645</b> | <b>\$ 95,900</b>  | <b>\$ 6,186</b>   | <b>\$ (32,011)</b> |
| <b>Total OPEB Liability - Beginning of Year</b>         | <b>646,400</b>    | <b>652,460</b>    | <b>644,938</b>    | <b>716,452</b>     | <b>586,807</b>    | <b>490,907</b>    | <b>484,721</b>    | <b>516,732</b>     |
| <b>Total OPEB Liability - End of Year</b>               | <b>\$ 665,082</b> | <b>\$ 646,400</b> | <b>\$ 652,460</b> | <b>\$ 644,938</b>  | <b>\$ 716,452</b> | <b>\$ 586,807</b> | <b>\$ 490,907</b> | <b>\$ 484,721</b>  |
| Covered payroll                                         | \$ 1,685,960      | \$ 1,733,688      | \$ 1,877,961      | \$ 1,812,335       | \$ 1,836,306      | \$ 1,625,131      | \$ 1,625,858      | \$ 1,980,424       |
| Total OPEB liability as a percentage of covered payroll | 39.45%            | 37.28%            | 34.74%            | 35.59%             | 39.02%            | 36.11%            | 30.19%            | 24.48%             |

This schedule is intended to illustrate information for a ten (10) year period. Information for the ten-year period will be presented as information becomes available.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 1 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR PSERS PENSION BENEFITS**

**Changes in Benefit Terms**

None

**Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2024**

None

**Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2023**

None

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

None

**NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

**Changes in Benefit Terms**

None

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**  
**(Continued)**

**Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2024**

- Investment return went from 4.13% S&P 20 Year Municipal Bond Rate to 4.21% S&P 20 Year Municipal Bond Rate
- The discount rate increased from 4.13% to 4.21%

**Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2023**

- Investment return went from 4.09% S&P 20 Year Municipal Bond Rate to 4.13% S&P 20 Year Municipal Bond Rate
- The discount rate increased from 4.09% to 4.13%

**Changes in Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

None

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEB required supplementary schedules:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset Valuation Method: Market value
- Participation Rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 3 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE RETIREE OPEB SCHOOL PLAN**

**Changes in Benefit Terms**

None

**Changes in Assumptions**

- Investment rate of return from 3.93% at 6/30/2024 to 5.20% at 6/30/2025.

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The actuarial plan does not disclose actuarial assumptions, if applicable, used in the calculations of Actuarially Determined Contributions.

# **CONNELLVILLE AREA SCHOOL DISTRICT**

## ***OTHER INFORMATION AS REQUIRED BY GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE***

**Turnley Robertson & Associates LLC**

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

**Management and Board of Education  
Connellsville Area School District**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* 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 Connellsville Area School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Connellsville Area School District's basic financial statements, and have issued our report thereon dated February 23, 2026.

**Report on Internal Control over Financial Reporting**

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

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

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

**Management and Board of Education  
Connellsville Area School District**

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

*Turnley Robertson & Associates LLC*

Turnley Robertson & Associates LLC

February 23, 2026  
New Brighton, Pennsylvania

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

**Management and Board of Education  
Connellsville Area School District**

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

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

We have audited Connellsville Area School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Connellsville Area School District's major federal programs for the year ended June 30, 2025. Connellsville Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Connellsville Area School District complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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

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

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

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

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Connellsville Area School 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 Connellsville Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Connellsville Area School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with the generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement 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 Connellsville Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Connellsville Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Connellsville Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **Report on Internal Control over Compliance**

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

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

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

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

*Turnley Robertson & Associates LLC*  
Turnley Robertson & Associates LLC

February 23, 2026  
New Brighton, Pennsylvania

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

| FEDERAL GRANTOR / PROJECT TITLE                                                             | FUNDING SOURCE | ASSISTANCE LISTING NUMBER | PASS-THROUGH GRANTOR NUMBER | GRANT PERIOD BEGINNING / ENDING DATE | PROGRAM AWARD AMOUNT | 2024-2025 PASSED THROUGH TO SUBRECIPIENTS | TOTAL RECEIVED THIS PERIOD | ACCRUED (UNEARNED) REVENUE JULY 1 | REVENUE RECOGNIZED    | EXPENDITURES        | ACCRUED (UNEARNED) REVENUE JUNE 30 |
|---------------------------------------------------------------------------------------------|----------------|---------------------------|-----------------------------|--------------------------------------|----------------------|-------------------------------------------|----------------------------|-----------------------------------|-----------------------|---------------------|------------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION:</b>                                                        |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| <b>Passed through Pa. Department of Education:</b>                                          |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| Title I                                                                                     | Indirect       | 84.010                    | 013-250099                  | 7/1/24-9/30/25                       | \$ 1,736,547         | \$ -                                      | \$ 1,274,948               | \$ -                              | \$ 1,576,258          | \$ 1,576,258        | (1) \$ 301,310                     |
| Title I                                                                                     | Indirect       | 84.010                    | 013-240099                  | 7/1/23-9/30/24                       | 1,758,902            | -                                         | 585,657                    | 389,573                           | 196,084               | 196,084             | (1) -                              |
| Title II - Improving Teacher Quality                                                        | Indirect       | 84.367                    | 020-250099                  | 7/1/24-9/30/25                       | 183,761              | -                                         | 122,759                    | -                                 | 161,015               | 161,015             | 38,256                             |
| Title II - Improving Teacher Quality                                                        | Indirect       | 84.367                    | 020-240099                  | 7/1/23-9/30/24                       | 171,793              | -                                         | 80,740                     | 16,861                            | 63,879                | 63,879              | -                                  |
| Title IV - Student Support & Academic Enrichment                                            | Indirect       | 84.424                    | 144-250099                  | 7/1/24-9/30/25                       | 132,459              | -                                         | 52,984                     | -                                 | 83,555                | 83,555              | 30,571                             |
| Title IV - Student Support & Academic Enrichment                                            | Indirect       | 84.424                    | 144-240099                  | 7/1/23-9/30/24                       | 150,991              | -                                         | 80,529                     | 928                               | 77,846                | 77,846              | (1,755)                            |
| COVID-19 - ARP ESSER III Fund Local                                                         | Indirect       | 84.425U                   | 223-210099                  | 3/13/20-9/30/24                      | 15,304,069           | -                                         | 1,113,023                  | 713,699                           | 399,324               | 399,324             | -                                  |
| COVID-19 - ARP ESSER 7% (Learning Loss)                                                     | Indirect       | 84.425U                   | 225-210099                  | 3/13/20-9/30/24                      | 849,621              | -                                         | 239,439                    | 193,766                           | 45,673                | 45,673              | -                                  |
| COVID-19 - ARP ESSER 7% (After School)                                                      | Indirect       | 84.425U                   | 225-210099                  | 3/13/20-9/30/24                      | 169,924              | -                                         | 47,887                     | (22,563)                          | 70,450                | 70,450              | -                                  |
| COVID-19 - ARP ESSER (Homeless Children & Youth)                                            | Indirect       | 84.425W                   | 181-212102                  | 3/13/20-9/30/24                      | 128,110              | -                                         | 70,055                     | 68,000                            | 2,055                 | 2,055               | -                                  |
| <b>Total passed through Pa. Department of Education</b>                                     |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 3,668,021</b>               | <b>\$ 1,360,264</b>   | <b>\$ 2,676,139</b> | <b>\$ 368,382</b>                  |
| <b>Passed through Intermediate Unit 1 (Special Education Cluster):</b>                      |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| IDEA                                                                                        | Indirect       | 84.027                    | 062-25-0-001                | 7/1/24-6/30/25                       | \$ 1,220,595         | \$ -                                      | \$ 1,206,683               | \$ -                              | \$ 1,220,595          | \$ 1,220,595        | \$ 13,912                          |
| IDEA - Section 619                                                                          | Indirect       | 84.173                    | N/A                         | 7/1/25-6/30/25                       | 2,470                | -                                         | -                          | -                                 | 2,470                 | 2,470               | 2,470                              |
| IDEA                                                                                        | Indirect       | 84.027                    | 062-24-0-001                | 7/1/23-6/30/24                       | 1,228,365            | -                                         | 701,131                    | 701,131                           | -                     | -                   | -                                  |
| IDEA - Section 619                                                                          | Indirect       | 84.173                    | N/A                         | 7/1/23-6/30/24                       | 7,930                | -                                         | 7,930                      | 7,930                             | -                     | -                   | -                                  |
| <b>Total passed through Intermediate Unit 1 (Special Education Cluster)</b>                 |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 1,915,744</b>               | <b>\$ 709,061</b>     | <b>\$ 1,223,065</b> | <b>\$ 16,382</b>                   |
| <b>Total Special Education Cluster</b>                                                      |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 1,915,744</b>               | <b>\$ 709,061</b>     | <b>\$ 1,223,065</b> | <b>\$ 16,382</b>                   |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                                                   |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 5,583,765</b>               | <b>\$ 2,069,325</b>   | <b>\$ 3,899,204</b> | <b>\$ 384,764</b>                  |
| <b>U.S. DEPARTMENT OF TREASURY</b>                                                          |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| <b>Passed through Pa. Commission on Crime and Delinquency:</b>                              |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| COVID-SFR School Mental Health Grant                                                        | Indirect       | 21.027                    | 2023-CM-01-41388            | 1/1/24-6/30/25                       | \$ 151,418           | \$ -                                      | \$ 151,418                 | \$ -                              | \$ 151,418            | \$ 151,418          | \$ -                               |
| <b>Total passed through Pa. Commission on Crime and Delinquency</b>                         |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 151,418</b>                 | <b>\$ -</b>           | <b>\$ 151,418</b>   | <b>\$ -</b>                        |
| <b>TOTAL U.S. DEPARTMENT OF TREASURY</b>                                                    |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 151,418</b>                 | <b>\$ -</b>           | <b>\$ 151,418</b>   | <b>\$ -</b>                        |
| <b>U.S. DEPARTMENT OF AGRICULTURE:</b>                                                      |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| <b>Passed through Pa. Department of Education (Child Nutrition Program Cluster):</b>        |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| National School                                                                             |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| Lunch Program                                                                               | Indirect       | 10.555                    | N/A                         | 7/1/24-6/30/25                       | N/A                  | \$ -                                      | \$ 2,205,886               | \$ -                              | \$ 2,205,886          | \$ 2,205,886        | \$ -                               |
| Breakfast Program                                                                           | Indirect       | 10.553                    | N/A                         | 7/1/24-6/30/25                       | N/A                  | -                                         | 828,133                    | -                                 | 828,133               | 828,133             | -                                  |
| Summer Food Service Program                                                                 | Indirect       | 10.559                    | N/A                         | 7/1/24-6/30/25                       | N/A                  | -                                         | 45,606                     | -                                 | 66,238                | 66,238              | 20,632                             |
| Summer Food Service Program                                                                 | Indirect       | 10.559                    | N/A                         | 7/1/23-6/30/24                       | N/A                  | -                                         | 10,816                     | 10,816                            | -                     | -                   | -                                  |
| <b>Total passed through Pa. Department of Education (Child Nutrition Program Cluster)</b>   |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 3,090,441</b>               | <b>\$ 10,816</b>      | <b>\$ 3,100,257</b> | <b>\$ 20,632</b>                   |
| <b>Passed through Pa. Department of Agriculture (Child Nutrition Program Cluster):</b>      |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| National School Lunch Program                                                               | Indirect       | 10.555                    | N/A                         | 7/1/24-6/30/25                       | N/A                  | \$ -                                      | \$ 306,943                 | * \$ (44,293)                     | ** \$ 306,980         | \$ 306,980          | \$ (44,256)                        |
| <b>Total passed through Pa. Department of Agriculture (Child Nutrition Program Cluster)</b> |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 306,943</b>                 | <b>\$ (44,293)</b>    | <b>\$ 306,980</b>   | <b>\$ (44,256)</b>                 |
| <b>Total Child Nutrition Program Cluster</b>                                                |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 3,397,384</b>               | <b>\$ (33,477)</b>    | <b>\$ 3,407,237</b> | <b>\$ (23,624)</b>                 |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                                                 |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 3,397,384</b>               | <b>\$ (33,477)</b>    | <b>\$ 3,407,237</b> | <b>\$ (23,624)</b>                 |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>                                        |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| <b>Passed through Pa. Department of Human Services:</b>                                     |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| Title 19                                                                                    | Indirect       | 93.778                    | N/A                         | 7/1/24-6/30/25                       | N/A                  | \$ -                                      | \$ 21,071                  | \$ -                              | \$ 40,016             | \$ 40,016           | \$ 18,945                          |
| Title 19                                                                                    | Indirect       | 93.778                    | N/A                         | 7/1/23-6/30/24                       | N/A                  | -                                         | 46,534                     | 46,534                            | -                     | -                   | -                                  |
| <b>Total passed through Pa. Department of Human Services</b>                                |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 67,605</b>                  | <b>\$ 46,534</b>      | <b>\$ 40,016</b>    | <b>\$ 18,945</b>                   |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                                   |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 67,605</b>                  | <b>\$ 46,534</b>      | <b>\$ 40,016</b>    | <b>\$ 18,945</b>                   |
| <b>U.S. DEPARTMENT OF DEFENSE:</b>                                                          |                |                           |                             |                                      |                      |                                           |                            |                                   |                       |                     |                                    |
| Department of Army ROTC                                                                     | Direct         | U00                       | N/A                         | 7/1/24-6/30/25                       | N/A                  | \$ -                                      | \$ 38,010                  | \$ -                              | \$ 38,010             | \$ 38,010           | \$ -                               |
| Department of Army ROTC                                                                     | Direct         | U00                       | N/A                         | 7/1/23-6/30/24                       | N/A                  | -                                         | 4,635                      | 4,635                             | -                     | -                   | -                                  |
| <b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>                                                     |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 42,645</b>                  | <b>\$ 4,635</b>       | <b>\$ 38,010</b>    | <b>\$ -</b>                        |
| <b>TOTAL FEDERAL ASSISTANCE</b>                                                             |                |                           |                             |                                      |                      |                                           | <b>\$ -</b>                | <b>\$ 9,091,399</b>               | <b># \$ 2,087,017</b> | <b>\$ 7,384,467</b> | <b>\$ 380,085</b>                  |

**# Reconciliation with federal subsidy confirmation:**

|                                         |                     |
|-----------------------------------------|---------------------|
| Per Above                               | \$ 9,091,399        |
| School Lunch/Breakfast Matching Subsidy | 94,954              |
| IDEA                                    | (1,915,744)         |
| Donated Commodities                     | (306,943)           |
| Department of Army ROTC                 | (42,645)            |
| Medical Assistance - Access             | 220,263             |
| Title 19                                | (67,605)            |
| Per Confirmation                        | <u>\$ 7,073,679</u> |

\* Total USDA Commodity Received  
\*\* Represents beginning inventory - 7/1/24  
\*\*\* Represents ending inventory - 6/30/25  
(1) Denotes Major Program

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2025**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity administered by the Connellsville Area School District for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance – UGG)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the Connellsville Area School District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable is included as part of 'due from other governments' in Exhibit A, Exhibit C, and Exhibit H as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in the above referenced Exhibits and is referenced in Note 9 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The Connellsville Area School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2024-2025 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**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?
- Significant deficiency(ies) identified?

\_\_\_\_yes    X no

\_\_\_\_yes    X no

Noncompliance material to financial statements noted?

\_\_\_\_yes    X no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

\_\_\_\_yes    X no

\_\_\_\_yes    X no

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:

Assistance Listing Number

Name of Federal Program or Cluster

84.010

Title I

The dollar threshold for distinguishing type A and type B programs:

Type A Program

\$750,000-\$25,000,000

Type B Program

Less than \$750,000

Auditee qualified as low-risk auditee?

X yes    \_\_\_\_no

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

None

**Section III – Federal Award Findings and Questioned Costs**

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

None

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2025**

The audit report of the Connellsville Area School District for the year ended June 30, 2024 dated February 24, 2025, contained no audit findings.

## **APPENDIX C**

### **CONTINUING DISCLOSURE UNDERTAKING**

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**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**(Fayette County, Pennsylvania)**

Dated \_\_\_\_\_ - Final Maturity \_\_\_\_\_  
\$ \_\_\_\_\_ **GENERAL OBLIGATION BONDS, SERIES A OF 2026**  
and  
\$ \_\_\_\_\_ **GENERAL OBLIGATION BONDS, SERIES B OF 2026**

**CONTINUING DISCLOSURE CERTIFICATE**

**THIS CONTINUING DISCLOSURE CERTIFICATE** (this "***Certificate***") is executed and delivered the \_\_\_\_ day of \_\_\_\_\_, 2026 by the Connellsville Area School District, Fayette County, Pennsylvania (the "***Issuer***") in connection with the issuance of its \$ \_\_\_\_\_ General Obligation Bonds, Series A of 2026 and \$ \_\_\_\_\_ General Obligation Bonds, Series B of 2026 (collectively the "***Bonds***"). The Bonds are being issued pursuant to a resolution adopted by the Board of School Directors of the Issuer on August 19, 2026 (the "***Authorizing Legislation***"). The Issuer, intending to be legally bound, hereby certifies, covenants and agrees as follows:

**SECTION 1. Purpose of the Certificate.**

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

**SECTION 2. Definitions.**

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

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

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

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

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

**"Financial Obligation"** means a:

(A) (i) debt obligation;

(ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(iii) A guarantee of either (i) or (ii), above.

(B) Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

**"Material Event"** shall mean any of the events listed in items (i) through (xiv) below the occurrence of which the Issuer obtains knowledge. The following events with respect to the Bonds shall constitute Material Events:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) Modifications to rights of the holders of the Bonds, if material;

(viii) Optional or unscheduled redemptions of any Bonds, if material, and tender offers;

(ix) Defeasance of all or any portion of the Bonds;

(x) Release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the Issuer;

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

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

**"Official Statement"** shall mean the Official Statement dated \_\_\_\_\_, 2026 relating to the Bonds.

**"Operating Data"** shall mean an update of a summary of the budget of the Issuer for each year.

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

**"SEC"** shall mean the Securities and Exchange Commission.

**"State"** shall mean the Commonwealth of Pennsylvania.

### SECTION 3. Disclosure of Information.

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

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than March 31, beginning March 31, 2027 for the fiscal year ending June 30, 2026, and continuing with each fiscal year thereafter. If the Disclosure Agent is an entity or person other than the Issuer, then the Issuer shall provide the Annual Financial Information to the Disclosure Agent not later than fifteen (15) Business Days prior to the disclosure date referenced above. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information.

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

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

(B) Means of Submitting Information.

The Issuer or the Disclosure Agent under this Certificate shall submit the information required to be disclosed under this Certificate to the MSRB using EMMA. Such information shall be transmitted in portable document format (pdf) at [www.emma.msrb.org](http://www.emma.msrb.org) and accompanied by identifying information as prescribed by the MSRB (in word-searchable format).

SECTION 4. Amendment or Modification.

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate and any provision of this Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

SECTION 5. Miscellaneous.

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

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

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

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

SECTION 6. Additional Disclosure Obligations.

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

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

CONNELLSVILLE AREA SCHOOL DISTRICT

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

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**APPENDIX D**

**FORM OF OPINION OF BOND COUNSEL**

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## FORM OF OPINION OF BOND COUNSEL

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

To and for the attention \_\_\_\_\_, 2026  
of the Purchaser of the  
Described Bonds:

We have served as Bond Counsel to the Connellsville Area School District (Fayette County, Pennsylvania) (the "Local Government Unit") and do hereby undertake to advise you in connection with the issuance, sale and delivery of its \$\_\_\_\_\_ aggregate principal amount of its General Obligation Bonds, Series A of 2026 (the "2026A Bonds") and \$\_\_\_\_\_ aggregate principal amount of its General Obligation Bonds, Series B of 2026 (the "2026B Bonds" and, together with the 2026A Bonds, the "Bonds") issued in fully registered form, dated and bearing interest from \_\_\_\_\_, 2026, maturing on various annual dates ending on \_\_\_\_\_ and subject to redemption prior to maturity on and after \_\_\_\_\_.

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

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

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

1. The Bonds are valid and binding general obligations of the Local Government Unit.

(a) The Bonds are issued for a valid purpose under the School Code.

(b) The Bonds, and all other outstanding debt of the Local Government Unit, are within constitutional and statutory limitations.

(c) The Debt Ordinance authorizing the Bonds was duly and properly enacted and is in full force and effect.

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

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

3. Presently included among the general revenues of the Local Government Unit available for the payment of the Bonds are ad valorem real estate taxes, whose levy is subject to the limitations of Pennsylvania Act No. 1 of Special Session of 2006 ("Act 1"), as amended, which became effective June 27, 2006. The pledge of ad valorem taxes to the payment of debt service on the Bonds will not be unlimited, but may be constrained, generally, to rates established at the time of adoption of the fiscal 2026-2027 budget, as adjusted by an annual index.

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

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

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

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

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

Very truly yours,

CLARK HILL PLC

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**APPENDIX E**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

28 Liberty Street, 59<sup>th</sup> Floor  
New York, New York 10005

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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