OFFICIAL STATEMENT

New Issue
BOOK-ENTRY ONLY

Underlying Bond Rating: Moody's Investors Service "A3"
Insured Bond Rating: S&P Global Ratings "AA" (stable outlook) (AGM insured)
(See "**BOND RATINGS**" herein.)

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds (including for this purpose, in the case of Bonds sold at an original issue discount, the difference between the initial offering price and accrued value) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not 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 annual "adjusted financial statement income" for purposes of calculating the alternative minimum tax imposed on an applicable corporation for tax 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 ***"TAX MATTERS"*** *herein.)*

The School District has NOT designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code") (relating to the deductibility of interest expenses by certain financial institutions).

$21,580,000

HIGHLANDS SCHOOL DISTRICT

(Allegheny County, Pennsylvania)
GENERAL OBLIGATION (LIMITED TAX) BONDS, SERIES OF 2023

INITIALLY DATED: Date of Delivery
PRINCIPAL DUE: April 15, as shown herein
FORM: Book-Entry Only

INTEREST PAYABLE: April 15 and October 15
FIRST INTEREST PAYMENT DATE: October 15, 2023
DENOMINATION: Integral multiples of $5,000

PAYMENT OF PRINCIPAL AND INTEREST: The General Obligation (Limited Tax) Bonds, Series of 2023, in the principal amount of $21,580,000 (the "Bonds") are issuable only in fully registered form, without coupons and when issued, will be registered in the name of CEDE & CO., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial ownership interests in the Bonds will be recorded in book-entry only form in denominations of $5,000, or any integral multiple thereof. Principal of and interest on the Bonds are payable directly to CEDE & CO. for redistribution to DTC Participants and in turn to Beneficial Owners as described herein. Interest will be payable on April 15 and October 15 of each year that the Bonds are outstanding, commencing on October 15, 2023. Purchasers will not receive physical delivery of certificates representing their ownership interests in the Bonds purchased. For so long as any purchaser is the Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Bonds. See "Book-Entry-Only System" herein.

REDEMPTION: The Bonds are subject to optional and mandatory redemption prior to their stated maturity dates, as provided herein.

SECURITY FOR THE BONDS: The Bonds are general obligations of the School District, payable from its taxes and other available revenues which presently include ad valorem taxes which may be levied, subject to certain rate limitations, on all taxable real property within the School District for the payment when due of the principal of and the interest on the Bonds. The School District has covenanted that it will provide in its budget in each year, and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution (as defined below) of the School District pursuant to which the Bonds are issued, or from any other of its available revenues or funds, the principal of and the interest on every Bond on the dates and at the place and in the manner stated in the Bonds. For such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and all available taxing power. However, such taxing power is subject to the limitations of Act 1, as defined herein. (See "INTRODUCTORY STATEMENT" and "The Taxpayer Relief Act (Act 1), as Amended" and "Status of the Bonds Under Act 1" herein.)

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 Assured Guaranty Municipal Corp. ("AGM").

AUTHORIZATION FOR ISSUANCE: The Bonds are being issued in accordance with the Local Government Unit Debt Act, as amended (the "Act") of the Commonwealth of Pennsylvania, 53 Pa. C.S.A. §8001 et seq., as amended, with the approval of the Pennsylvania Department of Community and Economic Development and pursuant to a Resolution of the Board of School Directors of the School District adopted on May 15, 2023 (the "Resolution").

USE OF FUNDS: The proceeds to be derived by the School District from the issuance and sale of the Bonds will be used to provide the School District with the funds required to: (1) finance various capital projects of the School District, including, but not limited to, the costs of designing, acquiring and constructing various repairs, renovations and capital improvements to all District educational facilities, particularly heating and ventilating systems, lighting and electrical infrastructure, and roofs, windows, doors and other building envelope appurtenances, as necessary and appropriate to increase security and reduce energy costs; (2) fund a capitalized interest fund; and (3) pay all costs and expenses incurred by the School District in connection with the issuance and insuring of the Bonds.

CONTINUING DISCLOSURE UNDERTAKING: *The School District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted (the "Rule"). (See* **"CONTINUING DISCLOSURE UNDERTAKING"** *herein.)*

LEGAL APPROVALS: *The Bonds are offered when, as and if issued by the School District and received by the Underwriter, subject to prior sale and subject to the receipt of the approving legal opinion to be issued by Dinsmore & Shohl LLP, Pittsburgh, Pennsylvania, Bond Counsel. Certain additional matters will be passed upon for the School District by its Counsel, Andrews and Price, LLC, Pittsburgh, Pennsylvania. The Bonds are expected to be available for delivery on June 29, 2023 in New York, New York.*

REGISTRATION OF BONDS: *Information concerning the Bonds has been furnished to The Depository Trust Company, New York, New York ("DTC"). It is expected that the Bonds will initially be registered in the name of DTC's nominee, CEDE & Co., New York, New York. (See "Book-Entry-Only System" herein.)*

The date of this Official Statement is June 1, 2023.

$21,580,000
HIGHLANDS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)
GENERAL OBLIGATION (LIMITED TAX) BONDS, SERIES OF 2023

INITIALLY DATED: Date of Delivery
PRINCIPAL DUE: April 15, as shown below

INTEREST PAYABLE: April 15 and October 15
FIRST INTEREST PAYMENT DATE: October 15, 2023

MATURITY SCHEDULE

Year (April 15)	Principal Amount	Interest Rate	Yield	Price [1]	CUSIPs [2]
2025	$165,000	5.000%	3.500%	102.581%	431095MK1
2026	180,000	5.000	3.450	104.090	431095ML9
2027	190,000	5.000	3.400	105.645	431095MM7
2028	200,000	5.000	3.400	107.018	431095MN5
2029	205,000	5.000	3.350	108.619	431095MP0
2030	215,000	5.000	3.350	109.947	431095MQ8
2031	230,000	5.000	3.380	111.014	431095MR6
2032	1,530,000	5.000	3.380	112.231	431095MS4
2033	1,350,000	5.000	3.400	112.069 [3]	431095MT2
2034	1,420,000	5.000	3.450	111.666 [3]	431095MU9
2035	1,490,000	5.000	3.550	110.866 [3]	431095MV7
2037 [4]	3,190,000	4.000	4.040	99.575	431095MW5
2038	1,690,000	4.000	4.090	99.003	431095MX3
2040 [4]	3,590,000	4.000	4.120	98.550	431095MY1
2043 [4]	5,935,000	4.000	4.200	97.324	431095MZ8

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(1) Based on expected settlement date of June 29, 2023, unless otherwise noted.
(2) 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 refundings or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.
(3) Based on first optional redemption date of April 15, 2032.
(4) Term Bond.

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	Highlands School District, Allegheny County, Pennsylvania.
The Bonds...	General Obligation (Limited Tax) Bonds, Series of 2023, in the principal amount of $21,580,000 (the "Bonds"). The Bonds are initially dated as of the date of delivery, and will mature as shown in the **MATURITY SCHEDULE** shown on the inside of the Cover Page of this Official Statement. Interest on the Bonds will begin to accrue on the date of delivery and is payable each April 15 and October 15 thereafter, commencing October 15, 2023. (See **"DESCRIPTION OF THE BONDS"** herein.)
Redemption Provisions.......................	The Bonds are subject to optional and mandatory redemption prior to their stated maturity dates. (See **"REDEMPTION OF BONDS"** herein.)
Security for the Bonds........................	The Bonds are general obligations of the School District, for the payment of which the School District has irrevocably pledged its full faith, credit and taxing power, including ad valorem taxes, to the extent authorized by law. (See **"INTRODUCTORY STATEMENT," "SECURITY FOR THE BONDS"** and **"LEGISLATION AFFECTING LOCAL TAXING POWERS OF SCHOOL DISTRICTS"** 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 Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). (See **"BOND INSURANCE"** herein.)
Form of Bonds	Book-Entry-Only.
Application of Proceeds......................	The proceeds to be derived by the School District from the issuance and sale of the Bonds will be used to provide the School District with the funds required to: (1) finance various capital projects of the School District, including, but not limited to, the costs of designing, acquiring and constructing various repairs, renovations and capital improvements to all District educational facilities, particularly heating and ventilating systems, lighting and electrical infrastructure, and roofs, windows, doors and other building envelope appurtenances, as necessary and appropriate to increase security and reduce energy costs; (2) fund a capitalized interest fund; and (3) pay all costs and expenses incurred by the School District in connection with the issuance and insuring of the Bonds. (See **"PURPOSE OF THE BOND ISSUE,"** and **"SOURCES AND USES OF FUNDS** herein.)
Bond Ratings.......................................	The Bonds have received a credit rating of "AA" (stable outlook) from S&P Global Ratings, New York, New York ("S&P") with the understanding that the above-described municipal bond insurance policy will be issued at the time of settlement of the Bonds. The Bonds have received an underlying credit rating of "A3" from Moody's. (See **"BOND RATINGS"** herein.)
Continuing Disclosure Undertaking	The School District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted. (See **"CONTINUING DISCLOSURE UNDERTAKING"** herein.)

HIGHLANDS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)
1500 Pacific Avenue
Natrona Heights, Pennsylvania 15065
Telephone: (724) 226-2400

BOARD OF SCHOOL DIRECTORS

Name	Position	Term Expiration
Bobbie Neese	President	December 2025
Nicole Kocon	Vice President	December 2025
Kristie Babinsack	Member	December 2023
Laura Butler	Member	December 2023
Kelli Canonage	Member	December 2023
Ashley Javier	Member	December 2025
Dr. Debra Lehew	Member	December 2025
Judy Wisner	Member	December 2023
Gene Witt	Member	December 2023
Kate Rich	Board Secretary	n/a

CENTRAL ADMINISTRATION

Dr. Monique Mawhinney	Superintendent
Dr. Cathleen Cubelic	Assistant Superintendent
Mr. David Seropian	Acting Executive Director of Business Affairs & Support Services

SOLICITOR

Andrews and Price, LLC
Pittsburgh, Pennsylvania

BOND COUNSEL

Dinsmore & Shohl, LLP
Pittsburgh, Pennsylvania

PAYING AGENT, TRANSFER AGENT, BOND REGISTRAR, AND SINKING FUND DEPOSITORY

U.S. Bank Trust Company, National Association
Pittsburgh, Pennsylvania

UNDERWRITER

PNC Capital Markets LLC
Pittsburgh, Pennsylvania

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

The quotations from and summaries and explanation of provisions of laws and documents contained herein, including the cover page, inside cover page and Appendices attached hereto, do not purport to be complete. Reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

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.

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

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS (INCLUDING DEALERS DEPOSITING THE BONDS INTO INVESTMENT TRUST(S)) AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER HEREOF.

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

THE 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.

Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM, supplied by AGM and presented under the heading "BOND INSURANCE" and APPENDIX F, "Specimen Municipal Bond Insurance Policy."

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This Table of Contents 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 set forth herein.

OFFICIAL STATEMENT

$21,580,000
HIGHLANDS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)
GENERAL OBLIGATION (LIMITED TAX) BONDS, SERIES OF 2023

INTRODUCTORY STATEMENT

This Official Statement, including the Cover Page hereof and the Appendices hereto, is furnished in connection with the offering by Highlands School District, Allegheny County, Pennsylvania (the "School District") of General Obligation (Limited Tax) Bonds, Series of 2023, in the principal amount of $21,580,000 (the "Bonds"). The Bonds are authorized to be issued pursuant to the provisions of the Pennsylvania Local Government Unit Debt Act (the "Act"), 53 Pa. C.S.A. §8001 et seq., as amended, and are described in, and are being issued pursuant to the provisions of, a Resolution of the Board of School Directors of the School District duly adopted on May 15, 2023 (the "Resolution") and a Bond Purchase Agreement executed on June 1, 2023.

The approval of the Department of Community and Economic Development of the Commonwealth of Pennsylvania (the "Commonwealth") for the School District to issue and deliver the Bonds will have been duly given pursuant to the Act; all acts, conditions and things required by the laws of the Commonwealth to exist, to have happened or to have been performed precedent to or in the issuance of the Bonds or in the creation of the debt of which any Bond is evidence, exist, will have happened, and will have been performed in regular and due form and manner as required by law; the Bonds, together with all other indebtedness of the School District, will be within every debt and other limit prescribed by the Constitution and the statutes of the Commonwealth; and the School District will have established with U.S. Bank Trust Company, National Association, Pittsburgh, Pennsylvania, or its designee, as the paying agent, transfer agent, bond registrar, and sinking fund depository for the Bonds, a Sinking Fund for the Bonds, as defined herein, and shall deposit therein amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and payable. (See **"DESCRIPTION OF THE BONDS - Paying Agent, Transfer Agent, Bond Registrar, and Sinking Fund Depository"** and **"THE PAYING AGENT"** herein.)

The Bonds, as General Obligation Bonds of the School District, are secured, for the prompt payment when due of the principal of, redemption premium, if any, and the interest on the Bonds, by a pledge of the full faith, credit, and all available taxing power of the School District. (See **"SECURITY FOR THE BONDS," "LEGISLATION AFFECTING LOCAL TAXING POWERS OF SCHOOL DISTRICTS"** and **"Status of the Bonds Under Act 1"** herein.) The Pennsylvania Public School Code of 1949, as amended (the "School Code"), presently provides for withholding and direct application of subsidies from the Commonwealth to a school district in the event of a failure by the school district to pay when due the principal of and the interest on its bonded indebtedness. (See **"SECURITY FOR THE BONDS – Commonwealth Aid to School Districts"** herein.)

DESCRIPTION OF THE BONDS

The Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof. The Bonds will be initially dated as of their date of delivery and will bear interest on the unpaid principal at the rate and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. While the Bonds are in the Book-Entry-Only System, references to the "Owner" or the "Registered Bond Owner" as described herein are to CEDE & Co., as nominee of DTC (as hereinafter defined). Each beneficial owner of a Bond may desire to make arrangements with a DTC Participant (as hereinafter defined) to receive notices or communications with respect to matters described herein. (See "**Book–Entry-Only System**" herein.)

Interest on the Bonds shall be computed on the basis of a 30-day month and 360-day year and shall be payable semiannually on April 15 and October 15 of each year, commencing on October 15, 2023 (the "Interest Payment Dates"). If an Interest Payment Date occurs on a day which is not a Business Day (a "Business Day" is any day other than a Saturday, Sunday, legal holiday or a day on which financial institutions in the Commonwealth are authorized by law to be closed), the interest on and principal of the Bonds coming due on such Interest Payment Date shall be payable on the next succeeding Business Day without any additional accrual of interest.

Each Bond will be dated as of its date of authentication and will bear interest from the immediately preceding Interest Payment Date to which interest has been paid, unless: (i) such bond is authenticated on an Interest Payment Date to which interest has been paid, in which case it shall bear interest from such Interest Payment Date; or (ii) such Bond is authenticated on or prior to the first Regular Record Date (hereinafter defined) after the issue date, in which event it shall bear interest from the dated date; or (iii) such Bond is authenticated after a Regular Record Date and before the next succeeding Interest Payment Date on which interest is in fact paid, in which case such Bond will bear interest from such next succeeding Interest Payment Date.

So long as the Bonds or any portion thereof are registered in the name of DTC or its nominee, payments thereon shall be made to DTC or its nominee. (See "**Book-Entry-Only System**" herein.) At all other times, the principal of and interest on the Bonds shall be payable at the designated office of U.S. Bank Trust Company, National Association, as Paying Agent (the "Paying Agent"), in such coin or currency of the United States of America as at the time and place of payment is legal tender for public and private debts, provided that interest may be paid by check drawn upon the Paying Agent and mailed to the persons in whose names the Bonds are registered at the close of business on the last day of the month immediately preceding the relevant Interest Payment Date (the "Regular Record Date") at the addresses shown on the registration records for the Bonds (the "Bond Register") kept by the Paying Agent. Persons designated in the Bond Register as owning Bonds are hereinafter referred to as "Registered Bond Owners".

Notwithstanding the foregoing, if and to the extent there shall be a default in the payment of interest due on an Interest Payment Date, such defaulted interest shall be paid on a special payment date to the Registered Bond Owners in whose names the Bonds are registered at the close of business on a special record date (the "Special Record Date" and together with the Regular Record Date, the "Record Date") established by notice mailed to the Registered Bond Owners not less than ten (10) days prior to such Special Record Date.

Registration, Transfer and Exchange of Bonds

The Paying Agent is responsible for maintaining the books of the School District pertaining to the registration of ownership of each Bond. The ownership of Bonds may be transferred upon the registration books upon delivery to the Paying Agent or its designee, of a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Paying Agent or its designee, duly executed by the registered holder of the Bonds to be transferred or his duly authorized attorney-in-fact or legal representative, subject to such reasonable regulations as the School District or the Paying Agent or its designee may prescribe, and upon payment of any taxes or other governmental charges incident to such transfer. No transfer of any Bond will be effective until entered on the registration books.

Neither the School District nor the Paying Agent or its designee shall be required (a) to register the transfer of or to exchange any Bonds then considered for redemption, during a period beginning at the close of business on the fifteenth 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, (b) to register the transfer of or to exchange any portion of any Bond selected for redemption in whole or in part until after the redemption date, or (c) to register the transfer of or to exchange any Bond during the period beginning at the close of business on the fifteenth day preceding the date of maturity on the Bond and ending at the close of business on the date of maturity.

Book-Entry-Only System

The information set forth below concerning The Depository Trust Company ("DTC") and the book-entry only system has been extracted from materials provided by DTC for such purpose. No representation is made by the School District or the Underwriter as to the accuracy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("***DTC***"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of CEDE & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds set forth on the inside front cover page of this Official Statement, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC participants ("***Direct Participants***") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("***DTCC***"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("***Indirect Participants***"). DTC has a Standard & Poor's rating of: AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about the DTC can be found at www.dtcc.com.

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 only 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 effect 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 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 the notices be provided directly to them.

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

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

Redemption proceeds and payments of principal of and interest on the Bonds will be made to CEDE & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the School District or Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption proceeds and payment of principal and interest to CEDE & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of the 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 either not required under the Resolution or not obtained, Bond certificates are required to be printed and delivered in accordance with the Resolution.

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

The above 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.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BOOK-ENTRY BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN HOLDERS OR OWNERS OF BOOK-ENTRY BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BOOK-ENTRY BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BOOK-ENTRY BONDS.

Discontinuance of Book-Entry-Only System

The book-entry system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the School District determines that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the Beneficial Owners. In either such event (unless the School District appoints a successor securities depository), Bonds will then be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the School District, or the Paying Agent for the accuracy of such designation. Whenever DTC requests the School District or the Paying Agent to do so, the School District or the Paying Agent shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Paying Agent, Transfer Agent, Bond Registrar and Sinking Fund Depository

The obligations and duties of the Paying Agent are described in the Resolution and the Act, and the Paying Agent has undertaken only those obligations and duties which are expressly set out in the Resolution or required by the Act. The Paying Agent has not independently passed upon the validity of the Bonds, the security therefor, the adequacy of the provisions for payment thereof, or the tax-exempt status of the interest on the Bonds. The Paying Agent is not required to take notice or be deemed to have notice of any default under the Resolution, except for failure by the School District to make or cause to be made any of the payments required to be made for the principal of the Bonds when due at maturity or earlier redemption, or the interest thereon. (See "**THE PAYING AGENT**" herein.) The Paying Agent may designate an agent for purposes of exercising the duties and functions described herein and in the Resolution.

REDEMPTION OF BONDS

Optional Redemption

The Bonds stated to mature on and after April 15, 2033 are subject to redemption prior to maturity at the option of the School District in any order of maturities either as a whole, or in part, at any time on or after April 15, 2032, and, if in part, by lot within a maturity, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Mandatory Redemption

The Bonds stated to mature on April 15, 2037, April 15, 2040 and April 15, 2043 are subject to mandatory redemption, in part, prior to maturity, by lot within a maturity, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest thereon, to the dates fixed for redemption, on April 15 of the years and in the amounts set forth below:

The Bonds Stated to Mature on April 15, 2037

Year	Principal Amount
2036	$1,565,000
2037	1,625,000 (1)

The Bonds Stated to Mature on April 15, 2040

Year	Principal Amount
2039	$1,760,000
2040	1,830,000 (1)

(1) At maturity

The Bonds Stated to Mature on April 15, 2043

Year	Principal Amount
2041	$1,900,000
2042	1,980,000
2043	2,055,000 (1)

(1) At maturity

Notice of Redemption

As provided more fully in the Resolution and in the form of the Bonds, notice of redemption of the Bonds shall be given by mailing a copy of the redemption notice by first class mail, postage prepaid, no less than 30 nor more than 60 days prior to the redemption date to the Registered Bond Owners to be redeemed at the addresses which appear in the Bond Register. Notice of optional redemption may state that the redemption is conditioned upon the deposit, with the Paying Agent, by the School District, of funds sufficient to pay the redemption price on the redemption date. Neither failure to mail such notice nor any defect in the notice so mailed or in the mailing thereof with respect to any one Bond will affect the validity of the proceedings for the redemption of any other Bond. If the School District shall have duly given notice of redemption and shall have deposited with the Paying Agent funds for the payment of the redemption price of the Bonds so called for redemption with accrued interest thereon to the date fixed for redemption, interest on such Bonds will cease to accrue after such redemption date.

SECURITY FOR THE BONDS

General Character of the Bonds

General Obligations

The Bonds are general obligations of the School District, payable from its taxes and other available revenues which presently include ad valorem taxes which may be levied on all taxable real property within the School District for the payment when due of the principal of and the interest on the Bonds. (See **"INTRODUCTORY STATEMENT"** and **"The Taxpayer Relief Act (Act 1), as Amended"** and **"Status of the Bonds Under Act 1"** herein). The School District has covenanted that it will provide in its budget for each year, and will appropriate from its revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, or any other of its available revenues or funds, the principal of, and the interest on the Bonds, as and when due, at the dates and places and in the manner stated on the Bonds. For such budgeting, appropriation, and payment, the School District has irrevocably pledged its full faith, credit and all available taxing power (See **"The Taxpayer Relief Act (Act 1), as Amended"** and **"Status of the Bonds Under Act 1"** herein). Such pledge is specifically enforceable but may be subject to the limitations of bankruptcy, insolvency, and other laws or equitable principles affecting creditor rights generally. Additionally, the School Code presently provides for withholding and direct application of Commonwealth subsidies in the event of the failure of a school district to pay debt service on its bonded indebtedness. (See **"Commonwealth Aid to School Districts"** below.)

No recourse shall be had for the payment of the principal of or the interest on any Bond, or for any claim based thereon or in the Resolution against any member of the Board of School Directors, or any officer or employee of the School District, past, present, or future or of any successor body, as such, either directly or through the School District or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members of the Board of School Directors, officers, or employees is released as a condition of and as consideration for the issuance of the Bonds.

Sinking Fund

The Resolution provides for the creation of a Sinking Fund (the "Sinking Fund") which will be held by the Paying Agent as a separate fund segregated from all other funds of the School District. The School District shall deposit into such Sinking Fund not later than the date when interest or principal is to become due on the Bonds, amounts sufficient to pay the principal and interest then due on such Bonds.

Money held in the Sinking Fund shall be maintained by the Paying Agent or its designee and may be invested in securities or deposits as authorized by law, upon direction of the School District. Such deposits and securities shall be in the name of the School District and shall be subject to withdrawal or collection by the Paying Agent or its designee only to pay debt service on the Bonds, and such deposits and securities, together with the interest earned thereon, shall be part of such 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.

Bondholder Rights and Remedies

The remedies available to holders of the Bonds upon any failure to pay the principal of, and the interest on the Bonds, when due, include those prescribed by the Act. If such failure should continue for a period of time in excess of thirty days, any holder of the Bonds will, subject to certain priorities, have the right to bring suit for the amount due in the Court of Common Pleas of Allegheny County, Pennsylvania. The Act provides that, if the School District defaults in the payment of the principal of, and the interest on the Bonds, and such default continues for a period of time in excess of thirty days, or if the School District fails to comply with any provision of either the Bonds or the Resolution, then the holders of 25% in aggregate principal amount of the Bonds may appoint a trustee to represent the holders of the Bonds.

Such trustee may, and upon written request of the holders of 25% in aggregate principal amount of the Bonds and being furnished with satisfactory indemnity, must take one or more of the following actions, which will preclude similar action by individual holders: (i) bring suit to enforce all rights of the holders, (ii) bring suit on the applicable Bonds, (iii) petition the Court to levy the amount due plus estimated costs of collection as an assessment upon all taxable real estate and other property subject to ad valorem taxation in the School District (any such assessment will have the same priority and preference as to other liens or security interests as a lien for unpaid taxes), and (iv) by suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders, all as set forth more fully in the Act.

Enforcement of a claim for payment of the principal of, premium, if any or the interest on any Bonds may be subject to the provisions of the federal bankruptcy laws and to the provisions of other statutory laws enacted by the Congress or the General Assembly of the Commonwealth, or common law developed by competent courts having jurisdiction extending the time for payment or imposing other constraints upon enforcement insofar as such laws may be constitutionally applied.

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 student-based factors, such as: (1) number of children in the school district who live in poverty; (2) number of children enrolled in charter schools; and (3) number of children who are English language learners, as well as school district based factors such as: (a) wealth of the school district; (b) the school district's current tax effort; and (c) the ability of the school district to raise revenue.

Currently, the Commonwealth also provides a subsidy for certain capital projects of school districts. The rental and sinking fund reimbursement from the Commonwealth ("PlanCon Reimbursements") for such school projects is determined by the "Reimbursable Percentage" assigned to the school building project and by the school district's Market Value Aid Ratio ("MVAR") or Capital Account Reimbursable Fraction (the "CARF"), whichever is higher. The School District's CARF for fiscal year 2022-23 is 28.32% and the MVAR for fiscal year 2022-23 is 72.53%. Most school building projects in the Commonwealth are eligible for state reimbursement. Certain school building projects, such as school administration buildings, swimming pools and tracks, and deferred maintenance, are ineligible for reimbursement. A reimbursement percentage, based upon the rated pupil capacity of the new or renovated structure and certain other costs, is assigned to the building project. This reimbursement percentage multiplied by the school district MVAR or CARF, whichever is higher, determines the state share of the annual lease rental or debt service for that school year. The difference between the State share and 100% yields the local share of debt service or lease rental payments. As the school district's MVAR may change each year, so will the State share of such reimbursement.

However, beginning in 2015-16, Commonwealth budgets have either not appropriated funds for PlanCon reimbursements to any school district, or have appropriated funds adequate only to pay current debt service on the CFA bond issues described below or to subsidize existing projects. No funds have been appropriated to pay PlanCon reimbursements for any new projects.

Rather than appropriate the amounts committed to be paid from current state revenues, the General Assembly determined to issue bonds through the Commonwealth Financing Authority (the "CFA") to fund its 2015-16 and 2016-17 obligations. House Bill 1589, which included an authorization to issue up to $2.5 billion of bonds to fund the obligation, became law despite the Governor's refusal to sign the legislation. The first CFA bond issue closed on October 31, 2016, and the proceeds were used to fund the past due PlanCon Reimbursements for the 2015-16 as well as the 2016-17 fiscal year reimbursements. A second CFA bond issue to fund PlanCon Reimbursements closed on January 18, 2018 and a third CFA bond issue closed on May 22, 2019.

Act 25 of 2016 provides that the Department of Education shall not accept or approve new building or reconstruction project applications, if received after May 15, 2016. Instead, new projects are subject to such new or revised system of Commonwealth support for construction or renovation as may be enacted into law in the future.

Act 70 of 2019 (approved July 2, 2019) reformed 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 a fixed amount over a twenty-year period. However, the General Assembly has not included PlanCon funding in recent budgets, and so the moratorium on new projects 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.

Furthermore, and notwithstanding the foregoing, none of the School District's currently outstanding bond issues, nor the Bonds, are or will be entitled to Plan Con reimbursement, owing to the nature of the projects and purposes financed by each of such issues. See **"APPENDIX A – SCHEDULE OF INDEBTEDNESS."**

For information regarding certain limitations placed on the taxing power of school districts in the Commonwealth, see **"LEGISLATION AFFECTING LOCAL TAXING POWERS OF SCHOOL DISTRICTS"** herein.

State Intercept

Section 633 of the School Code, as amended, presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date, or on any sinking fund deposit date, in accordance with the schedule under which the bonds are 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 ("Pennsylvania Act 150 School District Intercept Program"). 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 that any payments made pursuant to this withholding provision will be made by the date on which such payments are due to Bondholders, and the effectiveness of the withholding provisions of the Pennsylvania Act 150 School District Intercept Program may be limited by the application of other withholding provisions contained in the School Code. These provisions may apply to withholding and paying over appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the rights of creditors. (See **"Pennsylvania Budget Adoption and Experience"** below.)

Pennsylvania Budget Adoption and Experience

Over the past several years, the Commonwealth has, from time to time, started its fiscal year without a fully adopted state budget. In the Commonwealth's 2015-16 fiscal year, a final budget was not enacted until 270 days following the beginning of the fiscal year on March 27, 2016, when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on March 17, 2016.

For the 2016-17 fiscal year, the Commonwealth budget became law, known as Act 16A of 2016, on July 12, 2016, when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on July 1, 2016. On July 13, 2016, the General Assembly adopted and the Governor signed into law an additional tax and revenue package, known as Act 85 of 2016, that was needed to balance the 2016-17 Commonwealth budget.

For the 2017-2018 fiscal year, the state budget became law, known as Act 1A of 2017, on July 11, 2017 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on June 30, 2017. Act 1A of 2017 did not have any accompanying legislation regarding the potential revenue that would be needed to fund the balance of the 2017-18 budget at the time of enactment. On October 25, 2017, the General Assembly adopted House Bill 542 which contained the necessary revenue to fund the balance of the previously adopted Act 1A of 2017. On October 30, 2017, the Governor approved and signed House Bill 542 and it became known as Act 43 of 2017.

Commonwealth budgets for the 2018-19 and 2019-20 fiscal years were each signed by the Governor on a timely basis.

On May 28, 2020, the General Assembly of the Commonwealth of Pennsylvania passed an approximately $26 billion interim General Fund Budget for Fiscal Year 2020-21 (House Bill 2387). This interim budget, signed by the Governor on May 29, 2020, provided a full-year's funding for the Department of Education, including, without limitation, level funding (in comparison with 2019-20 allocations) of the basic education funding subsidy and the special education subsidy, as well as a 2.8% increase of funding of school employees' retirement. On November 23, 2020, the Governor signed into law two budget-related bills that carried Commonwealth operations through the remainder of the 2020-21 fiscal year.

On June 30, 2021, the Governor signed Act 1A of 2021, approving the general appropriation budget of the Commonwealth of Pennsylvania for fiscal year 2021-22. Although late by eight days following the June 30 deadline, the Pennsylvania General Assembly passed, and the Governor signed, a final State budget for FYE 2022-23 on July 8, 2022.

During a budget impasse, school districts in Pennsylvania cannot be certain that state subsidies and revenues owed them from the Commonwealth will become available. These include many 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, recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the Public School Code during any future budget impasses. See **"Act 85 of 2016"** hereafter.

Act 85 of 2016

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

Act 85 of 2016 includes in the definition of "intercept statutes" Section 633 of the Public School Code. The Bonds are subject to Section 633 of the Public School Code.

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

(1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;

(2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and

(3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

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

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

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

Act 85 is untested legislation and no assurances can be given as to how PDE would apply Act 85 in the event of a budget impasse. In particular, in the absence of a fiscal agent agreement or other obligation to make a sinking fund deposit more than 10 days in advance of a debt service payment date, timely payment of the impasse intercept by PDE relies on the required advance notice by the Secretary of Education to legislative officials. As of the date of this Official Statement, no precedent or process for this advance notice has been established. The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") 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 appendix 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 21, 2022, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM

At March 31, 2023:

- The policyholders' surplus of AGM was approximately $2,742 million.

- The contingency reserve of AGM was approximately $874 million.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,092 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023).

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

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE" and in Appendix F – "Specimen Municipal Bond Insurance Policy."

INVESTMENT CONSIDERATIONS

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

Economic Factors Affecting the Financial Condition of the School District

Changes in current economic conditions, on 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; closure 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 negations with organized labor and the consequent impact on wage scales and operating costs; increasing costs of supplies and materials necessary to provide public services; loss or reduction of State and federal subsidies and reimbursements for operating and capital costs; and delays in adoption of, failure to budget and appropriate within or other adverse changes to, the Commonwealth's budget, as the same may effect School District revenues or the timely payment thereof.

Uncertainty of Tax Revenues

While present State law authorizes the School District to levy *ad valorem* real estate taxes in order to support the payment of debt service on the Bonds, there can be no firm 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. Moreover, the School District's ability to increase certain rates or purposes of taxation is limited by State law. (See **"The Taxpayer Relief Act (Act 1), as Amended"** and *"Status of the Bonds Under Act 1"* herein and **"APPENDIX A – TAXES AND TAXING POWERS OF THE SCHOOL DISTRICT"**).

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

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.

In the matter of *Gioffre, et al v. Fitzgerald, et al* (Allegheny County Court of Common Pleas, G.D. 21-007154), certain Allegheny County property owners have challenged their real estate tax assessments by alleging that Allegheny County inaccurately reported real estate sales data in its reports to the State Tax Equalization Board (STEB), which resulted in an inflated Common Level Ratio (CLR) in certain tax years. The CLR is a ratio that measures how a county's Base Year Assessments compare with current Real Estate Market Valuations. An inflated CLR would increase real estate assessed values and, in turn, the real property taxes paid to Allegheny County itself, as well as to municipalities and school districts within Allegheny County. The court granted a preliminary injunction reducing the CLR by approximately 20% for 2020 sales of real property and ordered Allegheny County to resubmit sales data to STEB for a recalculation of the Common Level Ratio. The School District of the City of Pittsburgh, an intervenor in the matter, has appealed the granting of the preliminary injunction. Beginning November 14, 2022, Allegheny County's property assessment appeal board is rescheduling hearings on assessment appeals. However, no decisions will be issued pending the final determination of the CLR to be applied to the appeals, and, on matters which have already been subject to a hearing, the board has refused, thus far, to apply the lower ratio to assessment appeals. STEB has also held off on a recalculation of the CLR pending the resolution of the appeal. The litigation could result in the recalculation of assessed values for properties recently conveyed throughout Allegheny County over multiple tax years. Such a recalculation could, in the case of parcels and taxpayers affected by the recalculation of the CLR, reduce their future real property taxes, and even necessitate a refund of real property taxes previously collected. In general, Pennsylvania law permits real estate taxing bodies, including school districts, to adjust their millage rates to account for real estate re-assessments in order to ensure revenue-neutral collections from the whole of the tax base. However, little precedent exists for the application of such laws to the particular facts of this case. Administrative professionals and legal counsel are actively following the case in order to understand its potential impact on the financial affairs of the School District, and are prepared to make necessary adjustments to tax levies and operations to account for the same. No predictions or assurances can be made as to the final outcome of the case, including any appeals of the same, or the ultimate impact of such litigation on the financial affairs and operations of the School District.

Charter Schools

The School District faces financial pressure from charter schools. In the 2022-23 school year, approximately 124 students are enrolled in charter schools. The School District has paid approximately $2,117,050 for charter school tuition for the 2022-23 school year. (See **"APPENDIX A - Charter Schools"** herein)

Equity Funding Lawsuit

On February 7, 2023, the Pennsylvania Commonwealth Court, after a trial conducted in its original jurisdiction, issued its ruling in the equity funding case of *William Penn School District, et al vs. Pennsylvania Department of Education, et al*, finding in favor of the plaintiffs.

First filed in 2014, this case, brought by six individual Pennsylvania school districts, along with several parents, the State Conference of the NAACP and the Pennsylvania Association of Rural and Small Schools, challenged Pennsylvania's statutory scheme for funding public education across its nearly 500 school districts. Named as defendants were the Governor of the Commonwealth of Pennsylvania, the Pennsylvania General Assembly and the Pennsylvania Department of Education. According to the plaintiffs, Pennsylvania's reliance on local property taxes to fund public education, without compensating aid from the State, creates funding disparities between affluent school districts with greater local wealth, and those which are not so financially advantaged. Plaintiffs alleged that the present inadequacies of State funding produce wide variations in student learning and performance around the State, and that, as a result of the limited resources and opportunities available to students enrolled in such disadvantaged school districts, the Commonwealth has failed its constitutional obligation to provide a "thorough and efficient" system of public education. The defendants countered by pointing to such statistics as the State's overall public education budget and Pennsylvania's per-pupil spending rank at 7th among all the states in the nation.

In its opinion, the Court found that the plaintiffs had met their burden of proof, writing that students resident in financially disadvantaged school districts "are deprived of the same opportunities and resources" as those resident in more affluent school districts and that such disparities both violate state constitutional mandates and deprive students of their equal protection rights. The Court found that all students across the Commonwealth are entitled to a "comprehensive, effective, and contemporary" education.

Notwithstanding such findings, the Court did not, however, fashion a remedy, noting the limits of the Court's competency in such regards, and writing the Court is in "uncharted territory with this landmark case." Instead, the Court directed the parties to develop a plan to address the constitutional violations.

A Joint Application in the Nature of a Motion for Post-Trial Relief (the "Joint Application") has been filed by Respondent Senator Kim Ward, President Pro Tempore of the Pennsylvania Senate, and Intervenor Representative Bryan Cutler, Leader of the Republican Caucus of the Pennsylvania House of Representatives, and briefs related thereto have been submitted. Oral argument on the Joint Application was scheduled to be held Monday, May 22, 2023.

No predictions can be made as to the outcome of such Joint Application, or the final status of the case, once all post-trial motions and appeals are heard or disposed of. As it stands, the Commonwealth Court's opinion offers little guidance either as to the sort of new or reformed public education funding scheme would be acceptable or as to the allowed timeline to institute the same. Accordingly, no predictions or assurances can be offered on the impact, positive or negative, of this lawsuit on future Commonwealth subsidies to be paid to the School District, or on the School District's overall financial affairs.

Enforcement of Remedies

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 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.

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 the County of Allegheny, 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, municipal 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 days, or if the School District fails to comply with any provision of the Bonds or the Resolution, the 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 Act. Such representation by the trustee shall be exclusive.

Funding Adjustments or Failure to Appropriate

For the fiscal year ending June 30, 2023, the School District's total Commonwealth appropriation is anticipated to be approximately $22,940,676 and such appropriation represents approximately 47.4% of its total revenues.

The School District's appropriation share of Commonwealth funds is dependent upon the adoption by the Commonwealth of its annual budget. The budget for the Commonwealth's fiscal year beginning July 1, 2015 was not enacted in full until April of 2016. The Commonwealth's 2016-17 budget was enacted by the General Assembly on July 7, 2016. For the 2017-18 fiscal year, the state budget became law, known as Act 1A of 2017, on July 11, 2017 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on June 30, 2017. On October 24, 2017, the General Assembly adopted a tax and revenue package (House Bill 674) as necessary to balance the state budget. On October 30, 2017, the Governor signed the General Assembly's revenue package. For fiscal years 2018-19 and 2019-20, the Commonwealth budgets were timely adopted.

On May 28, 2020, the General Assembly of the Commonwealth of Pennsylvania passed an approximately $26 billion interim General Fund Budget for Fiscal Year 2020-21 (House Bill 2387). This interim budget, signed by the Governor on May 29, 2020, provided a full-year's funding for the Department of Education, including, without limitation, level funding (in comparison with 2019-20 allocations) of the basic education funding subsidy and the special education subsidy, as well as a 2.8% increase of funding of school employees' retirement. On November 23, 2020, the Governor signed into law two budget-related bills that carried Commonwealth operations through the remainder of the 2020-21 fiscal year.

On June 30, 2021, the Governor signed Act 1A of 2021, approving the 2021-22 general appropriation budget of the Commonwealth of Pennsylvania. Although late by eight days following the June 30 deadline, the Pennsylvania General Assembly passed, and the Governor signed, a final State budget for FYE 2022-23 on July 8, 2022.

In light of this history, no assurance can be provided that future appropriations by the Commonwealth to the School District or to fund the Commonwealth's school district intercept programs will be made in any particular amount or on any particular timetable, will be consistent with past levels of subsidy, or at levels needed or requested by the School District now or in the future. (See **"SECURITY FOR THE BONDS –** *State Intercept* and *Pennsylvania Budget Adoption and Experience***"** herein.)

Competing Commonwealth Intercept Authorities

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, Pennsylvania law authorizes the diversion of Commonwealth Subsidies directly to charter schools if the relevant school district fails to transfer such subsidies to the charter school. Additionally, Commonwealth law authorizes the diversion of state subsidies to the Pennsylvania Public School Employees' Retirement System ("PSERS") if the school district fails to fully fund its annual contribution to the retirement system.

Pension Plans and Pension Funding Pressure

Future changes in actuarial assumptions, benefit plan modifications or variations in actual experience from actuarial assumptions may result in additional unfunded liability (and amortization payments) or over-funding (and credits), as the case may be, that are not currently reflected in reports prepared by the PSERS actuary.

The School District's annual pension contribution obligation is expected to continue to increase over the next several years. As PSERS' pension obligations rise, it should be expected that the annual amount payable by the School District to PSERS will also rise, potentially absorbing a greater share of available revenues and leaving less funding for student learning and negatively impacting the available sources of funds the School District has to pay debt service on the Bonds and its other indebtedness. See **"APPENDIX A – Pension Program"** herein.

Cybersecurity

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

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. 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. Moreover, while the Underwriter expects to reoffer the Bonds in the secondary market, the Underwriter is not specifically required to do so.

Coronavirus (COVID-19)

In late 2019, a new, and often extremely severe, respiratory illness (commonly labelled "COVID-19"), caused by a previously unknown strain of coronavirus began to sicken people around the world, and was quickly identified as a global pandemic. On January 31, 2020, the Secretary of the United States Department of Health and Human Services ("DHHS") declared a public health emergency for the United States, which prompted state and local health authorities to institute a number of mitigation measures to better safeguard the public health. Those measures included the closing of "non-life sustaining businesses," in order to limit person-to-person contagion. As a result, the School District closed its educational facilities to in-person instruction and then, over the subsequent months and years, commenced a number of practices, such as distance-learning, and social distancing in classrooms, to compensate for and to remedy the catastrophe.

During this time, many enterprises throughout the country, including public education and other governmental services in Pennsylvania, faced numerous financial pressures and uncertainty. For Pennsylvania school districts, these included the twin fears of increased costs of operation, due to mitigation measures, combined with decreased tax revenues and a rise in delinquencies, due to taxpayer loss of income. However, due to close supervision by Pennsylvania state government officials, as well as local School District officials, along with various federal relief funding measures, such as the American Rescue Plan Act, the School District maintained continuous operations through the pandemic and managed the pandemic's effect on its finances. The School District does not expect the pandemic to have a material adverse effect on the School District's operations and financial condition in fiscal year 2023.

On May 11, 2023, notwithstanding successive mutations of the original coronavirus and periodic spikes in reported cases, DHHS declared an end to the public health emergency. Yet, having experienced the disruption to its operations which a major health crisis can cause, the School District continues to monitor the spread of COVID-19, and will be attentive to subsequent, or similar, emergencies.

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 or not the Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and Bond purchasers may have no right to participate in such procedure. None of the School District, the Underwriter or Bond Counsel is obligated to defend the tax-exempt status of the Bonds on behalf of the Bond purchasers, nor to pay or reimburse the cost of any Bond purchaser with respect to any audit or litigation relating to the Bonds. See **"TAX MATTERS"** herein.

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 applicable Bond Insurance Policy (the "Policy") for such payment. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or 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. To the extent that any payment of principal and interest by the School District in connection with a mandatory or optional prepayment of the Bonds is recovered by the School District from any owner of the Bonds as a voidable preference under applicable bankruptcy law, such payments are covered by the Policy. However, such payments will be made by the Insurer at such times and in such amounts as such payments would have been due had there been no such prepayment by the School District, unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, any default in the payment of principal and interest does not accelerate the obligations of the Insurer without its consent. The Insurer may direct, and must consent to, any remedies that the Paying Agent exercises following such a default and the Insurer's consent may be required in connection with amendments to the applicable agreements or the Resolution in those circumstances.

In the event that the 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 applicable agreements. In the event that the 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) of the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claims' paying ability. The 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 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) of the Bonds. See **"RATINGS"** herein.

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

LEGISLATION AFFECTING LOCAL TAXING POWERS OF SCHOOL DISTRICTS

The Taxpayer Relief Act (Act 1), as Amended

Pennsylvania Act No. 1 of the Special Session of 2006 ("Act 1" or the "Taxpayer Relief Act") is intended to provide property tax relief to Pennsylvania homeowners by limiting the taxation of real property by Pennsylvania school districts. Act 1 restricts Pennsylvania school districts from increasing the rate of any tax for school purposes above an index (the "Index") determined by PDE unless the school district first obtains voter approval or the school district tax falls within one of the exceptions set forth in Act 1. On June 30, 2011, Act 1 was amended to eliminate seven (7) of the original eleven (11) exceptions. Today, with PDE approval, school districts can raise property taxes above the Index without triggering a referendum for one or more of the following four (4) exceptions:

(1) costs to pay interest and principal on indebtedness incurred prior to September 4, 2004 for Act 72 schools and the refinancing of such debt, and prior to June 27, 2006 for non-Act 72 schools and the refinancing of such debt;

(2) costs to pay interest and principal on electoral debt;

(3) special education expenses; and

(4) state pension (PSERS) payments.

The increase in the rate of any tax pursuant to the above exceptions must be approved by PDE and must not produce revenue in excess of the anticipated dollar amount of the expenditure for which the exception is allowed. If PDE disapproves the school district's petition or request to increase taxes pursuant to one or more of the allowable exceptions, the school district may submit a referendum question to the voters at the election immediately preceding the start of the school district fiscal year in which the proposed tax increase would take effect. If the referendum is not approved, however, the board of school directors may not approve an increase in the tax rate of more than the Index.

Act 1, as amended, 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.

THIS SUMMARY OF ACT 1, AS AMENDED, 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 AMENDED, AS PART OF ANY DECISION TO PURCHASE THE BONDS.

Status of the Bonds Under Act 1

The Bonds represent debt "incurred," as interpreted by Act 1, by the School District under the Debt Act after June 27, 2006, the effective date of Act 1. Therefore, the Bonds are NOT eligible for the exception to any of the referendum requirements described above.

State Law Authorizing Replacement of the School District's Occupation Tax with an Increase in the Local Earned Income Tax

Act 24 of 2001 of the Commonwealth, which became law on June 22, 2001, authorizes a Board of School Directors to schedule a public hearing and conduct a ballot referendum on replacing the school district's occupation tax with an increase in the local earned income tax. Currently, school districts in the Commonwealth share a 1.0% tax on the annual amount of residents' wages and other earned income (which excludes unearned or investment income), with the resident municipality. Under Act 24, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. The restructured tax is designed to be revenue neutral to the school district.

The School District has taken no action to implement Act 24.

Legislation Limiting Unreserved Fund Balances

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

Total Budgeted Expenditures	Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures
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	9.2%
Between $18,000,000 and $18,999,999	8.5%
Greater than or equal to $19,000,000	8.0%

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, the board of school directors must first hold at least one public hearing on the matter and then place binding referendum question on the ballot at a general or municipal election for approval by the voters. The School District has taken no action with respect to Act 130.

PURPOSE OF THE BOND ISSUE

The proceeds to be derived by the School District from the issuance and sale of the Bonds will be used to provide the School District with the funds required to: (1) finance various capital projects of the School District, including, but not limited to, the costs of designing, acquiring and constructing various repairs, renovations and capital improvements to all District educational facilities, particularly heating and ventilating systems, lighting and electrical infrastructure, and roofs, windows, doors and other building envelope appurtenances, as necessary and appropriate to increase security and reduce energy costs; (2) fund a capitalized interest fund; and (3) pay all costs and expenses incurred by the School District in connection with the issuance and insuring of the Bonds.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds shall be applied substantially in the following manner:

Sources of Funds	
Par Amount of Bonds	$21,580,000.00
Net Original Issue Premium [1]	537,113.35
TOTAL SOURCES	$22,117,113.35
Uses of Funds	
Capital Project Fund Deposit	$21,000,000.00
Capitalized Interest Fund Deposit	742,765.83
Costs of Issuance and Miscellaneous [2]	374,347.52
TOTAL USES	$22,117,113.35

(1) See **"Original Issue Discount"** and **"Original Issue Premium"** under **"TAX MATTERS"** herein.

(2) Consisting of legal, paying agent, printing, rating fee, municipal bond insurance premium, disclosure dissemination agent fees, bond discount and miscellaneous expenses.

FUTURE FINANCING

The School District does not anticipate the need to borrow for capital projects within the next three years. The School District will consider refunding current issues in accordance with their respective terms if market conditions are appropriate.

HIGHLANDS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)

Introduction

The School District is comprised of the Boroughs of Brackenridge and Tarentum and the Townships of Fawn and Harrison (collectively, the "Component Municipalities"). The School District is located approximately 20 miles northeast of the City of Pittsburgh, the county seat of Allegheny County. The Component Municipalities encompass a combined land area of approximately 22.5 square miles. The School District serves a 2020 U.S. Census population of 19,959, according to U.S. Census Bureau estimates. For additional details about the School District, see **"APPENDIX A – Highlands School District, Allegheny County, Pennsylvania."**

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule"), promulgated under the Securities Exchange Act of 1934, as amended, by the Securities and Exchange Commission (the "Commission"), the School District will, in a Continuing Disclosure Certificate to be executed by the School District on the date of settlement of the Bonds, agree to provide, or cause to be provided:

(i) to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access System ("EMMA") in accordance with the Rule, operating data (the "Operating Data"), consisting of:

(a) a summary of the budget for the current fiscal year (the fiscal year following the fiscal year of the financial statements being provided); and

(b) the information listed in Appendix A hereto under the following heading or subheadings herein:

(i) Enrollment Data, consisting of Actual Enrollments and Projected Enrollments;

(ii) Tax Anticipation Borrowing;

(iii) Ten Largest Real Property Taxpayers;

(iv) Real Estate Tax Collection Data; and

(ii) to EMMA, the School District's annual audited financial statements, which shall be prepared in conformity with generally accepted accounting principles consistently applied as applicable to school districts of the Commonwealth of Pennsylvania;

The Operating Data and audited financial statements (collectively, the "Annual Information") will be provided to EMMA not later than March 31 following the fiscal year ending the previous June 30;

(iii) in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB via EMMA, notice of the occurrence of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults, if material;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) 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;
(g) modifications to the rights of Bondholders, if material;
(h) Bond calls, if material, and tender offers;
(i) defeasances;
(j) release, substitution, or sale of property securing repayment of the Bonds, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the School District;
(m) the consummation of a merger, consolidation, or acquisition involving the School District, or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(n) change in the School District's paying agent or trustee, if material;
(o) the incurrence of a financial obligation of the School District, if material, or the agreement, in connection with a financial obligation, to new, or additional covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the School District, any of which affect security holders, if material; and
(p) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the School District, any of which reflect financial difficulties.

(iv) in a timely manner, to the MSRB, notice of its failure to provide the Annual Information with respect to itself on or before the date specified in the Continuing Disclosure Certificate.

The term "financial obligation," as used in section (iii)(o) and (iii)(p) above, means a debt obligation; or a derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation; or a guarantee of a debt obligation or derivative instrument entered into in connection with or pledged as security or a source of payment for existing or planned debt obligation. The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB.

The obligations of the School District described above will remain in effect only for such period as (i) the Bonds are outstanding in accordance with their terms, and (ii) the School District remains an obligated person with respect to the Bonds within the meaning of the Rule. The School District reserves the right to terminate its obligation to provide the Annual Information and notices of material events, as set forth above, if and when the School District is no longer an obligated person with respect to the Bonds within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this caption is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds).

Each Bondholder (including beneficial owners) may enforce the School District's continuing disclosure undertaking; provided that, the right to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the School District's obligations under its continuing disclosure undertaking. Any failure by the School District to comply with the provisions of the undertaking will **not** constitute a default or an event of default with respect to the Bonds.

The obligations of the School District described above may be amended without the consent of the Bondholders, to the extent permitted by the Rule, as from time to time amended.

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

On or before the date of settlement of the Bonds, the School District will enter into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") with Digital Assurance Certification, L.L.C. ("DAC") as its Disclosure Dissemination Agent for the purpose of ensuring ongoing compliance with its continuing disclosure filing requirements. DAC provides its clients with automated filing of rating events, templates consolidating all outstanding filing requirements that accompany reminder notices of annual or interim mandatory filings, review of all template filings by professional accountants, as well as a time and date stamp record of each filing along with the unique ID from EMMA accompanying the copy of the actual document filed. DAC also offers its clients a series of training webinars each year qualified for 15-20 NASBA certified CPE credits, as well as model secondary market compliance policies and procedures.

The Disclosure Dissemination Agent has only the duties specifically set forth in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the School District has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report, or any other information, disclosures or notices provided to it by the School District and shall not be deemed to be acting in any fiduciary capacity for the School District, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent has no responsibility for the School District's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the School District has complied with the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the School District at all times.

Summary of Continuing Disclosure Undertaking Compliance

The School District has entered into continuing disclosure undertakings for previously issued bonds that have been outstanding within the past five years (collectively, the "Prior Undertakings."). Under the Prior Undertakings, the School District agreed to provide audited financial statements, certain operating data, and notices of material events. In the previous five years, the School District has failed to comply with the provision of the Prior Undertakings by failing to timely file its audited financial statements, however, timely notice of each late filing was provided. The School District has also failed to file any operating data for the past five years. Finally, the School District failed to file one notice of an enhanced rating change.

LEGAL MATTERS

Legal Investment for Trust Funds in Pennsylvania

Under the Probate, Estate and Fiduciaries Code of the Commonwealth of Pennsylvania, the Bonds are legal investments for fiduciaries and personal representatives (as defined in such Code) in the Commonwealth of Pennsylvania.

Negotiability of the Bonds

Under the Act, the Bonds have all the qualities of negotiable instruments under the Uniform Commercial Code of the Commonwealth of Pennsylvania relating to negotiable instruments.

Regarding the Obligation for the Bonds

Neither the credit nor the taxing power of the Commonwealth or of any political subdivision thereof, other than the School District, is pledged for the interest thereon or the principal payable upon the maturity (or mandatory tender option) of any of the Bonds.

Legality

All legal matters incident to the authorization, issuance and sale of the Bonds will be approved by Dinsmore & Shohl, LLP, Pittsburgh, Pennsylvania, Bond Counsel. Certain additional matters will be passed upon for the School District by Andrews and Price, LLC, Pittsburgh, Pennsylvania, Solicitor to the School District.

LEGAL PROCEEDINGS

There is no litigation of any nature pending or threatened against the School District at the date of this Official Statement which, if decided adversely to the School District, would have a material adverse effect on the financial condition of the School District, or to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the School District taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or the security provided for the payment of the Bonds, or the existence or powers of either the School District. Upon delivery of the Bonds, the School District shall furnish a certificate, in form and substance satisfactory to Bond Counsel and the Underwriter, to the effect that, among other things, there is no litigation pending, or to the best knowledge of the School District, threatened, in any court to restrain or enjoin the issuance or delivery of the Bonds, or the proceedings of the School District taken in connection therewith, or the application of monies provided for their payment, or contesting the powers of the School District with respect to the foregoing or the consummation of the transactions contemplated in this Official Statement.

TAX MATTERS

State Tax Matters

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

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

Federal Income Tax Matters

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

Original Issue Discount

The Bonds that mature on April 15, 2037, April 15, 2038, April 15, 2040 and April 15, 2043 (collectively, the "Tax-Exempt Discount Bonds") are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at their maturity. OID is the excess of the stated redemption price of a bond at maturity (par) over the price to the public at which a substantial amount of bonds of the same maturity are sold pursuant to the initial offering. Under the Code, OID on each Tax-Exempt Discount Bond will accrue over its term and the amount of accretion will be based on the yield to maturity, compounded semi-annually. The amount of OID that accrues during each semi-annual period will do so ratably within that period on a daily basis. With respect to an initial purchaser of a Tax-Exempt Discount Bond at its initial offering price, the portion of OID that accrues during the period that such purchaser owns such Bond is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Tax-Exempt Discount Bond and thus, in practical effect, is treated as interest, which is excludable from gross income for federal income tax purposes.

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

Original Issue Premium

The Bonds that mature on April 15, 2025 through and including April 15, 2035 (collectively, the "Tax-Exempt Premium Bonds") are being sold at an original issue premium ("OIP"). An amount equal to the excess of the issue price of a Tax-Exempt Premium Bond over its stated redemption price at maturity constitutes OIP on such Tax-Exempt Premium Bond. An initial purchaser of a Tax-Exempt Premium Bond must amortize any OIP over such Tax-Exempt Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Tax-Exempt Premium Bonds callable prior to their maturity, by amortizing the OIP to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As OIP is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Tax-Exempt 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 Tax-Exempt Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Tax-Exempt Premium Bonds should consult with their tax advisors with respect to the determination and treatment of OIP for federal income tax purposes and with respect to the state and local tax consequences of owning a Tax-Exempt Premium Bond.

Interest Expense Deductions for Financial Institutions

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

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

Continuing Compliance

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

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

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

Collateral Tax Liabilities

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

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

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposes a new corporate alternative minimum tax equal to 15% of the "adjusted financial statement income" of "applicable corporations" as defined in Section 59(k) of the Code; generally, corporations (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) having "average annual adjusted financial statement income" of more than $1,000,000,000 over any preceding period of three tax years (ending with a tax year that ends after December 31, 2021). The new corporate alternative minimum tax would apply for tax years beginning after December 31, 2022. Interest on tax-exempt bonds, such as interest on the Bonds, would be included (a) in average annual adjusted financial statement income for the purpose of determining whether a corporation is an "applicable corporation" and (b) in the calculation of an applicable corporation's "adjusted financial statement income" for purposes of calculating the alternative minimum tax imposed on corporations, regardless of the issue date of such tax-exempt bonds.

Change in Law; Adverse Determinations

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

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

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

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

THE PAYING AGENT

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

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

RELATED PARTIES

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of the PNC Financial Service Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has other banking and financial relationships with the School District.

BOND RATINGS

Moody's Investors Service ("Moody's") has assigned its underlying credit rating of "A3" to the Bonds.

S&P has also assigned its credit rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, an insurance policy guaranteeing when due the scheduled payment of the principal of and the interest on the Bonds will be issued concurrently with the delivery of the Bonds by AGM.

Such ratings reflect only the view of such organization furnishing the same. Any desired explanation of the significance of such ratings should be obtained from the rating agencies furnishing the same, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, NY 10007 and S&P Global Ratings, 55 Water Street, New York, New York 10041. There is no assurance that these credit ratings will be maintained for any given period of time, or that such ratings may not be lowered or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of such credit ratings may have an adverse effect on the market price of the Bonds.

BOND UNDERWRITING

The Bonds have been purchased by PNC Capital Markets LLC ("PNCCM"), as the Underwriter. The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of $21,944,473.35 (which is the aggregate par amount of Bonds less the aggregate underwriter's discount of $172,640.00 and plus a net aggregate original issue premium in the amount of $537,113.35). The Bond Purchase Agreement for the Bonds provides that the Underwriter will purchase all the Bonds, if any are purchased, in accordance with the terms of the Bond Purchase Agreement, and requires that the School District certify to the Underwriter that this Official Statement does not, to the knowledge of the School District, contain any untrue statement of a material fact or omit any statement of any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The initial public offering prices of the Bonds, set forth in the Maturity Schedule shown on the inside of the Cover Page of this Official Statement, may be changed by the Underwriter from time to time without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Bonds to the public; and said Bonds offered to other dealers may be at prices lower than those offered to the public.

PNC Capital Markets LLC ("PNCCM") may offer to sell to its affiliate, PNC Investments, LLC ("PNCI"), securities in PNCCM's inventory for resale to PNCI's customers, including securities such as those to be offered by the School District.

MISCELLANEOUS MATTERS

All summaries of the provisions of the Act, Act 1, the Bonds, the Resolution, the Continuing Disclosure Certificate, the Disclosure Dissemination Agent Agreement and other documents hereinabove and hereinafter set forth are made subject to all detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions.

All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

Appendices A, B, C, D, E and F attached hereto are expressly incorporated herein as a part hereof.

This Official Statement, issued by the School District, has been duly approved by the School District and has been authorized for distribution in connection with the underwriting and offering of the Bonds.

HIGHLANDS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)

By: /s/ Bobbie Neese
President
Board of School Directors

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APPENDIX A

HIGHLANDS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)

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HIGHLANDS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)

The text, charts and tables within this Appendix (unless otherwise footnoted) set forth both: (a) financial information and results of operations which are specific to the School District and have been produced from its own financial records; and (b) community economic data and descriptions which were supplied by or, if obtained from other sources, confirmed by, School District officials. In the latter case, the School District does not guarantee the accuracy of such data, but does confirm that the same has been obtained from sources deemed to be reliable and that the School District has no information which would suggest such data is inaccurate or misleading.

Introduction

The School District is comprised of the Boroughs of Brackenridge and Tarentum and the Townships of Fawn and Harrison (collectively, the "Component Municipalities"). The School District is located approximately 20 miles northeast of the City of Pittsburgh, the county seat of Allegheny County. The Component Municipalities encompass a combined land area of approximately 22.5 square miles. The School District serves a 2020 U.S. Census population of 19,959.

Organization and Central Administration

The School District is a third class school district (school districts within the Commonwealth are classified as first, second, third and fourth class according to population) and operates under and pursuant to the School Code, as amended and supplemented. The School District is governed by a nine-member Board of School Directors (the "School Board"), comprised of residents of the School District who are elected on a staggered basis for four-year terms of office.

The current members of the School Board, along with their term expiration years, are listed below:

Name	Position	Term Expiration
Bobbie Neese	President	December 2025
Nicole Kocon	Vice President	December 2025
Kristie Babinsack	Member	December 2023
Laura Butler	Member	December 2023
Kelli Canonage	Member	December 2023
Ashley Javier	Member	December 2025
Dr. Debra Lehew	Member	December 2025
Judy Wisner	Member	December 2023
Gene Witt	Member	December 2023
Kate Rich	Board Secretary	n/a

The daily operations and management of the School District are overseen by the Superintendent of Schools, who serves as the chief educational officer of the School District. Dr. Monique Mawhinney presently serves as the Superintendent of Schools. Prior to becoming the Superintendent of Highlands School District, Dr. Mawhinney spent over 27 years in the field of education as a special education teacher, a building principal, a special education supervisor, director of student services, assistant superintendent and substitute superintendent. Dr. Mawhinney has a Bachelor of Science degree in Education from Indiana University of Pennsylvania, a Master of Education Degree from the University of Pittsburgh with an Elementary and Secondary School Principal certification and a Doctor of Education Degree from the University of Pittsburgh with a Superintendent Letter of Eligibility.

Budget preparation and control are overseen by the Executive Director of Business Affairs and Support Services. Mr. David Seropian presently serves in the capacity of the Acting Executive Director of Business Affairs and Support Services. The School District is presently engaged in a search for a staff member to fill this position on a permanent basis.

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SOURCE: School District Administrative Officials.

Enrollment Data

Past, present and projected enrollment data for the School District are shown in the following tables.

Actual Enrollments

School Year Ending June 30,	Pre-K-6	7-12	Total
2018	1,383	1,143	2,526
2019	1,355	1,152	2.507
2020	1,274	1,104	2,378
2021	1,161	1,090	2,251
2022	1,184	1,061	2,245
2023	1,124	1,061	2,185

Estimated/Projected Enrollments

School Year Ending June 30,	Pre-K-6	7-12	Total
2024	1,146	1,060	2,206
2025	1,162	1,049	2,211
2026	1,170	1,035	2,205
2027	1,160	1,027	2,187

SOURCE: School District Officials.

Charter Schools

The School District's charter and cyber school enrollment and charter and cyber school tuition history for the past four fiscal years and for the current fiscal year is shown in the following table.

Fiscal Year	Cyber/Charter School Enrollment	Cyber/Charter School Tuition Paid
2019	98	$1,668,938
2020	115	$1,962,412
2021	142	$2,435,192
2022	129	$2,206,110
2023	124	$2,117,050 (unaudited)

SOURCE: School District Administrative Officials.

School Building Facilities

The following table depicts the component elements of the existing physical plant of the School District.

	Original Construction	Most Recent Addition or Renovation	Grades	Pupil Capacity	2022-23 Enrollment
Elementary:					
Early Childhood Center	1992	1992	Pre-K-K	325	210
Highlands Elementary	1915	2009	1-4	625	610
Secondary:					
Highlands Middle School	1923	1977	5-8	971	652
Highlands High School	1969	2009	9-12	1,224	713

SOURCE: School District Administrative Officials.

Employment and Employee Relations

There are presently 317 employees of the School District, including 25 administrators, 188 professional/instructional employees and 104 custodial, maintenance or support personnel.

Professional/instructional employees of the School District are represented for purposes of collective bargaining by the Highlands Education Association, an affiliate of the Pennsylvania State Education Association. The most recent collective bargaining agreement between the School District and the Highlands Education Association expires on June 30, 2026.

The School District's non-professional employees are represented for purposes of collective bargaining by the Highlands Service Employees Union, which represents the maintenance and custodial employees. The expiration date of this collective bargaining agreement was June 30, 2022. Negotiations for this contract are ongoing, and employees are currently working under the old contract.

The collective bargaining agreement for the Highlands School Service Personnel Association, which represents cafeteria employees, expires June 30, 2024.

The collective bargaining agreement for the Highlands School Service Personnel Association, which represents the secretaries and aides, expires June 30, 2027.

SOURCE: School District Administrative Officials.

Pension Program

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

Previously, the amount of salary contributions was fixed for the employee at 5.25% if hired prior to July 22, 1983 and 6.25%, if hired on or after July 22, 1983. With the passage of Act 9 of 2001, these contribution rates were raised to 6.5% and 7.5%, respectively, unless an employee chose not to change his/her benefit class. For the fiscal year ended June 30, 2022, the School District contributed 34.94% of the wages and salaries of all employees to the Public School Employees' Retirement System; the Commonwealth, in turn, reimbursed 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 Aid Ratio/Personal Income Aid Ratio of the School District (currently 68.77%). The School District is reimbursed on a quarterly basis by the Commonwealth.

The School District's contributions to PSERS, prior to Commonwealth reimbursement, for years ending June 30, 2020, 2021 and 2022 were $6,231,181, $6,260,706 and $6,481,771, respectively. The budgeted contribution for the year ending June 30, 2023 is $6,951,390. The School District is current in all payments.

PSERS Contributions Projections and Pension Liability

The Pennsylvania Department of Education uses its actuarial valuations to project future increases in pension obligations – as a percentage of payroll, for school districts including the School District. Below are the current percentage, as well as the percentages for the past three fiscal years, and a projection for the following three fiscal years.

Fiscal Year	Percentage of Payroll
2020	34.29%
2021	34.51%
2022	34.94%
2023	35.26%
2024	34.00%
2025	34.73%
2026	35.49%

At June 30, 2022, the School District reported a liability of $52,922,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2020 to June 30, 2021. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2022, the School District's proportion was 0.1289%, which a decrease of 0.0024% from its proportion measured as of June 30, 2021.

As of June 30, 2021, the PSERS plan was 59.6% funded, with an unfunded liability of approximately $45.53 billion. For more information, visit the PSERS website at http://www.psers.state.pa.us, which is not incorporated by specific reference into this Official Statement.

SOURCE: School District Administrative Officials, School District Audited Financial Statements and PSERS – Budget Report Fiscal Year 2022-23.

Pension Reform Legislation Update

Under Act 5 of 2017 (signed into law on June 12, 2017), PSERS began to move from its historic character as a defined benefit system to a defined contribution plan. 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 required to select one of those three new retirement benefit plan options and are not eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

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

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

Other Post-Employment Benefits ("OPEB")

The School District maintains a single-employer defined benefit other post-employment benefit ("OPEB") plan to provide postemployment health care benefits. The Board of School Directors is authorized to establish and amend the financing requirements and benefits subject to collective bargaining for certain classes of employees. The plan does not issue stand-alone financial statements.

The plan provides medical and prescription drug coverage to employees who retire from active service and qualify for pension benefits, and their spouse and eligible dependents. Generally, retirees are eligible for benefits until age 65 upon paying 100% of the premium; spouse and dependents are eligible for benefits until age 65 and may continue coverage until the spouse is Medicare age after the retiree's death upon paying the full premium.

The School District's contributions are funded on a pay-as-you-go basis.

The School District's total OPEB liability of $8,034,230 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020.

Change in the Total OPEB Liability

Balance at June 30, 2021	$7,419,528
Changes for the Year:	
Service Cost	$566,119
Interest	163,972
Changes of assumptions or other inputs	53,328
Benefit Payment	(168,717)
Net Changes	614,702
Net OPEB Obligation as of June 30, 2022	$8,034,230

SOURCE: School District Audited Financial Statements.

SCHOOL DISTRICT FINANCIAL SUMMARY

Annual Budget Development Process of Pennsylvania School Districts Under Act 1 (the "Taxpayer Relief Act")

In General

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

Procedures for Adoption of the Annual Budget

Under Act 1, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the start of the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the PDE no later than 85 days prior to the date of the election immediately preceding the start of 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 herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the School District whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

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

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

Simplified Procedures in Certain Cases

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

Basis of Presentation -
Fund Accounting

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major fund types and the specific funds which are included within each of these major fund types are as follows: Governmental (General, Capital Projects); Proprietary (Food Service Fund); and Fiduciary (Agency Funds).

Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds of the School District. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. The Proprietary Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned and expenses are recognized when they are incurred.

The firm of Hosack, Specht, Muetzel & Wood LLP, of Pittsburgh, Pennsylvania, presently serves as the School District's auditor.

The School District's auditor has not been engaged to perform, and has not performed since the date of its report included as an appendix to this Official Statement, any procedure on the financial statement addressed in the report. Such auditor also has not performed any procedure relating to this Official Statement.

Investment Policy

The School Code authorizes the School District to invest in, among other things, U.S. Treasury bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, deposits in savings accounts, or time deposits or share accounts of institutions insured by the FIDC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth.

Interest Rate Management Agreements

On September 24, 2003, the Governor of the Commonwealth signed into law legislation that empowers local government units, including school districts, to enter into "qualified interest rate management agreements" such as swaps and swaptions as a tool to manage interest rate risk. The School District does not have any qualified interest rate management agreements outstanding.

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HIGHLANDS SCHOOL DISTRICT
SUMMARY OF GENERAL FUND BALANCE SHEET
For Fiscal Years Ending June 30

	2018	2019	2020	2021	2022
ASSETS					
Cash and Cash Equivalents	$488,933	$6,681,484	$7,703,493	$9,809,170	$24,825,385
Investments	14,120,434	12,968,287	13,178,680	13,144,970	0
Taxes Receivable, Net	4,347,020	6,894,861	4,347,020	9,221,274	9,288,373
Due from Other Funds	1,343,055	1,998,856	1,658,964	1,780,173	468,074
Due from Other Governments	175,232	703,568	978,264	606,387	3,816,078
State Revenue Receivable	1,168,735	2,062,571	1,876,047	1,815,458	0
Federal Revenue Receivable	131,514	362,251	540,982	329,622	0
Other Receivables	0	0	0	0	23,626
Prepaid Expenses/Expenditures	0	268,882	308,367	322,230	330,041
Other Current Assets	0	0	9,400	16,751	0
TOTAL ASSETS	$21,774,923	$31,940,760	$30,601,217	$37,046,035	$38,751,577
LIABILITIES					
Due to Other Funds	$0	$1,057,526	$1,057,526	$1,057,526	$0
Due to Other Governments	0	0	0	0	0
Accounts Payable	456,091	1,281,656	2,260,619	562,146	859,422
Accrued Salaries and Benefits	815,185	2,015,946	1,943,176	2,231,818	2,592,641
Payroll Deductions and Withholdings	1,777,533	3,745,171	1,832,954	1,891,525	3,224,139
Other Current Liabilities	0	80,676	39,472	56,602	524,663
TOTAL LIABILITIES	3,048,809	8,180,975	7,133,747	5,799,617	7,200,865
Deferred Inflows of Resources					
Unavailable Revenues – Real Estate Taxes	4,347,020	6,894,861	4,347,020	9,221,274	8,885,996
Fund Balances					
Nonspendable	0	0	0	0	330,041
Committed	4,635,250	0	0	3,572,031	3,572,031
Assigned	0	0	0	0	14,915,341
Unreserved - Designated	6,154,664	13,640,524	15,721,216	14,915,341	0
Unreserved - Undesignated	3,589,180	3,224,400	3,399,234	3,537,772	3,847,303
Total Fund Balances	14,379,094	16,864,924	19,120,450	22,025,144	22,664,716
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	$21,774,923	$31,940,760	$30,601,217	$37,046,035	$38,751,577

SOURCE: School District Annual Audited Financial Reports.

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HIGHLANDS SCHOOL DISTRICT
SUMMARY OF GENERAL FUND REVENUES AND EXPENDITURES
For Fiscal Years Ending June 30

	2018	2019	2020	2021	2022
Revenue					
Local Sources	$20,253,435	$22,150,450	$20,605,680	$20,933,606	$22,322,705
State Sources	21,269,725	22,786,811	22,400,499	23,173,589	23,334,773
Federal Sources	1,047,893	1,098,631	1,288,356	1,478,221	2,134,923
TOTAL REVENUE	42,571,053	46,035,892	44,294,535	45,585,416	47,792,401
Expenditures					
Current:					
Instruction	28,012,231	28,933,371	27,793,598	27,612,750	27,477,552
Support Services	13,754,266	13,139,872	13,069,620	12,980,434	14,716,359
Operation of Noninstructional Services	721,358	709,209	779,119	633,837	843,107
Capital Outlay	-	-	-	-	1,269
Debt Service (Principal & Interest)	-	-	-	-	3,096,028
Refund of Prior Years' Receipts	-	-	-	-	1,000
Total Current	42,487,855	42,782,452	41,642,337	41,227,021	46,135,315
Capital Outlay:					
Facilities, Acquisition, Construction and Improvement Services	8,750	0	0	0	-
Total Capital Outlay	8,750	0	0	0	-
Debt Service					
Principal and Interest	2,496,986	737,812	832,748	2,992,800	-
Refund of Prior Year's Receipts	224	29,801	15,346	0	-
Total Debt Service	2,497,210	767,613	848,094	2,992,800	-
TOTAL EXPENDITURES	44,993,815	43,550,065	42,490,431	44,219,821	46,135,315
Excess of Revenues (Deficiency) of Revenues Over Expenditures	(2,422,762)	2,485,827	1,804,104	1,365,595	1,657,086
Other Financing Sources (Uses)					
Proceeds from Refunding Bonds	10,445,000	0	0	0	0
Debt Services of Refunding Bonds	(4,015,000)	0	0	0	0
Bond Discounts	(424,217)	0	0	0	0
Issuance of Lease Payable	0	0	0	0	261,911
Sale of Fixed Assets	0	0	0	0	0
Transfers In	0	0	0	22,544	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	6,005,783	0	0	22,544	261,911
Net Changes in Fund Balance	3,583,021	2,485,827	1,804,104	1,388,139	1,918,997
Prior Period Adjustment	0	0	0	1,516,555	
Fund Balance, July 1	10,796,073	14,379,094	17,316,346 (1)	19,120,450	20,745,719 (1)
Fund Balance, June 30	$14,379,094	$16,864,921	$19,120,450	$22,025,144	$22,664,716

SOURCE: School District Annual Audited Financial Reports.
(1) Restated.

HIGHLANDS SCHOOL DISTRICT
SUMMARY OF GENERAL FUND BUDGET
For Fiscal Year Ending June 30

	2023
Estimated Beginning Fund Balance Available for Appropriation and Reserves Scheduled for Liquidation During the Fiscal Year	$18,442,866
Revenue	
Local Sources	21,274,938
State Sources	22,940,676
Federal Sources	4,232,683
TOTAL REVENUE	48,448,297
Expenditures	
Instruction	29,810,423
Support Services	15,297,818
Operating of Non-Instructional Services	703,226
Facilities Acquisition, Construction and Improvement Services	1,610,407
Other Expenditures and Financing Uses	3,262,752
TOTAL EXPENDITURES	$50,684,666
Estimated Ending Fund Balance	$16,206,497

SOURCE: School District Final General Fund Budget, PDE-2028.

SCHEDULE OF INDEBTEDNESS

Shown below is a summary of the School District's outstanding debt (after the issuance of the Bonds):

	Gross	Market Value Aid Ratio(1)	Project Reimburs.	Local Share
Direct Debt				
General Obligation (Limited Tax) Bonds, Series of 2023	$21,580,000	0.7253	0.0000	$21,580,000
General Obligation Notes, Federally Taxable Series of 2018	10,425,000	0.7253	0.0000	10,425,000
General Obligation Bonds, Series of 2012	3,470,000	0.7253	0.0000	3,470,000
TOTAL DIRECT DEBT	$35,475,000			$35,475,000
Overlapping Debt (2)				
Borough of Brackenridge (3)	$1,655,000			$1,655,000
Borough of Tarentum (3)	7,646,110			7,646,110
Fawn Township (3)	1,228,111			1,228,111
Harrison Township (3)	350,000			350,000
Allegheny County (4)	8,868,665			8,868,665
TOTAL OVERLAPPING DEBT	19,747,886			19,747,886
TOTAL DIRECT AND OVERLAPPING DEBT	$55,222,886			$55,222,886

(1) Please refer to **"SECURITY FOR THE BONDS – Commonwealth Aid to School Districts"** herein for a more detailed explanation of Market Value Aid Ratio.
(2) SOURCE: Pennsylvania Department of Community and Economic Development, as of May 1, 2023.
(4) 100% Overlapping.
(5) Pro-rata share of the total outstanding debt of Allegheny County determined by dividing the assessed value of the School District, as determined by the Pennsylvania State Tax Equalization Board ("STEB"), by the assessed value of the County, as also determined by STEB and multiplying that ratio by the total outstanding debt of the County. As of May 1, 2023, Allegheny County had outstanding debt in the amount of $963,985,294.

Debt Ratio Calculations (including issuance of the Bonds)

	Gross Outstanding	Local Share
Net Direct Debt Per Capita	$1,777.39	$1,777.39
Net Direct Debt to Market Value	4.53%	4.53%
Net Direct and Overlapping Debt Per Capita	$2,766.82	$2,766.82
Net Direct and Overlapping Debt to Market Value	7.06%	7.06%
Population (2020 U.S. Census)	19,959	
Market Value (Fiscal Year 2021-22)	$782,273,885	

Tax Anticipation Borrowing

The School District's tax and anticipation borrowing for the past five fiscal years and the current fiscal year is shown in the following table.

Fiscal Year	Amount
2019	$0
2020	0
2021	0
2022	0
2023	0

SOURCE: School District Administrative Officials

DEBT LIMITS AND REMAINING BORROWING CAPACITY OF THE SCHOOL DISTRICT

Borrowing Capacity

The borrowing capacity of the School District is calculated in accordance with provisions of the Act, which describes the applicable debt limits for local government units, including school districts and municipalities. Under the Act, the School District may incur electoral debt, which is debt approved by a majority of the School District's voters at either a general or special election, in an unlimited amount. Combined net nonelectoral debt and net lease rental debt (debt represented by capital leases and other forms of agreement evidencing the acquisition of a capital asset) incurred on behalf of the School District may not exceed 225% of the School District's "Borrowing Base". The Borrowing Base is calculated as the annual arithmetic average of Total Revenues (as defined in the Act), less any deductions or exceptions (as specified in the Act), for the three full fiscal years next preceding the date of incurring debt.

The current Borrowing Base of the School District is shown below, and the current schedule of existing electoral, nonelectoral and lease rental debt is shown herein under the heading "**SCHEDULE OF DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS OF THE SCHOOL DISTRICT**". The following table reflects the resulting maximum levels of nonelectoral and lease rental debt which the School District will be permitted to incur after the issuance and sale of the Bonds.

	Fiscal Year Ended June 30,		
	2020	2021	2022
Gross Revenues	$44,294,535	$45,585,416	$48,054,312
Less: Statutory Deductions			
a. Subsidy Rental and Sinking Fund Payments	0	0	0
b. Revenues Pledged for Self-Liquidating Debt	0	0	0
c. Interest on Sinking Funds	0	0	0
d. Grants and Gifts for Special Federally Funded Projects	0	0	0
e. Disposition of Assets and Nonrecurring Items	258,673	397,069	1,297,669
Net Revenues	$44,035,862	$45,188,347	$46,756,643
Total Revenues for Three Years			$135,980,852
Borrowing Base-Average Total Revenues for Three Year Period			$45,326,950

Remaining Borrowing Capacity (Under the Local Government Unit Debt Act)

Debt Limit – 225% of Borrowing Base	$101,985,638
Less: Outstanding Lease Rental Debt and Non-Electoral Debt (1)	$35,475,000
Current Borrowing Capacity	$66,510,638

(1) Includes the issuance of the Bonds.

Coverage of Future Debt Service Requirements by State Appropriations

2022-23 Anticipated Commonwealth Appropriations	$22,940,676
2022-23 Estimated Debt Service Requirements	$3,003,644
Coverage Ratio	7.64 X

TAXES AND TAXING POWERS OF THE SCHOOL DISTRICT

General

The School District is empowered to impose the following taxes under the School Code:

1. An annual tax on all taxable real estate, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.

2. An annual tax on all taxable real estate without limit to provide for the payment of:

   (a) Salaries and increments of the teaching and supervisory staff;
   (b) Rentals due any municipal authority, non-profit corporation or the State Public School Building Authority;
   (c) Interest and Principal on any indebtedness incurred under the Act or any prior or subsequent act governing the incurrence of indebtedness of the School District; and
   (d) The amortization of a bond issue which financed the construction of school facilities if issued prior to the first Monday of July, 1959.

3. An annual per capita tax on each resident over eighteen years of age of not more than $5.00.

The School District may also levy under The Local Tax Enabling Act, Act No. 511, approved December 31, 1965, as amended (the "Tax Enabling Act"), an additional per capita tax, wage taxes, and other taxes as provided for therein; provided, however, that the aggregate amount of taxes imposed under the Tax Enabling Act may not exceed 1.25% of the market valuation of the real estate in the School District as determined by the State Tax Equalization Board, and subject to certain other limitations.

These taxes are also subject to apportionment between overlapping municipalities and the School District where such municipalities exercise the right of such apportionment.

The foregoing is subject to Act 1, as described herein.

Tax Levy Trends

The following table shows the recent trend of tax rates levied by the School District.

Year	Real Estate Tax	Earned Income	Per Capita Taxes – Section 679	Per Capita Taxes – Act 511	Real Estate Transfer	Local Services
2017-18	23.80 mills	0.50%	$5.00	$5.00	0.50%	$5.00
2018-19	24.63 mills	0.50%	$5.00	$5.00	0.50%	$5.00
2019-20	24.88 mills	0.50%	$5.00	$5.00	0.50%	$5.00
2020-21	24.88 mills	0.50%	$5.00	$5.00	0.50%	$5.00
2021-22	25.13 mills	0.50%	$5.00	$5.00	0.50%	$5.00

SOURCE: Pennsylvania Department of Community and Economic Development and School District Audited Financial Statements and Budgets.

Current Tax Structure (Fiscal Year 2023)

	Real Estate Millage	Earned Income	Per Capita	Real Estate Transfer	Local Services Tax	Mechanical Devices	Mercantile/Business Privilege
School District	25.13 mills	0.5%	$10.00	0.5%	$5.00	--	--
Borough of Brackenridge	6.25 mills	0.5%	$5.00	0.5%	$47.00	$408.00	--
Borough of Tarentum	5.48 mills	0.5%	$5.00	0.5%	$47.00	$500.00	$25.00
Fawn Township	3.04 mills	0.5%	$5.00	0.5%	$15.00	$100.00	--
Harrison Township	5.106 mills	0.5%	$5.00	0.5%	$47.00	$352.00	--
Allegheny County	4.730 mills	--	--	--	--	--	--

SOURCE: School District Administrative Officials and Pennsylvania Department of Community and Economic Development.

Real Estate Tax Collection Procedures

Real estate taxes are levied on July 1 of each year. Taxpayers who remit between July 1 and August 31 receive a 2% discount, and those who remit between November 1 and December 31 are assessed a 10% penalty. The lien date is July 1 of the following year.

SOURCE: School District Administrative Officials.

Tax Revenues

On an audited basis, of the School District's total general fund receipts for the fiscal year ended June 30, 2022, approximately 44.4% were derived from current and delinquent tax collections, consisting of real estate, income and other taxes detailed above. On an audited basis, current real estate tax collections account for approximately 36.0% of total general fund receipts for the fiscal year ended June 30, 2022.

Ten Largest Real Property Taxpayers

The ten largest real property taxpayers, together with their fiscal year 2022-23 assessed values, are shown below:

Taxpayer	Type of Property	Assessed Value
Allegheny Ludlum (1)	Specialty Steel	$41,528,900
Wal-Mart (1)	Retail	8,750,000
Heights Plaza Partners	Shopping Plaza	5,880,000
Cochran RE LP	Car Dealership	5,596,000
Village Green PA	Housing/Apartments	3,390,000
NGI LLC	Construction	3,056,000
Agree Shelf PA	Shopping Plaza	2,786,100
Grizzly Bear Investments	Investment Planning	2,780,800
Burtner Road Properties	Health Care	2,748,100
JR Properties III	Property Management	2,174,000
TOTAL:		$78,690,500

The assessed value of the top ten real estate taxpayers is equal to 9.6% of the total current (fiscal year 2022-23) assessed value of $819,885,560 for the taxable property within the School District.

SOURCE: School District Administrative Officials.
(1) Properties currently under appeal. The outcome to the School District is unknown at this time.

Real Estate Tax Collection Data

Year	Market Valuation	Assessed Valuation	Millage	Current Levy	Current Collections (1)	Current Collections as a % of Levy	Total Collections (1)	Total Collections as a % of Levy
2017-18	$782,238,360	$782,238,360	23.80	$18,617,273	$15,694,304	84.30%	$15,824,910	85.00%
2018-19	$786,726,316	$786,726,316	24.63	$19,377,069	$16,223,046	83.72%	$16,425,315	84.77%
2019-20	$789,390,906	$789,390,906	24.88	$19,640,046	$15,435,830	78.59%	$15,628,110	79.57%
2020-21	$780,462,416	$780,462,416	24.88	$19,417,905	$16,361,078	84.26%	$16,532,098	85.14%
2021-22	$782,273,885	$782,273,885	24.88	$19,462,974	$17,184,555	88.29%	$17,305,691	88.92%

SOURCE: School District Administrative Officials and the State Tax Equalization Board/Tax Equalization Division.
(1) Collection amounts do not include Commonwealth subsidy received from the homestead and farmstead exclusions of Pennsylvania Act No. 1 of the Special Session of 2006. Exclusion amounts received for each year are as follows: 2017-18: $1,296,370; 2018-19: $1,296,280; 2019-20: $1,296,092; 2020-21: $1,296,593; 2021-22: $1,296,837.

Major Employers

Major employers located within Allegheny County are listed below:

Employer	Type of Business
UPMC Presbyterian Shadyside	Health Care
University of Pittsburgh	Higher Education
Federal Government	Government
PNC Bank	Financial Services
Western Penn Allegheny Health	Health Care
Giant Eagle Inc.	Retail Grocery Chain
Allegheny County	County Government
Carnegie Mellon University	Higher Education
Allegheny Clinic	Health Care
The Bank of New York Mellon	Financial Services

SOURCE: Pennsylvania Department of Labor & Industry, Center for Workforce Information and Analysis. As of 3rd Quarter, 2022.

APPENDIX B

REGIONAL DEMOGRAPHIC AND ECONOMIC INFORMATION

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REGIONAL DEMOGRAPHIC AND ECONOMIC INFORMATION

The text, charts and tables within this Appendix (unless otherwise footnoted) set forth regional demographic and economic data and descriptions which were obtained from recognized published statistical and governmental reporting services. While the School District does not guarantee the accuracy of such data, it does confirm that the same has been obtained from sources deemed to be reliable and that the School District has no information which would suggest such data is inaccurate or misleading.

Population Composition – 2010, 2020 and 2021 Estimates

	2010	2020	2010-2020 % Change	2021 Estimates
Borough of Brackenridge	3,260	3,240	-0.6%	3,240
Borough of Tarentum	4,530	4,352	-3.9%	4,359
Township of Fawn	2,376	2,210	-7.0%	2,285
Township of Harrison	10,461	10,157	-2.9%	10,186
School District	20,627	19,959	-3.2%	20,070
Allegheny County	1,223,348	1,250,578	2.2%	1,246,116
Pennsylvania	12,702,379	13,002,700	2.4%	12,970,650

United States Census Bureau, 2010 Census, 2020 Census and American Community Survey, 5 Year Estimates, 2017 – 2021.

Per Capita Income – 2010, 2020 and 2021 Estimates

	2010	2020	2010-2020 % Change	2021 Estimates
Borough of Brackenridge	$18,935	$23,304	23.1%	$23,769
Borough of Tarentum	17,242	21,407	3.7%	22,199
Township of Fawn	26,773	32,491	21.4%	36,869
Township of Harrison	22,538	32,093	42.4%	35,671
Allegheny County	$29,549	$39,541	33.8%	$42,077
Pennsylvania	$26,678	$35,518	33.1%	$37,725

SOURCE: United States Census Bureau and American Community Survey, 5 Year Estimates, 2006 – 2010, 2016 – 2020 and 2017 – 2021.

Poverty and Education – 2021 Estimates

	Poverty Level		Education 25 years and Over	
	Persons Below	Families Below	High School Graduate or Higher	College Graduate Or Higher
Borough of Brackenridge	22.0%	16.0%	92.7%	18.2%
Borough of Tarentum	23.2%	16.8%	94.9%	14.8%
Township of Fawn	8.4%	3.4%	92.8%	26.8%
Township of Harrison	10.3%	7.0%	93.7%	24.5%
Allegheny County	11.5%	7.7%	95.1%	43.3%
Pennsylvania	11.8%	8.0%	91.4%	33.1%

SOURCE: United States Census Bureau and American Community Survey, 5 Year Estimates, 2017 - 2021.

Housing Units – 2021 Estimates

	Number	Owner Occupied Median Value	Renter Occupied Median Rent
Borough of Brackenridge	1,780	$75,100	$673
Borough of Tarentum	2,304	62,400	700
Township of Fawn	1,004	170,600	775
Township of Harrison	5,061	115,700	650
Allegheny County	601,235	$171,400	$692
Pennsylvania	5,728,788	$197,300	$1,013

SOURCE: United States Census Bureau and American Community Survey, 5 Year Estimates, 2017 - 2021.

Unemployment Rates

	2017	2018	2019	2020	2021	2022 (1)	2023 (2)
Allegheny County							
Civilian Labor Force (000)	645.9	645.2	649.9	636.0	630.8	630.5	631.1
Employment (000)	615.2	619.1	623.0	578.6	592.3	609.3	608.2
Unemployment (000)	30.7	26.1	26.8	57.4	38.5	21.2	22.9
Unemployment Rate	4.8%	4.0%	4.1%	9.0%	6.1%	3.4%	3.6%
Pennsylvania							
Civilian Labor Force (000)	6,427.0	6,424.0	6,492.0	6,518.0	6,406.0	6,452.0	6,469.0
Employment (000)	6,112.0	6,149.0	6.208.0	6,184.0	5,999.0	6,204.0	6,227.0
Unemployment (000)	316.0	276.0	284.0	334.0	407.0	248.0	242.0
Unemployment Rate	4.9%	4.3%	4.4%	5.1%	6.3%	3.8%	3.7%
United States							
Civilian Labor Force (000)	160,320.0	162,075.0	163,539.0	163,497.0	161,204.0	164,224.0	166,783.0
Employment (000)	153,337.0	155,761.0	157,538.0	156,994.0	152,581.0	158,872.0	160,741.0
Unemployment (000)	6,982.0	6,314.0	6,001.0	6,504.0	8,623.0	5,352.0	6,043.0
Unemployment Rate	4.4%	3.9%	3.7%	4.0%	5.4%	3.3%	3.6%

SOURCE: U.S. Department of Labor and Industry, Pennsylvania Bureau of Employment. Not seasonally adjusted.
(1) As of December, 2022.
(2) As of March, 2023.

APPENDIX C

SCHOOL DISTRICT FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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Highlands School District
Financial Statements
June 30, 2022

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Highlands School District
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Independent Auditor's Report

Members of the Board
Highlands School District
Natrona Heights, Pennsylvania

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highlands School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Highlands School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Highlands 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.

Change in Accounting Principle

As described in Note 16 to the financial statements, Highlands School District adopted new accounting guidance, GASB Statement No. 87 "*Leases*". Our opinions are not modified with respect to that matter.

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 Highlands 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 judgement 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 Highlands 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Highlands 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, budgetary comparison information, post-employment benefit information and pension information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highlands School District's basic financial statements. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 April 28, 2023, on our consideration of Highlands 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Highlands School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Highlands School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
April 28, 2023

The discussion and analysis of Highlands School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School 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 School District's financial performance.

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

Financial Highlights

For the 2021/2022 fiscal year, Highlands School District had total expenditures of $46,135,315 which was an increase of $1,918,997 from the prior year or 4.32%. This increase was mainly attributed to the addition of ESSER funds. Revenues increased by 2,468,896 over the prior year or 5.41%. The most significant increases in revenues were in local revenues and federal revenues (ESSER funds). The unassigned fund balance increased by $309,531 and totals $3,847,303 at the end of the 2021/2022 fiscal year. The district also maintains assigned and committed fund balances which are designated for future capital projects and future increases in long term liabilities, such as retirement obligations. The Board of Directors balanced the 2021-2022 budget by using $3,572,031 of the School District's fund balance, however the total expenditures were far less than what was anticipated, revenues came in over budget, and funding from the fund balance was not required.

The School District's food service (proprietary) fund operated at a net profit of $515,357 for the 2021/2022 school year. Revenues, consisting of lunch /breakfast sales and government subsidies, totaled $1,599,1587. Operating expenses, consisting of mostly labor costs, food and other supplies, totaled $1,165,070 (Note: included in other operating revenues was an adjustment of $81,269 for GASB No. 68 (pension) and GASB No. 75 (OPEB) adjustment). The June 30, 2022 year ending net position for this fund is ($1,451,302).

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the Government Auditing Standards and the Uniform Grant Guidance. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Highlands School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For this School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School 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 to explain some of the information in the financial statements and provide more detailed data.

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
Highlands School District's
Financial Report

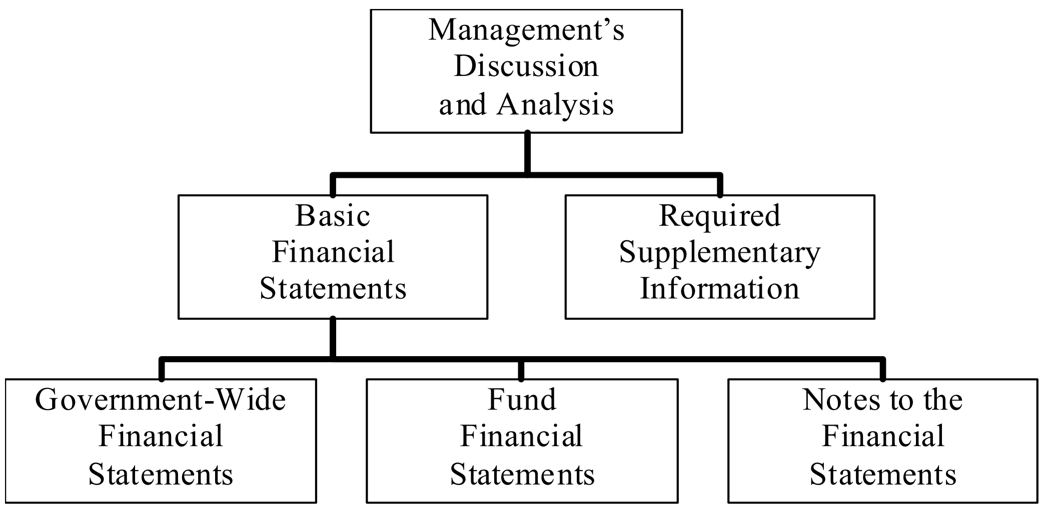

Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A – 2
Major Features of Highlands School District's
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements: Governmental Funds	Fund Statements: Proprietary Funds	Fund Statements: Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expendi-tures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows	Statement of fiduciary net position; 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 in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of Financial Statements

Government-Wide Statements

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

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

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

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

- Governmental activities - All of the School 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 School 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 School District's fund financial statements, which begin with Exhibit 3, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and bond requirements.

Governmental funds - Most of the School 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 School 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 School 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 School 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 School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund one of the School District's proprietary funds 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.

Fiduciary funds - The School District is the trustee, or fiduciary, for student activity funds and some scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10 and statement of change in net position on Exhibit 11. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit $(32,078,957) at June 30, 2022 and a deficit $(35,955,096) at June 30, 2021.

Table A - 1
Years Ended June 30, 2022 and 2021
Net Position

	2022			2021		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Current and Other Assets	$ 38,283,503	$ 234,039	$ 38,517,542	$ 37,046,035	$ 1,087,178	$ 38,133,213
Capital Assets	19,888,501	81,974	19,970,475	20,248,333	94,893	20,343,226
Total Assets	58,172,004	316,013	58,488,017	57,294,368	1,182,071	58,476,439
Deferred Outflows of Resources	11,183,290	203,115	11,386,405	10,023,418	-	10,023,418
Current and Other Liabilities	6,802,433	541,317	7,343,750	5,799,617	1,823,848	7,623,465
Noncurrent Liabilities						
Due Within One Year	2,489,539	-	2,489,539	2,265,000	-	2,265,000
Due in More Than One Year	77,674,897	1,175,391	78,850,288	89,708,488	-	89,708,488
Total Liabilities	86,966,869	1,716,708	88,683,577	97,773,105	1,823,848	99,596,953

Table A - 1
Years Ended June 30, 2022 and 2021
Net Position

	2022			2021		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Deferred Inflows of Resources	13,016,080	253,722	13,269,802	4,858,000	-	4,858,000
Net Position						
Net Investment in Capital Assets	3,094,314	81,974	3,176,288	1,956,541	94,893	2,051,434
Unrestricted	(33,721,969)	(1,533,276)	(35,255,245)	(37,269,860)	(736,670)	(38,006,530)
Total Net Position	$ (30,627,655)	$ (1,451,302)	$ (32,078,957)	$ (35,313,319)	$ (641,777)	$ (35,955,096)

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. 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 School District's activities that are supported by other general revenues. The two largest general revenues are local taxes (property and earned income) assessed to property owners and wage earners within the District, and the Basic Education Subsidy provided by the state of Pennsylvania.

Table A-2 summarizes the information in the statement of activities and provides a comparison between fiscal year 2022 and 2021.

Total revenues for governmental activities increased $2,468,896 from the prior year due primarily to increases in Operating Grants (i.e. ESSER Funds).

Total expenses for governmental activities increased 4.30%, or $1,921,131. While a number of expense categories had year over year variances (both increases and decreases) the biggest contributor to this increase were wages due to new hires, contractual requirements and the use of ESSER funds for additional substitute teaching support. Benefits increases (which include the state mandated increase in the employer retirement rate) and other employee-related costs also contributed to the increase. Transportation costs increased from the prior year with the additional costs for the learning loss support.

Table A - 2
Years Ended June 30, 2022 and 2021
Changes in Net Position

	2022			2021		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	$ 52,716	$ 10,231	$ 62,947	$ -	$ 11,018	$ 11,018
Operating Grants and Contribs.	12,586,008	1,588,927	14,174,935	24,651,810	670,775	25,322,585
General Revenues						
Property Taxes	18,400,527	-	18,400,527	16,361,078	-	16,361,078
Other Taxes	2,600,219	-	2,600,219	2,635,100	-	2,635,100
Grants, Subsidies and Contribs.						
Unrestricted	13,628,881	-	13,628,881	-	-	-
Investment Earnings	16,463	-	16,463	8,979	-	8,979
Miscellaneous	172,309	-	172,309	747,795	-	747,795
Total Revenues	47,457,123	1,599,158	49,056,281	44,404,762	681,793	45,086,555
Expenses						
Instruction	25,540,989	-	25,540,989	29,980,198	-	29,980,198
Instructional Student Support	2,509,502	-	2,509,502	4,257,339	-	4,257,339
Admin. and Fin. Support Svcs.	4,613,457	-	4,613,457	2,564,003	-	2,564,003
Operation and Maintenance						
of Plant Services	3,700,349	-	3,700,349	3,827,691	-	3,827,691
Pupil Transportation	3,096,238	-	3,096,238	2,106,419	-	2,106,419
Student Activities	716,796	-	716,796	599,774	-	599,774
Community Services	26,990	-	26,990	55,960	-	55,960
Interest on Long-Term Debt	460,359	-	460,359	822,800	-	822,800
Food Service	-	1,083,801	1,083,801	-	960,864	960,864
Total Expenses	40,664,680	1,083,801	41,748,481	44,214,184	960,864	45,175,048
Increase (Decrease) in Net Position	6,792,443	515,357	7,307,800	190,578	(279,071)	(88,493)
Beginning Net Position (Restated)	(37,420,098)	(1,966,659)	(39,386,757)	(35,503,897)	(362,706)	(35,866,603)
Ending Net Position	$ (30,627,655)	$ (1,451,302)	$ (32,078,957)	$ (35,313,319)	$ (641,777)	$ (35,955,096)

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

Table A-3 shows the School District's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, interest on debt, 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
Years Ended June 30, 2022 and 2021
Governmental Activities

	2022		**2021**	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	$ 25,540,989	$ 16,432,462	$ 29,980,198	$ 9,055,987
Instructional Student Support	2,509,502	1,835,454	4,257,339	1,746,816
Admin. and Fin. Support Svcs.	4,613,457	3,785,775	2,564,003	2,564,003
Operation and Maintenance of Plant Services	3,700,349	3,125,059	3,827,691	3,827,691
Pupil Transportation	3,096,238	1,771,440	2,106,419	889,343
Student Activities	716,796	591,406	599,774	599,774
Community Services	26,990	24,001	55,960	55,960
Interest on Long-Term Debt	460,359	460,359	822,800	822,800
Total Governmental Activities	$ 40,664,680	28,025,956	$ 44,214,184	19,562,374
Less:				
Unrestricted Grants, Subsidies		(13,628,881)		-
Total Needs from Local Taxes and Other Revenues		$ 14,397,075		$ 19,562,374

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District. For the 2021/2022 school year, the food service department operated at a net profit of $515,357.

Table A - 4
Years Ended June 30, 2022 and 2021
Business-Type Activities

	2022		**2021**	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	$ 1,083,801	$ (515,357)	$ 960,864	$ 279,071
Add/Less:				
Investment Earnings		-		-
Total Business-Type Activities		$ (515,357)		$ 279,071

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

School District Funds

At June 30, 2022, the School District's general fund had an unreserved fund balance of $3,847,303, which was an increase of $309,531 from the June 30, 2021 fund balance. Considering that the budget projected the use of $3,572,031 of the School District's fund balance, the actual results of the fiscal year were positive. The primary reasons for this are that total expenditures came in below budget by $4,247,812. Revenues came in over budget by $984,108 with the most significant areas being in the additional federal revenues provided through ESSERS and an increase in local tax collections.

In addition to the unassigned fund balance in the general fund, the School District has both an assigned and committed fund balance which are part of its governmental activities. The School District has a planned major construction/renovation program and funds were assigned to offset some of the costs of these School District facility improvements. The district has also reserved funds to offset long term liabilities such as future retirement contributions and increases in health care costs.

General Fund Budget

During the fiscal year, the Board of School Directors (Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All adjustments are confirmed at the time the annual audit is accepted. This is after the end of the fiscal year and permitted by state law. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary section. Transfers between specific categories of expenditures/other financing uses occur during the year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022, the School District had $19,662,812 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A - 5
Governmental Activities
Capital Assets - Net of Depreciation

	2022	**2021**
Land and Land Improvements	$ 908,987	$ 908,987
Buildings and Building Improvements	18,311,979	19,322,024
Furniture and Equipment	441,846	17,322

Debt Administration

As of July 1, 2021, the School District included in its long-term liabilities $18,540,000 for general obligation bonds. The School District made principal payments of $2,265,000. The net result of the above transactions resulted in an ending balance of $16,275,000 of which $2,380,000 is due within one year.

Table A - 6
Outstanding Debt

General Obligation Bonds/Notes	**As of 06/30/22**	**As of 06/30/21**
Bonds - Series of 2012	$ 5,845,000	$ 5,960,000
Bonds - Series of 2016	-	2,145,000
Bonds - Series of 2018	10,430,000	10,435,000

Other obligations include accrued vacation pay and sick pay for specific employees of the School District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

Highlands School District's 2022-23 budget totals $50,684,666 which is a 5.11% from the 2021-22 budget. The increase is mainly the result of the inclusion of ESSER funds and salary and benefit increases.

Total revenue is $48,448,297 which is an increase of 9.45 percent over the 2021-22 budget. This increase is due to the inclusion of ESSER funds and an increase in real estate tax rate from 24.88 to 25.13. The School District budgeted $2,236,369 of the existing fund balance to support the difference between revenues and expenditures however, it is anticipated that it will not be necessary to use that amount as expenditures are expected to come in under budget and revenues over budget.

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Budgeted Revenue 2022/2023	Actual Revenue 2021/2022
Local	43.9%	46.5%
State	47.4%	48.6%
Federal/Other	8.7%	4.9%

	Budgeted Expenditures 2022/2023	Actual Expenditures 2021/2022
Instruction	58.8%	59.6%
Support Services	30.2%	31.9%
Noninstructional Services	1.4%	1.8%
Fund Transfers/Debt/Other	9.6%	6.7%

Contacting the School District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional information, please contact David Seropian, Interim Executive Director of Business Affairs and Support Services at Highlands School District, 1500 Pacific Avenue, Natrona Heights PA 15065, 724-226-2400.

Highlands School District
Statement of Net Position
June 30, 2022

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 24,825,385	$ 27,592	$ 24,852,977
Taxes Receivable, Net	9,288,373	-	9,288,373
Due From Other Governments	3,816,078	181,358	3,997,436
Other Receivables	23,626	-	23,626
Inventories	-	25,089	25,089
Prepaid Items	330,041	-	330,041
Other Current Assets	-	-	-
Long-Term Prepayments (net of amortization)	-	-	-
Capital Assets not Being Depreciated			
Land	908,987	-	908,987
Construction in Progress	-	-	-
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	-	-	-
Building & Building Improvements	18,311,979	-	18,311,979
Furniture & Equipment	441,846	81,974	523,820
Intangible Right-to-Use Assets, Net of Amort.	225,689	-	225,689
TOTAL ASSETS	58,172,004	316,013	58,488,017
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to OPEB - District	1,675,488	-	1,675,488
Amounts Related to OPEB - PSERS	553,756	11,860	565,616
Amounts Related to Pension	8,954,046	191,255	9,145,301
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,183,290	203,115	11,386,405
LIABILITIES			
Internal Balances	(468,074)	468,074	-
Accounts Payable	859,422	20,396	879,818
Accrued Salaries and Benefits	2,592,641	38,344	2,630,985
Payroll Deductions and Withholdings	3,224,139	-	3,224,139
Unearned Revenues	-	14,503	14,503
Other Current Liabilities	594,305	-	594,305
Noncurrent Liabilities:			
Due Within One Year	2,489,539	-	2,489,539
Due in More Than One Year:			
Lease Payable	132,171	-	132,171
Compensated Absences	524,198	-	524,198
Bonds Payable	14,188,689	-	14,188,689
Other Post-Employment Benefits - District	8,034,230	-	8,034,230
Other Post-Employment Benefits - PSERS	2,984,971	64,029	3,049,000
Net Pension Liability	51,810,638	1,111,362	52,922,000
TOTAL LIABILITIES	86,966,869	1,716,708	88,683,577
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to OPEB - District	1,187,802	-	1,187,802
Amounts Related to OPEB - PSERS	240,834	5,166	246,000
Amounts Related to Pension	11,587,444	248,556	11,836,000
TOTAL DEFERRED INFLOWS OF RESOURCES	13,016,080	253,722	13,269,802
NET POSITION			
Net Investment in Capital Assets	3,094,314	81,974	3,176,288
Unrestricted	(33,721,969)	(1,533,276)	(35,255,245)
TOTAL NET POSITION	$ (30,627,655)	$ (1,451,302)	$ (32,078,957)

See Accompanying Notes

Highlands School District
Statement of Activities
Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Total
Governmental Activities:						
Instruction	$ 25,540,989	$ -	$ 9,108,527	$ (16,432,462)	$ -	$ (16,432,462)
Instructional Student Support	2,509,502	-	674,048	(1,835,454)	-	(1,835,454)
Administrative and Financial Support Services	4,613,457	-	827,682	(3,785,775)	-	(3,785,775)
Operation and Maintenance of Plant Services	3,700,349	796	574,494	(3,125,059)	-	(3,125,059)
Pupil Transportation	3,096,238	-	1,324,798	(1,771,440)	-	(1,771,440)
Student Activities	716,796	51,920	73,470	(591,406)	-	(591,406)
Community Services	26,990	-	2,989	(24,001)	-	(24,001)
Interest on Long-Term Debt	460,359	-	-	(460,359)	-	(460,359)
Total Governmental Activities	40,664,680	52,716	12,586,008	(28,025,956)	-	(28,025,956)
Business-type Activities:						
Food Service	1,083,801	10,231	1,588,927	-	515,357	515,357
Total Primary Government	$ 41,748,481	$ 62,947	$ 14,174,935	(28,025,956)	515,357	(27,510,599)
General Revenues						
Taxes						
Property Taxes Levied for General Purposes, Net				18,400,527	-	18,400,527
Earned Income Taxes				2,145,273	-	2,145,273
Real Estate Transfer Taxes				313,508	-	313,508
Other Taxes Levied for General Purposes, Net				141,438	-	141,438
Grants, Subsidies and Contributions not Restricted				13,628,881	-	13,628,881
Investment Earnings				16,463	-	16,463
Miscellaneous Income				172,309	-	172,309
Total General Revenues				34,818,399	-	34,818,399
Change in Net Position				6,792,443	515,357	7,307,800
Net Position - July 1, 2021 (Restated- See Note 16)				(37,420,098)	(1,966,659)	(39,386,757)
Net Position - June 30, 2022				$ (30,627,655)	$ (1,451,302)	$ (32,078,957)

See Accompanying Notes

Highlands School District
Balance Sheet
Governmental Funds
June 30, 2022

Exhibit 3

	General Fund
ASSETS	
Cash and Cash Equivalents	$ 24,825,385
Taxes Receivable, Net	9,288,373
Due from Other Funds	468,074
Due from Other Governments	3,816,078
Other Receivables	23,626
Prepaid Items	330,041
TOTAL ASSETS	$ 38,751,577
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities	
Accounts Payable	$ 859,422
Accrued Salaries and Benefits	2,592,641
Payroll Deductions and Withholdings	3,224,139
Other Current Liabilities	524,663
Total Liabilities	7,200,865
Deferred Inflows of Resources	
Unavailable Revenues - Property Taxes	8,885,996
Fund Balances	
Nonspendable	330,041
Committed	3,572,031
Assigned	14,915,341
Unassigned	3,847,303
Total Fund Balances	22,664,716
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 38,751,577

See Accompanying Notes

Highlands School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Exhibit 4

Total Fund Balances - Governmental Funds		$ 22,664,716
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 $58,902,127, and the accumulated depreciation is $39,239,315.		19,662,812
Intangible right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The value of these assets is $378,932 and the accumulated amortization is $153,243.		225,689
Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and, therefore, are not reported as assets in governmental funds.		8,885,996
Premiums on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position.		(293,689)
Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	$ (16,275,000)	
Accrued Interest on the Bonds	(69,642)	
Leases Payable	(225,498)	
Compensated Absences	(540,410)	(17,110,550)
Some liabilities including net pension obligations and OPEB liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.		
OPEB Liability - District	(8,034,230)	
OPEB Liability - PSERS	(2,984,971)	
Net Pension Liability	(51,810,638)	(62,829,839)

Highlands School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Exhibit 4

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	8,954,046	
Deferred Inflows of Resources Related to Pensions	(11,587,444)	
Deferred Outflows of Resources Related to OPEB - District	1,675,488	
Deferred Inflows of Resources Related to OPEB - District	(1,187,802)	
Deferred Outflows of Resources Related to OPEB - PSERS	553,756	
Deferred Inflows of Resources Related to OPEB - PSERS	(240,834)	(1,832,790)
Total Net Position - Governmental Activities		$ (30,627,655)

See Accompanying Notes

Highlands School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

Exhibit 5

	General Fund
Revenues	
Local Sources	$ 22,322,705
State Sources	23,334,773
Federal Sources	2,134,923
Total Revenues	47,792,401
Expenditures	
Instruction	27,477,552
Support Services	14,716,359
Noninstructional Services	843,107
Capital Outlay	1,269
Debt Service (Principal & Interest)	3,096,028
Refunds of Prior Year's Receipts	1,000
Total Expenditures	46,135,315
Excess (Deficiency) of Revenues Over Expenditures	1,657,086
Other Financing Sources (Uses)	
Issuance of Lease Payable	261,911
Net Change in Fund Balances	1,918,997
Fund Balances - July 1, 2021 (Restated - See Note 16)	20,745,719
Fund Balances - June 30, 2022	$ 22,664,716

See Accompanying Notes

Highlands School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2022

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds		$ 1,918,997
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 capital outlays exceeds depreciation in the period.		
Depreciation Expense	$ (1,048,712)	
Intangible Right-to-Use Assets Amortization	(94,733)	
Capital Outlays	155,190	(988,255)
Payments for the intangible right-to-use assets are reported as principal and interest in governmental funds, but in the statement of activities, the asset is amortized and the repayment reduces the long-term liabilities in the statement of net position.		95,611
Because some property taxes and other revenues will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues decreased by this amount this year.		(335,278)
Repayment of bond payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,265,000
In the statement of activities, certain operating expenses-compensated absences (sick pay and vacations) and other post-employment benefits (OPEB) are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Compensated Absences	263,672	
Other Post-Employment Benefits - District	(529,837)	
Other Post-Employment Benefits - PSERS	(6,371)	(272,536)

Highlands School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2022

Exhibit 6

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.		
Net Change in Accrued Interest on Bonds		9,869
Bond premium on bonds are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.		
Amortization of Bond Premium		265,189
Governmental funds report School District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.		
District Pension Contributions to PSERS	6,282,810	
Cost of Benefits Earned	(2,448,964)	3,833,846
Change in Net Position of Governmental Activities		$ 6,792,443

See Accompanying Notes

Highlands School District
Statement of Net Position
Proprietary Funds
June 30, 2022

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 27,592
Due From Other Governments	181,358
Inventories	25,089
Total Current Assets	234,039
Noncurrent Assets	
Furniture and Equipment, Net	81,974
TOTAL ASSETS	316,013
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to Pensions	191,255
Amounts Related to OPEB - PSERS	11,860
TOTAL DEFERRED OUTFLOWS OF RESOURCES	203,115
LIABILITIES	
Current Liabilities	
Due to Other Funds	468,074
Accounts Payable	20,396
Accrued Salaries and Benefits	38,344
Unearned Revenues	14,503
Total Current Liabilities	541,317
Noncurrent Liabilities	
Net Pension Liability	1,111,362
Net OPEB Liability - PSERS	64,029
Total Noncurrent Liabilities	1,175,391
TOTAL LIABILITIES	1,716,708
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to Pensions	248,556
Amounts Related to OPEB - PSERS	5,166
TOTAL DEFERRED INFLOWS OF RESOURCES	253,722
NET POSITION	
Invested in Capital Assets	81,974
Unrestricted	(1,533,276)
TOTAL NET POSITION	$ (1,451,302)

See Accompanying Notes

Highlands School District
Statement of Revenues, Expenses and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2022

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	$ 10,231
Operating Expenses	
Salaries	347,592
Employee Benefits	269,993
Purchased Prof. and Tech. Services	127
Purchased Property Services	8,400
Other Purchased Services	113
Supplies	524,822
Depreciation	12,919
Dues and Fees	1,104
Total Operating Expenses	1,165,070
Operating Income (Loss)	(1,154,839)
Nonoperating Revenues (Expenses)	
State Sources	115,220
Federal Sources	1,473,707
Change in Pension & OPEB Plans	81,269
Total Nonoperating Revenues (Expenses)	1,670,196
Change in Net Position	515,357
Net Position - July 1, 2021 (Restated - See Note 16)	(1,966,659)
Net Position - June 30, 2022	$ (1,451,302)

See Accompanying Notes

Highlands School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

Exhibit 9

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	$ 7,119
Cash Payments to Employees for Services	(622,916)
Cash Payments to Suppliers for Goods and Services	(413,055)
Cash Payments for Other Operating Expenses	(1,104)
Net Cash Provided by (Used for) Operating Activities	(1,029,956)
Cash Flows From Non-Capital Financing Activities	
State Sources	109,974
Federal Sources	1,212,905
Net Cash Provided by (Used for) Non-Capital Financing Activities	1,322,879
Cash Flows From Investing Activities	
Loans Received (Paid)	(254,573)
Net Increase (Decrease) in Cash and Cash Flows	38,350
Cash and Cash Equivalents - July 1, 2021	(10,758)
Cash and Cash Equivalents - June 30, 2022	$ 27,592

Highlands School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

Exhibit 9

		Food Service Fund
Operating Income (Loss)	$	(1,154,839)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation		12,919
Donated Commodities		97,323
(Increase) Decrease in Inventories		2,688
Increase (Decrease) in Accounts Payable		20,396
Increase (Decrease) in Accrued Salaries Benefits		(5,331)
Increase (Decrease) in Deferred Revenue		(3,112)
Total Adjustments		124,883
Cash Provided by (Used for) Operating Activities	$	(1,029,956)

Noncash Non-Capital Financing Activities

During the year ended June 30, 2022, the School District received $89,761 of U.S.D.A Donated Commodities in the food service fund.

See Accompanying Notes

Highlands School District
Statement of Net Position
Fiduciary Funds
June 30, 2022

Exhibit 10

	Private Purpose Trust	Custodial Fund
ASSETS		
Cash and Cash Equivalents	$ 14,248	$ 45,312
LIABILITIES		
Other Current Liabilities	-	-
NET POSITION		
Restricted for:		
Scholarships	14,248	-
Student Groups	-	45,312
TOTAL NET POSITION	$ 14,248	$ 45,312

See Accompanying Notes

Highlands School District
Statement of Changes in Net Position
Fiduciary Funds
June 30, 2022

Exhibit 11

	Private Purpose Trust	Custodial Fund
Additions		
Revenue from Student Activities	$ -	$ 74,319
Interest Earnings	-	2
Total Additions	-	74,321
Deductions		
Student Activities Program Expenses	-	74,509
Change in Net Position	-	(188)
Net Position-July 1, 2021 (Restated - See Note 16)	14,248	45,500
Net Position-June 30, 2022	$ 14,248	$ 45,312

See Accompanying Notes

Note 1 - Summary of Significant Accounting Policies

Highlands School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Tarentum and Brackenridge and the Townships of Fawn and Harrison. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Highlands School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

1. Governmental Funds

   The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports this major governmental fund and fund type:

   The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

   The School District reports no nonmajor governmental funds.

2. Proprietary Funds

   The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following proprietary fund type:

   Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

3. Fiduciary Funds

   Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust funds, investment trust funds, private purpose trust funds, or custodial funds). The School District reports the following fiduciary fund types:

   The *custodial fund* represents the School District's student activity funds. These funds account for student activities in the high school, middle school, and elementary school.

   The *private purpose trust fund* is used to account for resources of monies contributed to the School District for scholarships.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund and the fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

D. Joint Venture

The School District is one of nine-member school districts of the Forbes Road Career & Technology Center (FRCTC). FRCTC provides vocational-technical training and education to participating students of the member districts. FRCTC is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. FRCTC operations are the responsibility of the Joint Committee, which consists of one representativefrom each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of FRCTC. The School District's share of annual operating and capital costs for FRCTC fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to FRCTC for the year ended June 30, 2022, was $355,457 which was paid in the year ended June 30, 2022 to FRCTC and reported in the School District's general fund. The School District has no equity interest in FRCTC as of June 30, 2022. Complete financial statements for FRCTC can be obtained from the administrative offices at 607 Beatty Rd. Monroeville, PA 15146.

E. Cash and Cash Equivalents

The School District's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2022.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and for comparative purposes the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

H. Receivables and Payables

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

I. Inventories

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2022.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2022 are reported as unearned revenue.

J. Prepaid Items

In both the government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

K. Capital Assets

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

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

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

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

Assets	Years
Buildings	50
Building Improvements	25-30
Land Improvements	20
Furniture	5-10
Vehicles	8
Equipment	5-20

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years.

L. Intangible Right-to-Use Assets

The School District has recorded intangible right-to-use assets as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payment made prior to the lease term, less any lease incentives, and plus any ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discount are reported as deferred charges and amortized over the term of the related debt.

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

N. Compensated Absences

The School District's policies regarding vacation and sick time is provided through various contracts. Employees can accumulate sick and/or vacation days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

In the fund financial statements, governmental funds report only the amount of reimbursable unused vacation or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

O. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. In the government-wide statement of net position, the School District reports deferred outflows of resources as they relate to the cost-sharing defined benefit plan and other post-employment benefits. The School District reports no deferred outflows of resources in the fund financial statements.

In addition to liabilities, the statement of financial position 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The School District has three items reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan and other post-employment benefits. These amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

Q. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The purposes of the nonspendable, and committed fund balances as of June 30, 2022, are as follows:

1. The nonspendable fund balance in the general fund of $330,041 is for prepaid expenses as of June 30, 2022.
2. The purpose of the committed fund balance in the general fund of $3,572,031 is for future increases in the employer's share of retirement and health care expenditures.
3. The purpose of assigned fund balances in the general fund of $14,915,341 is for future capital expenditures.

Note 2 - Deposits and Investments

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2022, $16,932,597 of the School District's bank balance of $17,432,597 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging Bank's Agent not in the School District's Name	$16,932,597

As of June 30, 2022, the School District had the following investments:

Investments	Fair Value
PSDLAF	$7,782,638

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

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District has no investment policy that would further limit its investment choices. The School District's investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) were rated AAAm by Standard & Poor's.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issue.

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. This fund has the characteristics of open-end mutual funds and is not subject to custodial credit risk classification.

PSDLAF is governed by an elected board of trustees who are responsible for the overall management of the fund. The trustees are elected from the several classes of local governments participating in the fund. The fund is audited annually by independent auditors. The fund is a local government investment pool and is exempt from the requirements of SEC's Rule 2(a)7 of the Investment Company Act of 1940. The fund measures for financial reporting purposes its assets at amortized cost and maintains a stable net asset value of $1 per share. Accordingly, the fair value of the position in PSDLAF is the same as the value of PSDLAF shares. There are no limitations or restrictions on withdrawals.

Note 3 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2021/2022 was 24.88 mills ($24.88 per $1,000 assessed valuation).

The tax calendar for real estate taxes levied is as follows:

Tax Levy Date	July 1, 2021
2% Discount Period	Through August 31, 2021
Face Payment Period	September 1 - October 31, 2021
10% Penalty Period	November 1, Until Liened
Lien Filing Date	July 1, 2022

Taxpayers may also pay these taxes in three equal installments due at face on or before the following dates: August 31; October 31; and December 31.

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred inflows of resources on the balance sheet until they are received. The real estate taxes receivable are reported net of the estimated uncollectible amounts. The receivable includes penalty and interest. The amounts reported for this receivable are reported on the balance sheet in the amount of $8,885,996 net of estimated uncollectible amounts, along with other taxes receivable of $402,377.

Note 4 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2022, the following amounts are due from other governmental units:

	Governmental Funds	Business-Type Activities	Totals
Federal (through the state)	$ 689,385	$ 175,667	$ 865,052
State	2,050,970	5,691	2,056,661
Local	1,075,723	-	1,075,723
	$ 3,816,078	$ 181,358	$ 3,997,436

Note 5 - Capital Assets

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

	Balance 07/01/21	Additions	Transfers	Balance 06/30/22
Governmental Activities				
Capital Assets not Being Depreciated				
Land	908,987	-	-	908,987
Capital Assets Being Depreciated				
Land Improvements	3,849,436	-	-	3,849,436
Buildings and Building Improv.	43,034,929	-	-	43,034,929
Furniture and Equipment	10,953,585	155,190	-	11,108,775
Total Capital Assets Being Depreciated	57,837,950	155,190	-	57,993,140
Less Accumulated Depreciation				
Land Improvements	3,849,436	-	-	3,849,436
Buildings and Building Improv.	23,712,905	1,010,045	-	24,722,950
Furniture and Equipment	10,628,262	38,667	-	10,666,929
Total Accumulated Depreciation	38,190,603	1,048,712	-	39,239,315
Total Capital Assets Being Depreciated, Net	19,647,347	(893,522)	-	18,753,825
Governmental Activities Capital Assets, Net	$ 20,556,334	$ (893,522)	$ -	$ 19,662,812
Business-Type Activities				
Furniture and Equipment	$ 836,960	$ -	$ -	$ 836,960
Less Accumulated Depreciation and Equipment	742,067	12,919	-	754,986
Business-Type Activities Capital Assets, Net	$ 94,893	$ (12,919)	$ -	$ 81,974

	Balance 07/01/21	Additions	Transfers	Balance 06/30/22
Governmental Activities				
Intangible Right-to-use Assets:				
Leased Equipment	$ 117,021	$ 261,911	$ -	$ 378,932
Less Accumulated Amortization	58,510	94,733	-	153,243
Net Intangible Right-to-use Assets	$ 58,511	$ 167,178	$ -	$ 225,689

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	$ 874,693
Instructional Student Support	166,608
Student Activities	7,411
Total Depreciation Expense	$ 1,048,712
Business-Type Activities - Food Service	$ 12,919
Governmental Activities	
Intangible Right-to-use Assets:	
Administration and Financial Support Services	$ 94,733

Note 6 - Interfund Balances/Transfers

At June 30, 2022, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 468,074	$ -
Proprietary Fund		
Food Service Fund	-	468,074
	$ 468,074	$ 468,074

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

Note 7 - Long-Term Liabilities

Long-term liability for the year ended June 30, 2022 was as follows:

	Balance 07/01/21	Additions	Reductions	Balance 06/30/22	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	$ 18,540,000	$ -	$ 2,265,000	$ 16,275,000	$ 2,380,000
Plus: Bond Premium	558,878	-	265,189	293,689	-
Total Bonds Payable	19,098,878	-	2,530,189	16,568,689	2,380,000
Compensated Absences	804,082	-	263,672	540,410	16,212
Governmental Activities Long-Term Liabilities	$ 19,902,960	$ -	$ 2,793,861	$ 17,109,099	$ 2,396,212
Lease Liabilities	$ 59,198	$ 261,911	$ 95,611	$ 225,498	$ 93,327
Total Long-Term Obligations as Reported in the Statement of Net Position				$ 17,334,597	$ 2,489,539

General Obligation Bonds

Series of 2012 Bonds of $6,000,000 due in varying installments through November 15, 2024, yield ranging from 2.00% to 2.75%	$ 5,845,000
Series of 2018 Bonds of $10,445,000 due in varying installments through Aptil 15, 2032, yield ranging from 4.371% to 4.907%	10,430,000
	$ 16,275,000

The debt service source for the above is the debt service fund via transfers from the general fund.

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2022, including interest, sinking fund payments and accretion on the capital appreciation bonds, are as follows:

Year Ended	General Obligation Bonds		
June 30,	Principal	Interest	Totals
2023	$ 2,380,000	$ 608,643	$ 2,988,643
2024	2,445,000	547,017	2,992,017
2025	1,385,000	500,916	1,885,916
2026	1,410,000	471,059	1,881,059
2027	1,475,000	407,933	1,882,933
2028-2032	7,180,000	945,676	8,125,676
	$ 16,275,000	$ 3,481,244	$ 19,756,244

Note 8 – Lease Liabilities

On July 1, 2019, the School District entered into an agreement to lease computers. The term of the lease is for four years requiring annual payments of $68,974. The School district also entered into an agreement on July 1, 2021 to lease computers. That lease is for four years and requires annual payments of $30,892. These lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at present value of the future minimum lease payments as of the date of their inception. For purposes of discounting future payments, the School District determined an interest rate of 2.9% to be an appropriate discount rate.

As of June 30, 2022, the value of the lease liability recorded for the above leases was $225,498. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of $225,689 as of June 30, 2022. Future minimum lease payments under these leases are as follows:

Year Ended	Lease Payable		
June 30,	Principal	Interest	Totals
2023	$ 93,327	$ 6,539	$ 99,866
2024	65,141	3,833	68,974
2025	67,030	1,944	68,974
	$ 225,498	$ 12,316	$ 237,814

Note 9 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

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

B. General Information about the Pension Plan

1. Plan Description

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

2. 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. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service.

For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age.

Members over normal retirement age may apply for disability benefits.

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

3. Contributions

Member Contributions

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

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

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% 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 School District were $6,416,766 for the year ended June 30, 2022.

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

At June 30, 2022, the School District reported a liability of $52,922,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021.

The 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, 2022, the School District's proportion was 0.1289%, which was a decrease of 0.0024% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized pension expense of $2,448,964. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 39,000	$ 695,000
Net difference between projected and actual investment earnings	-	8,424,000
Changes in assumptions	2,567,000	-
Changes in proportions	-	2,717,000
Difference between employer contributions and proportionate share of total contributions	122,535	-
Contributions subsequent to the measurement date	6,416,766	-
	$ 9,145,301	$ 11,836,000

$6,416,766 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 in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2023	$ (3,458,015)
2024	(1,682,015)
2025	(1,285,015)
2026	(2,682,420)
	$ (9,107,465)

1. Changes in Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the 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 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 of the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed Income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	-13.0%	0.1%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

2. 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.

3. Sensitivity of 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:

	(In Thousands)		
	1.00% Decrease 6.00%	Current Discount Rate 7.00%	1.00% Increase 8.00%
School District's proportionate share of the net pension liability	$ 69,462	$ 52,922	$ 38,970

4. 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.psers.pa.gov.

Note 10 - Contingent Liabilities

Highlands School District participates in a number of federally assisted grant programs, principal of which are Education Stabilization Fund and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2022 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 11 - Other Post-Employment Benefit Plan

A. Plan Description

Highlands School District administers a single-employer defined benefit OPEB plan ("the Supplemental Health Plan"). The plan provides medical, and in some cases dental and vision, for four groups of employees: teachers; administrators; support staff; cafeteria workers and custodians.

<u>Categories of Employees/Retirees</u>

The School District categorizes employees into 6 classifications as follows: Administrators, Teachers, Secretaries/Aids, Cafeteria Workers, Custodians, and Superintendent.

<u>Medical Benefits</u>

The School District provides eligible retirees with an option of either a PPO program called Community Blue Flex PPO or an EPO called Keystone Blue Flex EPO which is provided through the Allegheny County Schools Health Insurance Consortium (ACSHIC). The plan is administered by Highmark.

For all classifications, medical benefits for retirees are provided up to the age of 65 only (active employees who are over the age of 65 continue to be eligible for medical benefits).

<u>Administrators</u>

Administrators who have at least 10 years of service with the School District are eligible for postretirement medical coverage. Retirees with single coverage are required to contribute the $100 premium assistance. Retirees with coverage other than single are required to contribute the difference between their premium rate and single coverage plus the $100 premium assistance.

<u>Teachers</u>

Retired prior to June 30, 2010

Required monthly contributions are dependent on the year in which an employee retired and their current coverage tier.

For those retirees with single coverage, they must contribute the $100 PSERS premium assistance plus the applicable copay requirement.

For those with other than single coverage: the retiree is required to contribute the difference between the premium rate for their coverage tier and the premium for single coverage plus the required contribution for single coverage.

Retired on or after between July 1, 2010

Teachers who retire on or after July 1, 2010 must contribute on the same basis as active employees.

If a retiree elects a coverage other than single, then they must also contribute the difference between the single premium rate and the premium rate in which they enroll.

In order to be eligible to retire and continue in the medical plan, a Teacher must have attained at least age 55 or be a minimum of age 52 if on Step 18 of the HEA salary scale.

<u>Secretaries/Aides</u>

Secretaries who have at least 20 years of service are eligible for post-retirement medical coverage. Benefits are provided for 10 years or until the retiree becomes eligible for Medicare, whichever occurs first. The District pays the full cost of coverage for all tiers.

<u>Cafeteria Workers</u>

The current contract for Cafeteria Workers covers the time period from July 1, 2019 through June 30, 2024. Retirees are only eligible for the EPO plan. Any cafeteria worker who was hired after July 1, 1988 and enrolls in retiree medical coverage must pay the full cost of those benefits. Cafeteria workers who were hired prior to July 1, 1988 are eligible for retiree medical benefits. Retired cafeteria workers who were hired prior to July 1, 1988 are required to make a monthly contribution equal to the $100 PSERS premium assistance plus $12. The $12 amount represents the amount they are required to pay while active.

<u>Custodians</u>

Currently, retiring custodians are not provided with post-retirement medical coverage.

<u>Superintendent</u>

The Superintendent has an individual contract which provides for retiree medical coverage.

<u>Life Insurance</u>

Upon retirement, Teachers are provided with $5,000 of paid-up life insurance.

Retiring Custodians I and Maintenance/Supply are provided with $3,000 of paid-up life insurance. Retiring Custodians II are provided with $1,500 of paid-up life insurance.

Under the current contract, retiring secretaries are provided with $3,000 of paid-up life insurance.

Administrators are not provided with post-retirement life insurance coverage.

Life insurance amounts are fully paid-up at retirement.

Dental/Vision

All retirees must pay for 100% of the cost of dental and/or vision benefits. These benefits are provided for the lifetime of the retiree and/or spouse. Since retirees are required to pay for 100% of the cost of these benefits, the School District has no long-term liability for providing this benefit.

At July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	13
Active employees	253
	266

B. Total OPEB Liability

The School District's total OPEB liability of $8,034,230 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020.

C. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation roll forward was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	2.50%
Discount Rate	2.16%
Healthcare Cost Trend Rates	6.75% for 2021/2022, decreasing 0.25% per year to an ultimate rate of 4.50%

The discount rate was based on the Bond Buyers 20-Bond Index.

Mortality rates were based on the Pri.H-2012 Total Dataset Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2020 actuarial valuation roll forward were selected using input from the School District based upon actual experience.

D. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	$ 7,419,528
Changes for the year:	
Service Cost	566,119
Interest	163,972
Changes of assumptions or other inputs	53,328
Benefit Payments	(168,717)
Net Changes	614,702
Balance at June 30, 2022	$ 8,034,230

E. Changes of Assumptions and Other Inputs

- Changed the discount rate from 2.21% to 2.16%.
- Updated the mortality improvement scale to MP-2020.

F. Sensitivity of the Total Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current discount rate:

	1.00% Decrease 1.16%	Current Discount Rate 2.16%	1.00% Increase 3.16%
Total OPEB Liability	$ 8,945,585	$ 8,034,230	$ 7,229,416

G. Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or a 1-percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	$ 7,118,104	$ 8,034,230	$ 9,102,938

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

For the year ended June 30, 2022, the School District recognized OPEB expense of $529,837. At June 30, 2022, the School District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 152,226	$ 759,599
Changes in assumptions	1,309,376	428,203
Benefit payments subsequent to the measurement date	213,886	-
	$ 1,675,488	$ 1,187,802

The $213,886 amount reported as deferred outflows of resources resulting from the School District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	$ 13,632
2024	13,632
2025	13,632
2026	13,632
2027	13,632
Thereafter	205,640
	$ 273,800

Note 12 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

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

B. General Information about the Health Insurance Premium Assistance Program

1. Health Insurance Premium Assistance Program

   The System 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, 2021, there were no assumed future benefit increases to participating eligible retirees.

2. Premium Assistance Eligibility Criteria

   Retirees of the System 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, and
   - Participate in the HOP or employer-sponsored health insurance program

3. Pension 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.psers.pa.gov.

4. Benefits Provided

   Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

   Employer Contributions

   The School District's contractually required contribution rate for fiscal year ended June 30, 2022 was 0.80% 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 School District were $151,027 for the year ended June 30, 2022.

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

At June 30, 2022, the School District reported a liability of $3,049,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The School 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, 2022, the School District's proportion was 0.1287%, which was a decrease of 0.0026% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized OPEB expense of $157,554. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 28,000	$ -
Net difference between projected and actual investment earnings	6,000	-
Changes in assumptions	325,000	41,000
Changes in proportions	53,000	205,000
Difference between employer contributions and proportionate share of total contributions	2,589	-
Contributions subsequent to the measurement date	151,027	-
	$ 565,616	$ 246,000

$151,027 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	$ 24,554
2024	24,554
2025	40,554
2026	15,927
2027	31,000
Thereafter	32,000
	$ 168,589

1. Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18%, S&P 20 Year Municipal Bond Rate.
- 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.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
    - Eligible retirees will elect to participate pre age 65 at 50%.
    - Eligible retirees will elect to participate post age 65 at 70%.

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.10%
US Core Fixed Income	17.5%	0.70%
Non-US Developed Fixed	2.7%	-0.30%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.18%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

3. Sensitivity of System Net OPEB Liability to Change in the Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual Premium Assistance. As of June 30, 2021, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2021, 611 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In Thousands)		
	1.00% Decrease	Current Trend Rate	1.00% Increase
System net OPEB Liability	$ 3,049	$ 3,049	$ 3,050

4. Sensitivity of School District's 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 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.18%) or 1 percentage point higher (3.18%) than the current rate:

	(In Thousands)		
	1.00% Decrease 1.18%	Current Discount Rate 2.18%	1.00% Increase 3.18%
School District's proportionate share of the net OPEB liability	$ 3,500	$ 3,049	$ 2,679

5. OPEB 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.psers.pa.gov.

Note 13 - Risk Management

The School District is one of forty-six 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 totaled $3,785,678 and $3,743,433 for the years ended June 30, 2022 and 2021, respectively.

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 net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2022, the net position of the Consortium was $51,449,149 of which $610,818 is attributable to the School District.

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

The 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.

Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 14 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2022 was $5,374,920.

This includes $4,433,588 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and $941,332 to the federal government for social security and Medicare taxes for the year ended June 30, 2022. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 15 – Subsequent Event

The School District has entered into two financing agreements for computers with the first payments due in August 2022. The agreements are for computers with a cost of $76,970 to be paid over a three period with annual payments of $26,644 and computers with a cost of $120,015 to be paid over a four year period with annual payments of $30,492.

Note 16 – Prior Period Restatement

Highlands School District restated the general fund fund balance and the governmental activities and business-type activities net position as of June 30, 2021 to properly report net pension liability, net OPEB obligation, deferred outflows and deferred inflows per GASB Statements No. 68 Accounting and Financial Reporting for Pensions and No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions and correct other errors in the financial statements. The result of the restatement is summarized below:

	General Fund	Governmental Activities	Business-Type Activities
Fund Balance/Net Position, July 1, 2021 (Previously Reported)	$ 22,025,144	$ (35,313,319)	$ (641,777)
Adjustment to properly state payroll payable and other payroll liabilities at June 30, 2021	(1,364,156)	(1,364,156)	-
Adjustment to report accrued interest payable on bonds payable as of June 30, 2021	-	(79,511)	-
Adjustment to properly state federal subsidy receivable at June 30, 2021	84,731	84,731	-
Adjustment to properly state net pension liability and deferred inflows and outflows as of June 30, 2020, the measurement date	-	1,207,700	(1,250,087)
Adjustment to report net OPEB-PSERS plan liability as of June 30, 2020, the measurement date	-	(2,665,677)	(57,180)

	General Fund	Governmental Activities	Business-Type Activities
Adjustment to record the deferred inflows and outflows on the District OPEB plan as of June 30, 2021, the measurement date	-	402,821	-
Adjustment to properly state the unearned revenue for donated commodities as of June 30, 2021	-	-	(17,615)
Adjustment to properly state the capital assets as of June 30, 2021	-	308,000	-
Adjustment due to the implementation of GASB Statement No. 87 as further explained below	-	(687)	-
Restated Fund Balance/Net Position, July 1, 2021	$ 20,745,719	$ (37,420,098)	$ (1,966,659)

As a result of the implementation of GASB Statement No. 87 “Leases”, the School District made a prior period adjustment to record the value of the right to use asset net of accumulated amortization ($58,511) and the associated lease liability ($59,198) as of July 1, 2021. This prior period adjustment reduced the Net Position at July 1, 2021 by $687.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Highlands School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	$ 15,986,201	$ 15,986,201	$ 17,315,429	$ 1,329,228
Public Utility Realty Taxes	20,000	20,000	19,307	(693)
Payments in Lieu of Current Taxes	25,000	25,000	-	(25,000)
Current Per Capita Taxes - Sec. 679	45,000	45,000	45,861	861
Current Per Capita Taxes - Act 511	72,000	72,000	45,861	(26,139)
Local Services Taxes	-	-	30,409	30,409
Earned Income Taxes	990,000	990,000	2,145,273	1,155,273
Real Estate Transfer Taxes	990,000	990,000	313,508	(676,492)
Delinquencies on Taxes	1,400,000	1,400,000	1,420,376	20,376
Earnings on Investments	5,000	5,000	16,463	11,463
Other Local Revenues				
Revenue from Student Activities	7,500	7,500	51,920	44,420
State Revenues from IU	-	-	236	236
Federal Revenues from IU	599,800	599,800	723,098	123,298
Rentals	5,000	5,000	796	(4,204)
Tuition from other LEAS	-	-	21,859	21,859
Refund of Prior Year's Expenditures	-	-	52,017	52,017
Miscellaneous Revenue	125,000	125,000	120,292	(4,708)
Total Revenues from Local Sources	20,270,501	20,270,501	22,322,705	2,052,204
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	12,046,834	12,046,834	12,332,044	285,210
Tuition	50,000	50,000	118,468	68,468
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	1,946,369	1,946,369	2,249,518	303,149
Additional Educational Program				
Pre-K Counts	297,500	297,500	297,500	-
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	1,255,000	1,255,000	1,198,778	(56,222)
Ready to Learn Block Grant	460,757	460,757	460,757	-
Health Services	50,000	50,000	42,929	(7,071)
School Safety Grant	-	-	36,679	36,679

Highlands School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
State Property Tax Reduction	1,296,837	1,296,837	1,296,837	-
Social Security Payments	950,000	950,000	928,037	(21,963)
State Retirement Revenue	4,250,000	4,250,000	4,372,864	122,864
Other State Revenue	-	-	362	362
Total Revenues from State Sources	22,603,297	22,603,297	23,334,773	731,476
Federal Sources				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Title I	834,605	834,605	925,752	91,147
Title II	113,453	113,453	106,694	(6,759)
Title IV	63,046	63,046	66,719	3,673
Medical Assistance - Access	150,000	150,000	-	(150,000)
Governor's Emergency Education Grant (GEER)	-	-	59,689	59,689
Elementary & Secondary School Emergency Relief Fund (ESSER)	-	-	77,380	77,380
Elementary & Secondary School Emergency Relief Fund (ESSER II)	3,032,802	3,032,802	669,938	(2,362,864)
Elementary & Secondary School Emergency Relief Fund (ESSER III)	-	-	18,455	18,455
Elementary & Secondary School Emergency Relief Fund (ARP 7%)	-	-	94,156	94,156
Elementary & Secondary School Emergency Relief Fund (ARP HCY)	-	-	40,166	40,166
Other CARES Act and CRRSA Act Funding	-	-	75,974	75,974
Medical Assistance - Admin.	2,500	2,500	-	(2,500)
Total Revenues from Federal Sources	4,196,406	4,196,406	2,134,923	(2,061,483)
Total Revenues	47,070,204	47,070,204	47,792,401	722,197
Other Financing Sources				
Proceeds from Leases	-	-	261,911	261,911
Total Revenues and Other Financing Sources	47,070,204	47,070,204	48,054,312	984,108

Highlands School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	11,249,372	11,249,372	10,240,687	1,008,685
Employee Benefits	7,056,256	7,056,256	6,178,130	878,126
Purchased Prof. and Tech. Services	462,227	462,227	238,222	224,005
Purchased Property Services	23,748	23,748	11,496	12,252
Other Purchased Services	1,575,408	1,575,408	1,559,768	15,640
Supplies	953,977	953,977	750,776	203,201
Property	14,415	14,415	9,324	5,091
Other Objects	2,764	2,764	1,907	857
Total Regular Programs	21,338,167	21,338,167	18,990,310	2,347,857
Special Programs				
Personal Services				
Salaries	2,865,879	2,865,879	2,699,584	166,295
Employee Benefits	1,783,184	1,783,184	1,579,618	203,566
Purchased Prof. and Tech. Services	511,829	511,829	573,673	(61,844)
Purchased Property Services	525	525	-	525
Other Purchased Services	3,636,410	3,636,410	2,644,500	991,910
Supplies	271,208	271,208	40,910	230,298
Property	2,250	2,250	-	2,250
Total Special Programs	9,071,285	9,071,285	7,538,285	1,533,000
Vocational Education Programs				
Personal Services				
Salaries	-	-	1,700	(1,700)
Employee Benefits	-	-	727	(727)
Other Purchased Services	670,246	670,246	361,893	308,353
Supplies	1,750	1,750	1,050	700
Other Objects	-	-	48	(48)
Total Vocational Education Programs	671,996	671,996	365,418	306,578

Highlands School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Instructional Programs				
Personal Services				
Salaries	8,400	8,400	163,503	(155,103)
Employee Benefits	3,564	3,564	50,548	(46,984)
Other Purchased Services	99,480	99,480	7,231	92,249
Supplies	1,000	1,000	23,936	(22,936)
Total Other Instructional Programs	112,444	112,444	245,218	(132,774)
Nonpublic School Programs				
Purchased Prof. and Tech. Services	51,649	51,649	53,536	(1,887)
Other Purchased Services	-	-	750	(750)
Total Nonpublic School Programs	51,649	51,649	54,286	(2,637)
Pre-Kindergarten				
Personal Services				
Salaries	200,260	200,260	129,897	70,363
Employee Benefits	132,071	132,071	120,433	11,638
Other Purchased Services	11,638	11,638	-	11,638
Supplies	19,095	19,095	33,705	(14,610)
Total Nonpublic School Programs	363,064	363,064	284,035	79,029
Total Instruction	31,608,605	31,608,605	27,477,552	4,131,053
Support Services				
Pupil Personnel				
Personal Services				
Salaries	903,894	903,894	993,600	(89,706)
Employee Benefits	583,034	583,034	565,770	17,264
Purchased Prof. and Tech. Services	54,500	54,500	15,065	39,435
Purchased Property Services	-	-	391	(391)
Other Purchased Services	1,279	1,279	1,628	(349)
Supplies	30,208	30,208	28,790	1,418
Property	2,500	2,500	-	2,500
Other Objects	2,285	2,285	180	2,105
Total Pupil Personnel	1,577,700	1,577,700	1,605,424	(27,724)

Highlands School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Instructional Staff				
Personal Services				
Salaries	339,353	339,353	369,150	(29,797)
Employee Benefits	210,537	210,537	225,259	(14,722)
Purchased Prof. and Tech. Services	107,556	107,556	164,750	(57,194)
Purchased Property Services	-	-	100	(100)
Other Purchased Services	3,125	3,125	1,702	1,423
Supplies	10,379	10,379	9,504	875
Other Objects	169	169	89	80
Total Instructional Staff	671,119	671,119	770,554	(99,435)
Administration				
Personal Services				
Salaries	1,368,035	1,368,035	1,449,134	(81,099)
Employee Benefits	750,576	750,576	751,990	(1,414)
Purchased Prof. and Tech. Services	248,784	248,784	236,794	11,990
Purchased Property Services	64,813	64,813	121,069	(56,256)
Other Purchased Services	163,594	163,594	129,644	33,950
Supplies	99,385	99,385	98,424	961
Property	11,000	11,000	-	11,000
Other Objects	22,512	22,512	27,141	(4,629)
Total Administration	2,728,699	2,728,699	2,814,196	(85,497)
Pupil Health				
Personal Services				
Salaries	285,335	285,335	101,512	183,823
Employee Benefits	209,559	209,559	64,676	144,883
Purchased Prof. and Tech. Services	16,026	16,026	68,242	(52,216)
Purchased Property Services	240	240	200	40
Other Purchased Services	1,200	1,200	155	1,045
Supplies	8,937	8,937	7,468	1,469
Other Objects	390	390	-	390
Total Pupil Health	521,687	521,687	242,253	279,434

Highlands School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Business				
Personal Services				
Salaries	342,167	342,167	387,702	(45,535)
Employee Benefits	213,733	213,733	234,119	(20,386)
Purchased Prof. and Tech. Services	106,193	106,193	153,350	(47,157)
Purchased Property Services	25,036	25,036	3,495	21,541
Other Purchased Services	10,700	10,700	9,779	921
Supplies	60,694	60,694	51,815	8,879
Property	2,500	2,500	-	2,500
Other Objects	1,100	1,100	224	876
Total Business	762,123	762,123	840,484	(78,361)
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	1,681,177	1,681,177	1,575,726	105,451
Employee Benefits	1,031,190	1,031,190	958,391	72,799
Purchased Prof. and Tech. Services	346,750	346,750	288,337	58,413
Purchased Property Services	309,569	309,569	303,980	5,589
Other Purchased Services	158,400	158,400	125,609	32,791
Supplies	890,283	890,283	728,554	161,729
Property	30,000	30,000	12,152	17,848
Other Objects	-	-	5,022	(5,022)
Total Oper. and Maint. of Plant Svcs.	4,447,369	4,447,369	3,997,771	449,598
Student Transportation Services				
Personal Services				
Salaries	54,095	54,095	20,869	33,226
Employee Benefits	38,487	38,487	13,243	25,244
Purchased Prof. and Tech. Services	-	-	900	(900)
Other Purchased Services	2,794,255	2,794,255	3,060,647	(266,392)
Supplies	4,560	4,560	4,300	260
Property	3,213	3,213	-	3,213
Total Student Transportation Services	2,894,610	2,894,610	3,099,959	(205,349)

Highlands School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Central				
Personal Services				
Salaries	295,694	295,694	282,666	13,028
Employee Benefits	175,005	175,005	195,809	(20,804)
Purchased Prof. and Tech. Services	72,885	72,885	110,063	(37,178)
Purchased Property Services	107,199	107,199	102,921	4,278
Other Purchased Services	47,046	47,046	17,437	29,609
Supplies	609,780	609,780	613,735	(3,955)
Property	-	-	878	(878)
Other Objects	-	-	400	(400)
Total Central	1,307,609	1,307,609	1,323,909	(16,300)
Other				
Other Purchased Services	23,000	23,000	21,809	1,191
Total Support Services	14,933,916	14,933,916	14,716,359	217,557
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	370,839	370,839	317,664	53,175
Employee Benefits	58,615	58,615	143,369	(84,754)
Purchased Prof. and Tech. Services	106,925	106,925	92,393	14,532
Purchased Property Services	55,600	55,600	43,566	12,034
Other Purchased Services	108,285	108,285	103,359	4,926
Supplies	49,498	49,498	39,913	9,585
Property	-	-	63,200	(63,200)
Other Objects	9,550	9,550	12,653	(3,103)
Total Student Activities	759,312	759,312	816,117	(56,805)
Community Services				
Purchased Prof. and Tech. Services	30,167	30,167	19,747	10,420
Supplies	15,788	15,788	4,243	11,545
Other Objects	6,120	6,120	3,000	3,120
Total Community Services	52,075	52,075	26,990	25,085
Total Noninstructional Services	811,387	811,387	843,107	(31,720)

Highlands School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Facilities Acquisition, Construction and Improvement Services				
Purchased Prof. and Tech. Services	-	-	1,269	(1,269)
Supplies	18,000	18,000	-	18,000
Total Facilities Acquisition, Construction and Improvement Services	18,000	18,000	1,269	16,731
Debt Service				
Interest	746,219	746,219	735,417	10,802
Refunds of Prior Year's Receipts	-	-	1,000	(1,000)
Redemption of Principal	2,265,000	2,265,000	2,360,611	(95,611)
Total Debt Service	3,011,219	3,011,219	3,097,028	(85,809)
Total Expenditures	50,383,127	50,383,127	46,135,315	4,247,812
Other Financing Uses				
Fund Transfers				
Food Service Fund	152,375	152,375	-	152,375
Budgetary Reserve	106,733	106,733	-	106,733
Total Other Financing Uses	259,108	259,108	-	259,108
Total Expenditures and Other Financing Uses	50,642,235	50,642,235	46,135,315	4,506,920
Net Change in Fund Balance	(3,572,031)	(3,572,031)	1,918,997	5,491,028
Fund Balance - July 1, 2021 (Restated See Note16)	14,935,036	14,935,036	20,745,719	5,810,683
Fund Balance - June 30, 2022	$ 11,363,005	$ 11,363,005	$ 22,664,716	$ 11,301,711

Highlands School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2022

Note 1 – Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).

Highlands School District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
and Related Ratios
Last Seven Years

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Total OPEB Liability							
Service Cost	$ 566,119	$ 274,043	$ 242,145	$ 365,836	$ 368,951	$ 266,102	$ -
Interest	163,972	229,511	239,689	217,221	173,288	252,401	-
Difference Between Expected and Actual Experience	-	(290,497)	-	213,118	-	(954,194)	-
Changes in Assumptions and Other Inputs	53,328	853,742	139,475	(379,466)	(255,377)	795,168	-
Change of benefit terms	-	78,381	-	-	-	(117,397)	-
Benefit Payments	(168,717)	(283,113)	(257,363)	(290,819)	(299,535)	(471,817)	-
Net Change in Total OPEB Liability	614,702	862,067	363,946	125,890	(12,673)	(229,737)	-
Total OPEB Liability - Beginning	7,419,528	6,557,461	6,193,515	6,067,625	6,080,298	6,310,035	-
Total OPEB Liability - Ending	$ 8,034,230	$ 7,419,528	$ 6,557,461	$ 6,193,515	$ 6,067,625	$ 6,080,298	$ 6,310,035
Covered-Employee Payroll	$15,768,763	$15,384,159	$15,933,452	$15,544,831	$15,447,724	N/A	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	50.95%	48.23%	41.16%	39.84%	39.28%	N/A	N/A

Notes to Schedule:

GASB 75 was implemented beginning with fiscal year ended June 30, 2018.

Assumption Changes:

Discount rate used for fiscal year ending:

2022	2.16%
2021	2.21%

For the June 30, 2022 valuation, updated the mortality improvement scale to MP-2020.

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

Highlands School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS
Last Eight Years

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	$ 6,445,084	$ 6,319,417	$ 6,134,445	$ 6,031,675	$ 5,921,040	$ 4,776,564	$ 4,271,169	$ 3,481,195
Contributions in Relation to the Contractually Required Contribution	6,445,084	6,319,417	6,134,445	6,031,675	5,921,040	4,776,564	4,271,169	3,481,195
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's Covered Payroll	$ 18,202,243	$ 18,239,036	$ 18,440,833	$ 19,338,793	$ 18,654,820	$ 16,358,096	$ 17,299,186	$ 17,098,207
Contributions as a Percentage of Covered Payroll	35.41%	34.65%	33.27%	31.19%	31.74%	29.20%	24.69%	20.36%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2021 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year

Highlands School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net Pension Liability
PSERS
Last Eight Years
(Dollar Amount in Thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
School District's Proportion of the Net Pension Liability (Asset)	0.1289%	0.1313%	0.1346%	0.1436%	0.1386%	0.1374%	0.1394%	0.1348%
School District's Proportionate Share of the Net Pension Liability (Asset)	$ 52,922	$ 64,651	$ 62,969	$ 68,935	$ 68,452	$ 68,091	$ 60,382	$ 53,355
School District's Covered Payroll	$ 18,239	$ 18,440	$ 18,561	$ 19,338	$ 18,459	$ 17,299	$ 17,098	$ 17,206
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	290.16%	350.60%	339.25%	356.47%	370.83%	393.61%	353.15%	310.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

Highlands School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS OPEB Plan
Last Five Years

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	$ 151,027	$ 154,638	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	151,027	154,638	N/A	N/A	N/A
Contribution Deficiency (Excess)	$ -	$ -	N/A	N/A	N/A
School District's Covered Payroll	$18,202,243	$18,239,036	$18,440,833	$19,338,793	$18,654,820
Contributions as a Percentage of Covered Payroll	0.83%	0.85%	N/A	N/A	N/A

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2021 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2022.

N/A- Information not available

Highlands School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net OPEB Liability
PSERS OPEB Plan
Last Five Years
(Dollar Amount in Thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.1287%	0.1313%	0.1346%	0.1436%	0.1374%
School District's Proportionate Share of the Net OPEB Liability (Asset)	$ 3,049	$ 2,839	$ 2,863	$ 2,994	$ 2,960
School District's Covered Payroll	$ 14,846	$ 13,946	$ 18,561	$ 19,338	$ 18,459
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	20.54%	20.36%	15.42%	15.48%	16.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.30%	5.69%	5.56%	5.56%	5.73%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

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SINGLE AUDIT SECTION

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Members of the Board
Highlands School District
Natrona Heights, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Highlands School District for the period ended June 30, 2022 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports is as follows:

A. 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*

B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

C. Schedule of Findings and Questioned Costs

D. Schedule of Expenditures of Federal Awards

E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
April 28, 2023

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EXHIBIT A

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*

Members of the Board
Highlands School District
Natrona Heights, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highlands School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Highlands School District's basic financial statements, and have issued our report thereon dated April 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Highlands 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 Highlands School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Highlands School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a material weakness.

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Highlands School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Highlands School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
April 28, 2023

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EXHIBIT B

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Members of the Board
Highlands School District
Natrona Heights, Pennsylvania

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Highlands 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 Highlands School District's major federal programs for the year ended June 30, 2022. Highlands 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.

Qualified Opinion on Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Highlands School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Highlands School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified 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 Highlands 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 Highlands School District's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Qualified Opinion on Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, Highlands School District did not comply with requirements for CFDA No. 84.425 Education Stabilization Fund as described in finding number 2022-002 for Activities Allowed or Unallowed.

Compliance with such requirements is necessary, in our opinion, for Highlands School District to comply with the requirements applicable to that program.

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 Highlands 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 Highlands 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 judgment made by a reasonable user of the report on compliance about Highlands School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Highlands 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 Highlands 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 Highlands 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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-03 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies, 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.

Government Auditing Standards requires the auditor to perform limited procedures on Highlands School District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Highlands School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
April 28, 2023

Highlands School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

EXHIBIT C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report was unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	✓	yes		no
• Significant deficiency(ies) identified?		yes	✓	none reported

Noncompliance material to financial statements noted?		yes	✓	no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	✓	yes		no
• Significant deficiency(ies) identified?		yes	✓	none reported

Type of auditor's report issued on compliance for major programs was modified.

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.553	Child Nutrition Cluster
84.425	Education Stabilization Fund
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee?		yes	✓	no

Section II – Financial Statement Findings

Material Weaknesses

2022-001 Review of Reconciliations

Condition

There were a number of journal entries required to properly state cash and liabilities at year end and to restate the beginning general fund balances.

Criteria

Internal controls should be in place to ensure that transactions are posted properly in all funds and that management reviews the financial information for all funds monthly and at year end. Management should also ensure monthly reconciliations are made on a timely basis for all the cash accounts and the other asset and liability accounts, ensuring all transactions are properly reported and recorded.

Cause

Lack of specific procedures in place to be performed on a monthly basis. In addition, there was turnover of staff in the business office which resulted in the lack of adequate training for the employees. Also a lack of management review.

Effect

Financial reports prepared by School District are not accurate on a monthly basis.

Recommendation

Management should review the financial statements both monthly and at year end to make sure transactions are posted accurately.

Response

Highlands School District agrees with the finding and the recommended procedures and is attempting to implement improvements over financial reporting.

Section III – Federal Award Findings and Questioned Costs

2022-002 Activities Allowed or Unallowed

Education Stabilization Fund 84.425 Covid 19
Passed through the Department of Education

Compliance Finding

Condition

The School District was originally requesting reimbursement for unallowed transportation costs.

Criteria

Only allowable costs under the program should be reported and claimed as federal expenditures.

Cause

The School believed any transportation costs incurred were an eligible expense under the guidelines for the Education Stabilization Fund. The School reported, on the quarterly cash on hand reports, costs for transportation that were not eligible.

Effect

The reporting of the expenditures on the cash on hand quarterly reports that were not eligible resulted in the school district receiving funds in advance of the actual eligible expenditures being incurred and resulting in a significant deferred revenue at year end.

Recommendation

Management should ensure only eligible expenses are reported as federal expenditures. The business office personnel and the federal program coordinator should ensure the reports being filed are accurate.

Response

Highlands School District agrees with the finding and the recommended procedures and is attempting to implement improvements over reporting.

2022-003 Funding Source Reports and Expenditure Reporting

Education Stabilization Fund   84.425 Covid 19
Passed through the Department of Education

Material Weakness in Internal Control

Condition

The School District was not tracking the federal expenditures within the general ledger system as they were being posted in all cases, entries were being made for some of the expenses to the federal funding source from the accounts originally posted.

Criteria

Federal expenditures should be posted to the federal funding source accounts in the general ledger as they are incurred and significant adjusting entries reclassing expenditures should be at a minimum. This will allow for the proper reporting and control over federal expenditures.

Cause

The School was not consistent in determining what expenditures were being used with federal funds and was making entries after the original posting.

Effect

The reclassification and moving expenditures by journal entry to federal coding allows for the potential for expenditures to be improperly reported.

Recommendation

Management should ensure only eligible expenses are reported as federal expenditures and ensure they are coded to the correct accounts with the original transactions and not all be journal entries.

Response

Highlands School District agrees with the finding and the recommended procedures and is attempting to implement improvements over reporting.

Section IV – Status of Prior Year's Findings

No prior year's findings.

Highlands School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

EXHIBIT D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/21		Revenue Recognized	Expendi-tures	Accrued or (Deferred) Revenue 06/30/22
U.S. Department of Education											
Passed through the Pennsylvania Department of Education											
Title I Improving Basic Programs	I	84.010	013-210191	08/31/20-09/30/21	$ 833,950	$ 178,189	$ 108,078		$ 70,111	$ 70,111	$ -
Title I Improving Basic Programs	I	84.010	013-220191	08/26/21-09/30/22	900,966	582,846	-		855,641	855,641	272,795
						761,035	108,078		925,752	925,752	272,795
Title II Improving Teacher Quality	I	84.367	020-210191	08/31/20-09/30/21	114,801	8,104	1,780		7,672	7,672	1,348
Title II Improving Teacher Quality	I	84.367	020-220191	08/26/21-09/30/22	115,043	114,713	-		99,022	99,022	(15,691)
						122,817	1,780		106,694	106,694	(14,343)
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-210191	08/31/20-09/30/21	63,046	40,529	11,418		29,111	29,111	-
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-220191	08/26/21-09/30/22	61,800	61,764	-		37,608	37,608	(24,156)
						102,293	11,418		66,719	66,719	(24,156)
Continuity of Education Grant	I	84.425C	253-200191	03/13/20-09/30/22	79,000	41,579	40,520		26,006	26,006	24,947
aTSI Governors Emergency Education Relief	I	84.425C	254-200191	03/13/20-09/30/22	45,713	33,683	-		33,683	33,683	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425D	200-200191	03/13/20-09/30/22	682,789	107,809	86,388	F	21,421	21,421	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210191	03/13/20-09/30/23	3,034,620	1,058,588	-		669,938	669,938	(388,650)
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	I	84.425U	223-210191	03/13/20-09/30/24	6,138,158	-	-		18,455	18,455	18,455
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER 7%)	I	84.425U	252-210191	03/13/20-09/30/24	477,072	26,022	-		94,156	94,156	68,134
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP HCY)	I	84.425W	181-212185	07/01/21-09/30/24	51,499	2,641	-		40,166	40,166	37,525
						1,270,322	126,908		903,825	903,825	(239,589)
Passed through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 Safety and Security Grant	I	84.425D	2020-ES-01-35416	3/13/20-09/30/22	65,108	34,323	9,149	F	55,959	55,959	30,785
						1,304,645	136,057		959,784	959,784	(208,804)

Highlands School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

EXHIBIT D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/21	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/22
Special Education Cluster										
Passed through the PA Department of Education										
COVID-19 SECIM	I	84.027	252-200191	07/01/20-09/30/22	25,171	5,034	16,781	-	-	11,747
Passed through the Allegheny Intermediate Unit										
IDEA B	I	84.027	062-220003	07/01/21-09/30/22	719,360	-	-	719,360	719,360	719,360
IDEA B Section 619	I	84.173	131-210003	07/01/21-06/30/22	3,738	3,738	-	3,738	3,738	-
Subtotal Special Education Cluster						8,772	16,781	723,098	723,098	731,107
Subtotal U.S. Department of Education						2,299,562	274,114	2,782,047	2,782,047	756,599
U.S. Department of Homeland Security										
Passed through the Pennsylvania Emergency Management										
Pennsylvania COVID-19 Declaration	I	97.036	FEMA-4506-DR-PA	01/01/20-09/30/22	75,974	-	-	75,974	75,974	75,974
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
P-EBT Administrative Costs Grant	I	10.649	N/A	07/01/21-06/30/22	N/A	3,063	-	3,063	3,063	-
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	976,222	8,690	1,102,395	1,102,395	134,863
National School Breakfast Program	I	10.553	N/A	07/01/21-06/30/22	N/A	233,620	3,498	270,926	270,926	40,804
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/21-06/30/22	N/A	89,761	(17,616)	97,323	97,323	(10,054)
Total Child Nutrition Cluster						1,299,603	(5,428)	1,470,644	1,470,644	165,613
Total U.S. Department of Agriculture						1,302,666	(5,428)	1,473,707	1,473,707	165,613
Total Federal Financial Assistance						$ 3,602,228	$ 268,686	$ 4,331,728	$ 4,331,728	$ 998,186

See Accompanying Notes to Schedule of Expenditures of Federal Awards

EXHIBIT D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Highlands School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Highlands School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Highlands School District.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
(2) Highlands School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

Note D - Reconciliation with Subsidy Confirmation

Amounts Received Per Schedule	$ 3,602,228
Less: Commodities Received	(89,761)
Less: Passage Through AIU	(3,738)
Less: Passage Through PCCD	(34,323)
Add: State Funding on Confirmation	333,816
Per Subsidy Confirmation	$ 3,808,222

Note E - Subrecipients

The School District did not pass through any federal expenditures to subrecipients.

Note F - Restatement

The receivable balance reported as of July 1, 2021 has been restated.

Highlands School District
List of Report Distribution
Year Ended June 30, 2022

EXHIBIT E

1 Copy – Bureau of Audits

1 Copy – Bureau of the Census

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

$21,580,000
HIGHLANDS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)
Dated June 29, 2023 - Final Maturity April 15, 2043
GENERAL OBLIGATION (LIMITED TAX) BONDS, SERIES OF 2023

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Highlands School District (the "Issuer"), in connection with the issuance of its $21,580,000 General Obligation (Limited Tax) Bonds, Series of 2023 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of School Directors of the Issuer on May 15, 2023 (the "Resolution"). The Issuer covenants and agrees as follows:

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

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

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

"*Disclosure Representative*" means the Executive Director of Business Affairs and Support Services of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

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

"*EMMA*" means the continuing disclosure service of the MSRB's Electronic Municipal Market Access system, as established by SEC Release No. 34-58256, as amended, and approved by SEC Release No. 34-59061.

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

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate, if such event is material with respect to the Bonds.

"*Official Statement*" means that certain Official Statement of the Issuer dated June 1, 2023, as used in the public offering and sale of the Bonds.

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

Section 3. ***Provision of Annual Reports***. The Issuer shall provide the Annual Report not later than the March 31 following the end of each fiscal year (the "Report Date"), beginning with the fiscal year ending June 30, 2023 to EMMA which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate, provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

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

(a) audited financial statements for the most recently ended fiscal year, prepared in accordance with generally accepted accounting principles for Pennsylvania school districts and audited in accordance with generally accepted auditing standards;

(b) a summary of the adopted budget for the current fiscal year; and

(c) updated and current information consistent with the information appearing in Appendix A to the Official Statement, under the following headings:

(i) Enrollment Data, consisting of Actual and Projected Enrollments;
(ii) Tax Anticipation Borrowing;
(iii) Ten Largest Real Property Taxpayers; and
(iv) Real Estate Tax Collection Data.

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

Section 5. ***Reporting of Significant Events***. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events if such event is material with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue

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

(vii) modifications to the rights of security holders, if material;

(viii) bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event, such as determination of distressed status, affecting the Issuer;

(xiii) the consummation of a merger, consolidation, or acquisition of the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) the appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) the incurrence of a Financial Obligation of the Issuer, if material, or the agreement, in connection with a Financial Obligation, to new, or additional, covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar event under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event the Issuer shall as soon as practicable determine if such event is material information for holders of Bonds, provided, that any event under subsection (a)(xi) will always be deemed to be material.

(c) If the Issuer has determined that knowledge of the occurrence of a Listed Event is material, the Issuer shall promptly notify the Paying Agent in writing and report the event pursuant to subsection (d).

(d) If the Issuer determines to report the occurrence of Listed Events pursuant to subsection (c) above, then the Issuer shall file a notice of such occurrence with EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.

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

Section 7. ***Dissemination Agent***. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent with or without appointing a successor Dissemination Agent. If no replacement Dissemination Agent is appointed, the Issuer shall undertake all obligations thereof hereunder.

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

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

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

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

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

Section 13. ***Notices***.

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

Highlands School District
1500 Pacific Avenue
P.O. Box 288
Natrona Heights, Pennsylvania 15065
Attention: Executive Director of Business Affairs and Support Services

IN WITNESS WHEREOF, the Issuer has caused its duly authorized officer to execute this Certificate as of this 29th day of June, 2023.

HIGHLANDS SCHOOL DISTRICT

By:___________________________________
President, Board of School Directors

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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FORM OF OPINION OF BOND COUNSEL

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

We have served as Bond Counsel to Highlands School District (Allegheny County, Pennsylvania) (the "Local Government Unit") and do hereby undertake to advise you in connection with the issuance, sale and delivery of its $21,580,000, aggregate principal amount, General Obligation (Limited Tax) Bonds, Series of 2023 (the "Bonds"), issued in fully registered form, dated and bearing interest from June 29, 2023, maturing on various annual dates ending April 15, 2043, and subject to redemption prior to maturity at the option of the Local Government Unit beginning April 15, 2032.

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

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

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

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

1. The Bonds are valid and binding general obligations of the Local Government Unit.

   (a) The Bonds are issued for a valid purpose under the School Code.

   (b) The Bonds, and all other outstanding debt of the Local Government Unit, are within constitutional and statutory limitations.

(c) The Debt Ordinance authorizing the Bonds was duly and properly enacted and is in full force and effect.

(d) The Bonds conform, in all substantial respects, to the form provided in the Debt Ordinance.

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

3. Presently included among the general revenues of the Local Government Unit available for the payment of the Bonds are ad valorem real estate taxes, whose levy upon all taxable real property situate within the corporate limits of the Local Government Unit is subject to the limitations of Pennsylvania Act No. 1 of Special Session 2006 ("Act 1"), which became effective June 27, 2006.

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

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

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

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

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

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

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY
MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100