

**NEW ISSUE - BOOK ENTRY ONLY**

**EXPECTED RATING: S&P: “AAA” (Stable Outlook)**  
(See “RATING” herein)

*In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including interest in the form of original issue discount, if any, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See “TAX MATTERS” herein.*

**\$48,730,000\***

**DERRY TOWNSHIP SCHOOL DISTRICT**  
**(Dauphin County, Pennsylvania)**  
**General Obligation Bonds, Series of 2026**

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

**Interest Payable:** May 15 and November 15  
**First Interest Payment:** November 15, 2026  
**Form:** DTC Book-Entry Only

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

**General:** The General Obligation Bonds, Series of 2026 (the “Bonds” or “2026 Bonds”) in the aggregate principal amount of \$48,730,000\* are being issued by the Derry Township School District (the “School District”), a public school district located in Dauphin County, Pennsylvania. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of the Bonds can be made only under the book-entry system of DTC, and purchasers will not receive certificates representing their interests in the Bonds. While DTC, or its nominee Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by Manufacturers and Traders Trust Company, as paying agent, directly to Cede & Co. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners of the Bonds is the responsibility of the DTC Participants and the Indirect Participants. See “**BOOK-ENTRY ONLY SYSTEM**” herein. Interest on the Bonds is payable initially on November 15, 2026, and thereafter, semiannually on May 15 and November 15 of each year.

**Security:** The Bonds are payable from the tax and other general revenues of the School District. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from funds deposited by the School District in the respective sinking funds established under the Resolution adopted by the School District on June 22, 2026, authorizing and securing the Bonds, or from any other of its legally available revenue or funds, the principal of every Bond and the interest thereon at the dates and place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and taxing power, which taxing power includes the power to levy *ad valorem* taxes on all taxable property in the School District, within limitations provided by law (see “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**”, APPENDIX A - “**TAXING POWERS AND LIMITS**” and “**PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS**” – “**Taxpayer Relief Act (Act 1)**” herein).

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

**Proceeds of the Bonds** will be used to: (1) finance the construction of a new Hershey Elementary School; and (2) pay the related costs, including the costs of issuing the Bonds.

The Bonds are offered for delivery when, as and if issued by the School District and received by the Underwriter, subject to the approving legal opinion of Saxton & Stump, LLC, Lancaster, Pennsylvania, as Bond Counsel to the School District, to be furnished upon delivery of the Bonds. Certain legal matters will be passed upon by Saxton & Stump, LLC, Lancaster, Pennsylvania, as Solicitor for the School District, and for the Underwriter by its limited scope underwriter’s counsel, Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, will serve as Municipal Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about July \_\_\_\_, 2026.

**RAYMOND JAMES®**

\*Preliminary, subject to change.

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

**\$48,730,000\***

**DERRY TOWNSHIP SCHOOL DISTRICT**  
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**BOND MATURITY SCHEDULE**

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<b>(May 15)</b>	<b>Principal</b>	<b>Interest</b>			<b>CUSIP</b>
<b><u>Year</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>Numbers</u> <sup>(1)</sup></b>
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					
2051					

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

\*Preliminary, subject to change.

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

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

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

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

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**SUMMARY PAGE**

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

<b>Issuer</b> .....	Derry Township School District, Dauphin County, Pennsylvania (the "School District").
<b>Bonds</b> .....	The General Obligation Bonds, Series of 2026 in the principal amount of \$48,730,000* (the "Bonds"), dated as of the date of delivery, maturing on May 15, _____ through May 15, _____.  Interest on the Bonds shall be payable semiannually on May 15 and November 15. See " <b>DESCRIPTION OF THE BONDS</b> " herein.
<b>Optional Redemption</b> .....	The Bonds stated to mature on or after May 15, _____, are subject to redemption prior to maturity at the option of the School District in whole or, from time to time, in part, in any order of maturities as the School District shall select, on any date or dates on or after May 15, _____, at a price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for such optional redemption.
<b>Form</b> .....	Book-Entry Only.
<b>Application of Proceeds</b> .....	Proceeds of the Bonds will be used to: (1) finance the construction of a new Hershey Elementary School; and (2) pay the related costs, including the costs of issuing the Bonds.
<b>Security</b> .....	The Bonds are general obligations of the School District, for the payment of which the School District has pledged its full faith, credit and taxing power.
<b>Rating</b> .....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign the School District a rating of "AAA" (stable outlook). (See " <b>RATING</b> " herein.)
<b>Continuing Disclosure Undertaking</b> .....	The School District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted (the "Rule"). (See " <b>CONTINUING DISCLOSURE UNDERTAKING</b> " and " <b>APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE</b> , herein.)

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\*Preliminary, subject to change.

**DERRY TOWNSHIP SCHOOL DISTRICT**  
**(Dauphin County, Pennsylvania)**  
30 E. Granada Avenue  
Hershey, Pennsylvania 17033

**BOARD OF SCHOOL DIRECTORS**

Ms. Lindsay Drew..... President  
Mrs. Jennifer Renz..... Vice President  
Dr. Stewart McCarver..... Treasurer  
Mrs. Lesa Brackbill..... Member  
Dr. Joshua Cysyk..... Member  
Ms. Honesta Romberger..... Member  
Mrs. Tracey Royo..... Member  
Dr. Nicole Searfoss..... Member  
Ms. Christine Stickler..... Member

**SCHOOL ADMINISTRATION**

Dr. Stacy Winslow..... Superintendent  
Jodie Dermo..... Business Manager

**BOND COUNSEL**

Saxton & Stump, LLC  
Lancaster, Pennsylvania

**SOLICITOR**

Saxton & Stump, LLC  
Lancaster, Pennsylvania

**UNDERWRITER**

Raymond James & Associates, Inc.  
Lancaster, Pennsylvania

**LIMITED SCOPE UNDERWRITER'S COUNSEL**

Eckert Seamans Cherin & Mellott, LLC  
Harrisburg, Pennsylvania

**MUNICIPAL ADVISOR**

PFM Financial Advisors LLC  
Harrisburg, Pennsylvania

**PAYING AGENT**

Manufacturers and Traders Trust Company  
Harrisburg, Pennsylvania

OFFICIAL STATEMENT

\$48,730,000\*

DERRY TOWNSHIP SCHOOL DISTRICT

(Dauphin County, Pennsylvania)

General Obligation Bonds, Series of 2026

INTRODUCTION

This Official Statement is furnished by the Derry Township School District (the "School District"), a public school district located in Dauphin County, Pennsylvania, in connection with the offering of its General Obligation Bonds, Series of 2026 (the "Bonds") in the aggregate principal amount of \$48,730,000\*, to be dated their date of delivery (the "Delivery Date") when the Bonds are issued and delivered to DTC (described below) or its agent. The Bonds are general obligations of the School District, which are secured by a parity pledge of its full faith, credit and taxing power to pay the principal of and interest due on the Bonds.

The Bonds are being issued pursuant to, and are secured by, a Resolution adopted by the Board of School Directors of the School District on June 22, 2026 (the "Resolution"), in accordance with the laws of the Commonwealth of Pennsylvania (the "Commonwealth" or "State"), including the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the "Debt Act"). Copies of the Resolution may be obtained from the School District.

The Bonds shall be issued in fully registered form, without certificates or coupons, in the denomination of \$5,000 principal amount and integral multiples thereof. Interest on the Bonds is payable semiannually on May 15 and November 15 of each year, commencing November 15, 2026. Interest on any Bond is payable to the Beneficial Owner as of the applicable Record Date (defined below). The interest on and principal of the Bonds is payable by the School District to Manufacturers and Traders Trust Company (the "Paying Agent"), serving as paying agent and sinking fund depository, for transfer to DTC. When issued, the Bonds will be registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any bond certificates, and beneficial ownership of the Bonds will be evidenced only by electronic book entries. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

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

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to: (1) finance the construction of a new Hershey Elementary School; and (2) pay the related costs, including the costs of issuing the Bonds.

SOURCES AND USES OF FUNDS

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

<sup>(1)</sup> Includes legal fees, underwriter's discount, paying agent fees, rating fee, municipal advisor fee, CUSIP, printing and miscellaneous fees.

\*Preliminary, subject to change.

## DESCRIPTION OF THE BONDS

The Bonds will be issued in book-entry form, in denominations of \$5,000 principal amount and integral multiples thereof. The Bonds will bear interest from the Delivery Date at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on the Bonds will be payable initially on November 15, 2026, and thereafter, semiannually on May 15 and November 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

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

### Payment of Principal and Interest

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

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

Interest on any certificated Bonds will be payable to the registered owner of such a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding, November 15, 2026, in which event such Bond shall bear interest from the Delivery Date, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on a certificated Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the last day of the month (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such certificated Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

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

### Transfer, Exchange and Registration of Certificated Bonds

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

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

## REDEMPTION OF BONDS

### Mandatory Sinking Fund Redemptions

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

<u>Year</u>	<u>Amount</u>
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### Optional Redemption

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

### Notice of Redemption

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

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not less than thirty (30) days prior to the date fixed for redemption, addressed to each of the registered owners of any certificated Bonds to be redeemed, at the addresses shown on the registration books kept by the Paying Agent as of the date such Bonds are selected for redemption; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

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

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

### Manner of Redemption

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

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

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

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

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

## BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each series of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

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

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

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

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

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

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

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

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

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

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

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

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General Obligation Pledge

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

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

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

### Sinking Fund

Under the Resolution, the School District has created a "Sinking Fund - General Obligation Bonds, Series of 2026" (the "Sinking Fund Depository") as required by the Debt Act and segregated from all other funds of the School District. The School District shall deposit in the respective Sinking Funds, not later than the date when principal or interest is to become due on the Bonds, an amount sufficient to provide for the payment of interest and principal becoming due on the Bonds.

The Sinking Fund shall be held by the Sinking Fund Depository and invested by the Sinking Fund Depository in such securities as are authorized by the Debt Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District but subject

to withdrawal or collection only by the Sinking Fund Depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Funds.

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

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

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

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

### **Pennsylvania Budget Adoption Impasses**

The Commonwealth’s fiscal year begins on July 1<sup>st</sup>; however, over several of the past years, the Commonwealth has started its fiscal year without a fully adopted state budget.

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

After a week’s delay and intense negotiations, a \$42.7 billion budget for the state’s 2022-23 fiscal year was signed by then Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement school districts with a higher at risk student population. The total amount was a \$525 million increase over the 2021-22 fiscal year appropriation.

After over a month delay, a \$44.9 billion budget for the state’s 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which included \$7.87 billion for the basic education funding appropriation. The total amount was a \$567 million increase over the 2022-23 fiscal year appropriation. The budget also provided \$50 million in additional aid to school districts for special education services for a total of \$1.4 billion. Certain funds authorized within the 2023-24 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023, multiple code bills were passed finalizing the 2023-24 Budget for education.

Governor Josh Shapiro signed the state’s budget for the 2024-25 fiscal year 11 days late on July 11, 2024. The \$47.6 billion budget includes \$8.097 billion for the basic education funding appropriation. The total amount is a \$225 million increase over the 2023-24 fiscal year appropriation. The budget also provides \$100 million in additional aid to school districts for special education services for a total of \$1.487 billion and \$100 million for cyber charter school tuition reimbursement. 348 school districts (including the School District) will receive additional funding totaling \$493.8 million under a new Adequacy Supplement. 182 school districts will receive an additional \$60 million in total of Hold Harmless Relief Supplement as a component of their basic education funding.

After months of negotiations, Governor Josh Shapiro signed the state’s budget for the 2025-26 fiscal year late on November 12, 2025. The \$50.1 billion budget includes (i) \$8.262 billion for the basic education funding appropriation, which is more than a \$100 million increase over the basic education funding appropriation for the 2024-25 fiscal year, and (ii) \$1.526 billion for the special education appropriation, which is a \$40,000,000 increase over the same appropriation for the 2024-25 fiscal year. The budget also increases the Ready to Learn Block Grant program appropriation by approximately 68% from the 2024-25 fiscal year. In addition, the budget hopes to provide \$175 million in estimated savings for school districts through reforms to the existing cyber charter school law. (See “**SECURITY FOR THE BONDS**” herein.)

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

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

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

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

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

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

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

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

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

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

## **BONDHOLDER CONSIDERATIONS**

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

### **Cybersecurity**

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

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

### **Climate Change**

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

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

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

## **CONTINUING DISCLOSURE UNDERTAKING**

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

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

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

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

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

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

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

**School District General Obligation Bonds:**

<b>Fiscal Year Ending</b>	<b>Filing Due Date</b>	<b>Filing Date:</b>		
		<b>Audit</b>	<b>Operating Data</b>	<b>Budget</b>
6/30/2025	3/26/2026	1/20/2026	2/05/2026 <sup>(1)</sup>	2/05/2026 <sup>(1)</sup>
6/30/2024	3/26/2025	3/04/2025	3/06/2025	3/06/2025
6/30/2023	3/26/2024	6/19/2024 <sup>(2)</sup>	1/25/2024	1/25/2024
6/30/2022	3/27/2023	3/08/2023	3/27/2023	1/26/2023
6/30/2021	3/27/2022	12/23/2021	12/23/2021	11/04/2021

<sup>(1)</sup>This is the date of the original filing to EMMA; however, on May 7, 2026, the “Annual Financial Information Report”, consisting of the operating data and budget, was modified to include the budget report that was inadvertently missed in the original filing.

<sup>(2)</sup>The audit was filed to EMMA on this date, when it became available. The "Failure to Timely File Notice" can be found in the "Annual Financial Information Report" which was filed to EMMA on 1/25/2024.

**State Public School Building Authority, Commonwealth of Pennsylvania (Dauphin County Technical School Refunding Project)  
Dauphin County, Pennsylvania,  
Guaranteed School Lease Revenue Bonds, Series of 2015:**

<b>Fiscal Year Ending</b>	<b>Filing Due Date</b>	<b>Filing Date:</b>	
		<b>Audit</b>	<b>Budget</b>
6/30/2025	1/26/2026	1/22/2026	1/26/2026
6/30/2024	1/26/2025	1/21/2025 <sup>(1)</sup>	1/21/2025
6/30/2023	1/26/2024	6/19/2024 <sup>(2)</sup>	1/25/2024
6/30/2022	1/26/2023	1/26/2023 <sup>(3)</sup>	1/26/2023
6/30/2021	1/26/2022	3/08/2023 <sup>(4)</sup>	3/08/2023 <sup>(5)</sup>

<sup>(1)</sup>The School District filed its PDE-2057 Annual Financial Report ("AFR") as an interim filing, along with a "Failure to Timely File Notice" in its "Annual Financial Information Report" filed to EMMA on this date. The Audit was subsequently filed when it became available, to EMMA on March 4, 2025.

<sup>(2)</sup>The School District filed a “Failure to Timely File Notice” to EMMA on 1/25/2024.

<sup>(3)</sup>The School District filed its unaudited financial report as an interim filing, along with a “Failure to Timely File Notice” on this date; and subsequently filed the Audit, when it became available to EMMA on 2/28/2023.

<sup>(4)</sup>The School District subsequently filed a “Failure to Timely File Notice” to EMMA on 3/27/2023.

<sup>(5)</sup>The School District subsequently filed a “Failure to Timely File Notice” to EMMA on 10/09/2023.

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements. The School District engaged the services of Raymond James & Associates, Inc., as Dissemination Agent in order to assist the School District to facilitate future ongoing compliance with the School District’s continuing disclosure undertakings in accordance with the Rule.

**NO LITIGATION**

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

## TAX MATTERS

### Federal

***Exclusion of Interest From Gross Income.*** In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals; however, such interest is considered in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations under the Code for tax years beginning after December 31, 2022.

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

***Other Federal Tax Matters.*** Ownership or disposition of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, individuals who otherwise qualify for the earned income credit and taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions, subject to Code Section 265, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

The Bonds are **not** designated, as “qualified tax-exempt obligations” for purposes and effected by Section 265 of the Code (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

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

### Pennsylvania

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

### Other Jurisdictions

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

### Other

The Inflation Reduction Act, H.R. 5376 (the “IRA”) was passed by both houses of Congress and signed by the President; as passed, the IRA includes a 15% alternative minimum tax to be imposed on the “adjusted financial statement income”, as defined in the IRA, of certain corporations for tax years beginning after December 31, 2022. If the IRA is enacted as passed, interest on the Bonds will be included in the “adjusted financial statement income” of such corporations for purposes of computing such alternative minimum tax.

## LEGAL OPINIONS

The issuance of the Bonds is subject to the approving legal opinion of Saxton & Stump, LLC, in Lancaster, Pennsylvania, as Bond Counsel to the School District, substantially in the form of Appendix C. Certain legal matters will be passed on for the School District by Saxton & Stump, LLC, in Lancaster, Pennsylvania, Solicitor to the School District, and Eckert Seamans Cherin & Mellott, LLC, in Harrisburg, Pennsylvania, will pass upon certain legal matters as limited scope undertaking counsel to the underwriter.

## RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign the School District a rating of "AAA" (stable outlook). This rating may be changed, suspended or withdrawn as a result in, or unavailability of, information.

The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds.

## UNDERWRITING

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

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

## PAYING AGENT

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

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

## MUNICIPAL ADVISOR

The School District has retained PFM Financial Advisors LLC, of Harrisburg, Pennsylvania, as municipal advisor (the "Municipal Advisor") in connection with the authorization and issuance of the Bonds. The Municipal Advisor is not obligated to perform an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of, the information contained in this Official Statement, and has neither performed any such verification nor assumed any such responsibility. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## CERTAIN OTHER MATTERS

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

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

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

**DERRY TOWNSHIP SCHOOL DISTRICT**  
**Dauphin County, Pennsylvania**

By:  
President, Board of School Directors

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**APPENDIX A**

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

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## DESCRIPTION OF THE SCHOOL DISTRICT

### Introduction

The Derry Township School District (the “School District”) is located in southern Dauphin County, approximately 10 miles southeast of Harrisburg. The School District shares a common border with Derry Township, which is primarily a residential/suburban area. The School District is centered around and includes the unincorporated community of Hershey. Primary road access to the School District is provided by U.S. Highway 322, 422, Interstate 76 (the Pennsylvania Turnpike) which runs from east to west and Interstate 81 which runs north to south.

### Economic Drivers in the School District

Derry Township is the headquarters for the Hershey Company, Hershey Entertainment & Resorts Company (“HE&R”) and the Penn State Health Milton S. Hershey Medical Center. The corporate headquarters for the Hershey Company is located in the School District along with several manufacturing facilities and a new manufacturing facility that was recently completed. Chocolate World, the official Visitors Center of the Hershey Company, is also located in Derry Township. HE&R owns and operates Hersheypark, which is an amusement park, the Hotel Hershey, the Hershey Lodge and Convention Center, Hersheypark Arena and Stadium, the Hershey Story Museum, the Hershey Gardens with their award-winning rose garden. The Penn State Health Milton S. Hershey Medical Center currently has over 10,000 employees. The Township of Derry Industrial and Commercial Development Authority is the owner of the Giant Center, a 10,500 seat sports and entertainment facility on property leased from HE&R adjacent to Hersheypark.

### Administration

The present School District was organized in 1914 and operates under the Pennsylvania School Code which was adopted in 1949. The School District is coterminous with Derry Township. It is governed by a nine member Board of School Directors (the “School Board”), elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Business Manager is responsible for budget and financial operations. Both of these officials are selected by the School Board.

### School Facilities

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition/ Renovation Date</u>	<u>Grades</u>	<u>Rated Pupil Capacity</u>	<u>2025-2026 Enrollment</u>
<b><u>Elementary Schools:</u></b>					
Hershey Early Childhood Center .....	2002	---	K-1	750	411
Hershey Primary/Intermediate Elementary School.....	1954	1991	2-5	1,470	922
<b><u>Secondary:</u></b>					
<b><u>Middle School:</u></b>					
Hershey Middle School.....	1966	2013	6-8	1,055	772
<b><u>High School:</u></b>					
Hershey High School .....	1996	2007	9-12	1,380	1,052
<b><u>Total Secondary Schools</u></b> .....				2,435	1,824
<b><u>Total All Schools</u></b> .....				4,655	3,157

Source: School District officials.

### Pupil Enrollment

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

<u>Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2021-22 .....	1,584	1,666	3,250
2022-23 .....	1,598	1,613	3,211
2023-24 .....	1,563	1,581	3,144
2024-25 .....	1,570	1,590	3,160
2025-26 (Current).....	1,333	1,824	3,157
2026-27 (Projected).....	1,320	1,820	3,140

Source: School District officials.

## SCHOOL DISTRICT FINANCES

### Financial Reporting

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

The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by State law. The firm of Boyer & Ritter, LLC, Camp Hill, Pennsylvania currently serves as the School District's auditor. The School District's auditor has not been engaged to perform and has not performed since the date of its report, any procedures on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this official statement.

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

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

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

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

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

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

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

**Summary and Discussion of Financial Results**

The below table presents a summary of the School District’s General Fund Financial Condition for Fiscal Years ending June 30, 2021 through June 30, 2025. For more complete information, the individual financial statements and the 2026 Budget of the School District are available on the School District’s website or may be reviewed at the School District’s Business Office.

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

	ACTUAL					Budgeted
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<b>Revenues</b>						
Local Sources.....	\$48,632,045	\$51,583,136	\$53,961,349	\$55,592,515	\$56,273,294	\$57,751,462
State Sources.....	12,299,794	12,647,977	14,265,528	15,669,243	16,798,952	17,210,612
Federal Sources.....	<u>1,986,163</u>	<u>3,256,186</u>	<u>3,206,343</u>	<u>2,933,946</u>	<u>1,041,079</u>	<u>888,347</u>
<b>Total Revenues</b> .....	\$62,918,002	\$67,487,299	\$71,433,220	\$74,195,704	\$74,113,325	\$75,850,421
<b>Expenditures</b>						
Instruction.....	\$38,149,603	\$38,822,379	\$38,817,312	\$41,612,938	\$43,901,845	\$45,621,018
Support Services .....	22,068,104	22,064,199	23,063,699	23,035,714	25,459,111	25,987,132
Non-Instructional Services.....	1,646,929	1,620,067	1,910,091	1,961,130	2,187,571	2,248,200
Refund of Prior Year Revenues .....	190,021	9,610	5076	103,035	1,669	0
Debt Service.....	<u>657,158</u>	<u>699,830</u>	<u>981,632</u>	<u>933,443</u>	<u>923,742</u>	<u>286,116</u>
<b>Total Expenditures</b> .....	\$62,711,815	\$63,216,085	\$64,777,810	\$67,646,260	\$72,473,938	\$74,142,466
<b>Excess Expenditures Over (Under) Revenues</b> .....	\$206,187	\$4,271,214	\$6,655,410	\$6,549,444	\$1,639,387	\$1,707,955
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets .....	\$0	\$2,588	\$0	\$0	\$47,500	\$0
Operating Transfers In.....	1,657,716	3,062,540	2,440,352	1,848,157	1,932,520	3,357,522
Operating Transfers Out .....	(3,956,720)	(5,016,302)	(4,920,200)	(5,064,425)	(5,476,026)	(5,221,812)
Insurance Recoveries .....	0	0	0	32,329	7,429	0
Proceeds from financed purchase agreements .....	0	0	0	901,783	0	0
Issuance of extended term financing.....	<u>866,880</u>	<u>601,268</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b> ..	(\$1,432,124)	(\$1,349,906)	(\$2,479,848)	(\$2,282,156)	(\$3,488,577)	(\$1,864,290)
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing (Uses)</b> .....	(\$1,225,937)	\$2,921,308	\$4,175,562	\$4,267,288	(\$1,849,190)	(\$156,335)
<b>Beginning Fund Balance</b> .....	<u>\$9,171,020</u>	<u>\$7,945,083</u>	<u>\$10,866,391</u>	<u>\$15,041,953</u>	<u>\$19,309,241</u>	<u>\$17,460,051</u>
<b>Fund Balance June 30</b> .....	<u>\$7,945,083</u>	<u>\$10,866,391</u>	<u>\$15,041,953</u>	<u>\$19,309,241</u>	<u>\$17,460,051</u>	<u>\$17,303,716</u>

Source: School District Audits and Budget.

## TAXING POWERS AND LIMITS

### In General

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

1. An annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - a) for minimum salaries and increments of the teaching and supervisory staff;
  - b) to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - c) *to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the School District; and*
  - d) to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July 1959.
3. An annual per capita tax on each resident over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, a per capita tax, an earned income and net profits tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth (“STEB”)/Tax Equalization Division (“TED”)) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

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

#### Taxpayer Relief Act (Act 1)

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

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

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

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

“Index” is defined in Act 1 as follows:

INDEX

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

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

STATEWIDE AVERAGE WEEKLY WAGE

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

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

<u>Fiscal Year</u>	<u>Index %</u>
2025-26	4.0
2024-25	5.3
2023-24	4.1
2022-23	3.4
2021-22	3.0

Source: Pennsylvania Department of Education website.

In accordance with Act 1, a board of school directors may submit, but is not required to submit, a referendum question to the voters in any future municipal election seeking approval to levy or increase the rate of an earned income tax (“EIT”) or impose a personal income tax (“PIT”) for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law. The referendum was not approved by a majority of the voters at the primary election.

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

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

**Limitations on School District Fund Balance**

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

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

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

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

\*Applicable to the School District

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

### TAX REVENUES OF THE SCHOOL DISTRICT

#### Tax Levies

#### 2025-26 Real Estate and Non-Real Estate Tax Rates

<b>Real Estates Tax (Mills)</b>								
<u>Municipality</u>	<u>School</u>		<u>Municipal</u>		<u>County</u>		<u>Total</u>	
Derry Township .....	20.3387		2.5381		8.3760		31.2528	

<u>Municipality</u>	<u>Real Estate Transfer</u>		<u>Earned Income</u>		<u>Occupation Mills</u>		<u>Parking</u>	
	<u>School</u>	<u>Municipal</u>	<u>School</u>	<u>Municipal</u>	<u>School</u>	<u>Municipal</u>	<u>School</u>	<u>Municipal</u>
Derry Township .....	0.5%	0.5%	0.5%	1.0%	1,000	1,000	0.0%	10.0%

<u>Municipality</u>	<u>Amusement (Per Admission)</u>		<u>Local Services</u>	
	<u>School</u>	<u>Municipal</u>	<u>School</u>	<u>Municipal</u>
Derry Township .....	5.0%	5.0%	\$5.00	\$47.00

Source: Local Government Officials

#### Real Estate Tax Collection Record

The School District's realty tax collection record for the current and previous five fiscal years ending June 30<sup>th</sup>, of the years shown below, is as follows:

<u>Fiscal Year</u>	<u>Mills</u>	<u>Total Flat Billing</u>	<u>Current Year Collections<sup>(1)</sup></u>	<u>% Collected (Current)</u>	<u>Prior Years' Collections</u>	<u>Total Collections<sup>(2)</sup></u>	<u>% Collected (Total)</u>
2020-21	18.7958	\$38,605,388	\$37,211,386	96.4%	\$500,979	\$37,712,365	97.7%
2021-22	18.7958	39,599,088	38,033,755	96.0%	728,339	38,762,094	97.9%
2022-23	19.4348	40,390,966	38,729,457	95.9%	434,629	39,164,086	97.0%
2023-24	19.9500	41,394,659	40,287,259	97.3%	493,803	40,781,062	98.5%
2024-25	20.3387	42,254,141	40,992,424	97.0%	355,100	41,347,524	97.9%

<sup>(1)</sup>Flat billing, plus penalties, less discounts and exonerations.

<sup>(2)</sup>Beginning in 2008-2009 the amount of the Levy is reduced by the amount of the Homestead/Farmstead Exemptions. The adjusted levy shown excludes the amount payable from the Property Tax and Rent Rebate Program funded pursuant to Act 1 of the Commonwealth.

Source: School District Officials.

**Trends in Market and Assessed Valuations**

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

<u>Fiscal Year</u>	<u>Market Value</u>	<u>Assessed Value</u>	<u>Ratio</u>
2020-2021	\$2,954,195,206	\$2,085,627,934	70.60%
2021-2022	2,978,046,312	2,101,333,450	70.56%
2022-2023	3,216,471,730	2,116,982,190	65.82%
2023-2024	3,173,232,547	2,091,883,840	65.92%
2024-2025	3,450,418,777	2,117,972,100	61.38%

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

**Top Ten Real Estate Taxpayers**

The following table represents the ten real estate taxpayers having the highest assessed values in the School District. These taxpayers represent approximately 19.04% of the School District’s total most recent assessed value.

<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>
Hershey Entertainment and Resorts Company.....	\$164,566,100
The Hershey Company .....	44,636,300
Penn State Health.....	37,282,600
Hershey Food Corporation.....	31,380,200
Briarcrest Residential LLC .....	22,590,000
Chocolate Realty DST .....	22,390,200
Hershey Company.....	22,281,200
Milton Hershey School .....	27,584,600
U & ME Hershey LLC.....	15,251,000
New Hershey Heights LL .....	<u>15,208,800</u>
<b>Total.....</b>	<b><u>\$403,171,000</u></b>

Source: County Assessment Office

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## COMMONWEALTH AID TO SCHOOL DISTRICTS

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

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

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

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

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

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of the debt service on some or all of the School District's outstanding bonds after said bonds have received final approval from the Department of Education (see **"DEBT STATEMENT AND DEBT LIMITS"** herein). Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Aid Ratio or CARF, whichever is higher. The School District's CARF is currently higher at 28.14%. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon". In future years, this percentage may change as the School District's MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and expired on June 30, 2017. On November 6, 2017, House Bill 178 became law without the signature of the Governor and became known as Act 55 of 2017. Contained in Act 55 of 2017 was an extension of the PlanCon moratorium through the end of the 2017-18 fiscal year and a retroactive effective date of July 1, 2017. Subsequently, the Commonwealth enacted Act 42 of 2018, which permitted PlanCon applications submitted between July 1, 2017 and November 6, 2017, and whose school district votes to proceed with construction and award bids on their construction contracts no later than July 1, 2021, to receive PlanCon funding as permitted by law, if made available by the Commonwealth. On June 22, 2018, the Governor approved and signed House Bill 1448, known as Act 39 of 2018, extending the PlanCon moratorium through the end of the 2018-2019 fiscal year. On June 28, 2019, the Governor approved and signed House Bill 1615, known as Act 16 of 2019, that included a continuation of the moratorium on new PlanCon Part A submittals through the end of the 2019-20 fiscal year. Act 30 of 2020 extended the moratorium on new PlanCon Part A submittals through the end of the 2020-21 fiscal year. On June 30, 2021, the Governor approved and signed Senate Bill 381 known as School Code or Act 26 of 2021, which extended the moratorium on new PlanCon Part A submittals through the end of the 2021-2022 fiscal year.

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

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

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

**DEBT STATEMENT AND DEBT LIMITS**

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

<b><u>DIRECT DEBT</u></b>		<b>Project</b>		<b>State</b>	<b>Local</b>
<b><u>NONELECTORAL DEBT</u></b>	<b>Gross</b>	<b>Reimbursable</b>	<b>Effective</b>	<b>Share</b>	<b>Share</b>
<b><u>Issue Type</u></b>	<b><u>Outstanding</u></b>	<b><u>Percent (%)</u></b>	<b><u>Reimbursement<sup>(1)</sup></u></b>		
General Obligation Bonds, Series of 2026.....	\$48,730,000	0.00%	0.00%	\$ 0	\$48,730,000
General Obligation Bonds, Series of 2023.....	14,985,000	0.00%	0.00%	0	14,985,000
General Obligation Bonds, Series A of 2021 (Federally Taxable).....	1,011,000	0.00%	0.00%	0	1,011,000
General Obligation Note, Series of 2021.....	4,270,000	10.87%	3.06%	130,612	4,139,388
<b>Total Principal of Nonelectoral Debt.....</b>	<b>\$68,996,000</b>			<b>\$130,612</b>	<b>\$68,865,388</b>
<b><u>LEASE RENTAL DEBT</u></b>					
Dauphin County Vo-Tech, School Lease Revenue Bonds, Series of 2015.....	\$1,332,732	56.72%	28.36%	\$377,963	\$954,769
<b>Total Principal of Lease Rental Debt.....</b>	<b>1,332,732</b>			<b>377,963</b>	<b>954,769</b>
<b>TOTAL DIRECT DEBT.....</b>	<b>\$71,661,464</b>			<b>\$508,574</b>	<b>\$70,774,927</b>
<b><u>OVERLAPPING DEBT</u></b>					
Component Municipality Debt.....	\$55,583,830				
Dauphin County <sup>(2)</sup> .....	43,920,831				
<b>Total Principal of Overlapping Debt.....</b>	<b>\$99,504,661</b>				
<b>TOTAL DIRECT AND OVERLAPPING DEBT ...</b>	<b>\$171,166,125</b>				
<b><u>DEBT RATIOS OF DIRECT DEBT</u></b>					
Market Valuation of Real Estate.....	2.08%				
Assessed Valuation of Real Estate.....	3.38%				
Per Capita (2020 Population).....	\$2,869				
<b><u>DEBT RATIOS OF DIRECT DEBT AND OVERLAPPING DEBT</u></b>					
Market Valuation of Real Estate.....	4.96%				
Assessed Valuation of Real Estate.....	8.08%				
Per Capita (2024 est. Population).....	\$6,853				
<b><u>FINANCIAL FACTORS OF THE SCHOOL DISTRICT</u></b>					
Market Value.....	\$3,450,418,777				
Assessed Value.....	\$2,117,972,100				
Population (2024 est.).....	24,977				

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

<sup>(2)</sup>School District’s pro rata 13.03% share of the County’s \$336,968,789 principal amount outstanding.

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

**FUTURE FINANCING**

The School District expects to issue an additional \$40,000,000 of long-term debt over the next 1-2 years for its capital projects.

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

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

	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
<b>Total General Fund Revenues</b>	\$ 71,433,220	\$ 74,195,704	\$ 74,113,325
<b>Less: Required Deductions</b>			
a. Rental and Sinking Fund Reimbursement .....	\$ 178,833	\$ 199,284	\$ 86,089
b. Revenues for Self-Liquidating Debt.....	0	0	0
c. Refunds from Prior Year Expenditures .....	0	0	0
d. Grant and Gifts for Capital Projects.....	0	0	0
e. Sale of Equipment and Non-Recurring Items (i.e., insurance recoveries) .....	0	0	0
<b>Total Deductions</b> .....	<u>\$ 178,833</u>	<u>\$ 199,284</u>	<u>\$ 86,089</u>
<b>Total Net General Fund Revenues</b> .....	<u>\$ 71,254,387</u>	<u>\$ 73,996,420</u>	<u>\$ 74,027,236</u>
<b>Total Net Revenues for Three Years</b> .....		\$ 219,278,044	
<b>Borrowing Base - Average Net Revenues for Three-Year Period</b> .....		<u>\$ 73,092,681</u>	
<b>Computation of Borrowing Capacity</b>			
Debt Limitation - 225% OF Borrowing Base .....		\$ 164,458,533	
Less: Net Non-Electoral and Lease Rental Debt.....		\$ 71,661,464	
<b>Current Non-Electoral and Lease Rental Borrowing Capacity</b> .....		<u>\$ 92,797,069</u>	

**LABOR RELATIONS**

**Employees and Labor Contracts**

The School District has approximately 550 employees, including 326 teachers and administrators, 224 support personnel including secretaries, custodial and maintenance staff, pupil transportation staff, cafeteria staff and teacher aids.

The School District is under contract with the Hershey Education Association, an affiliate of the Pennsylvania State Education Association ("PSEA"), representing the teachers at the School District. The present teachers' contract expires June 30, 2029. The Hershey Educational Support Professionals Association, an affiliate of PSEA, represents the School District's support personnel. Their present contract expires June 30, 2028. The School District's contract negotiations with its teachers are not subject to bind arbitration. The School District has not experienced a teachers' strike.

**Pension Program**

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

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

employer rate, to be paid by the School District, of 33.59% for the 2026-27 fiscal year. According to Act 120 of 2010 the employer contribution rate is suppressed for future years by using rate caps to keep the rate from rising too high, too fast.

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

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

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

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period. Both the School District and the Commonwealth are responsible for paying a portion of the employer’s share. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. The School District contributions are made on a quarterly basis and employee contributions are deducted bi-weekly for each paycheck and remitted monthly. The School District is required to pay the entire contribution and will be reimbursed by the Commonwealth, which is at least one-half of the total School District’s rate. Gross School District payments have been as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021-22	\$10,183,128
2022-23	10,004,516
2023-24	10,521,108
2024-25	10,839,971
2025-26	(Budgeted) 10,984,148

On June 30, 2025, the School District reported a liability of \$83,124,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS' total pension liability as of June 30, 2023 to June 30, 2024. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the PSERS' one-year reported contributions. This method was changed beginning with the System’s fiscal year ended June 30, 2020. In prior years, the proportion of the PSERS net pension liability was calculated utilizing the School District’s one-year reported covered payroll as it related to PSERS’ total one-year report covered payroll. On June 30, 2025, the School District's reported proportion was 0.1986%, which was a decrease of 0.0059% from its proportion reported as of June 30, 2024.

As of June 30, 2025, the PSERS plan was 64.8% funded, with an unfunded actuarial accrued liability of approximately \$42.0 billion. PSERS’ rate of return for fiscal year ended June 30, 2024 was 9.67%. The Fund had plan net assets of \$83.7 billion at June 30, 2025. For more information, visit the PSERS website at [www.psers.pa.gov](http://www.psers.pa.gov), which is not incorporated by specific reference into this Official Statement.

Source: School District Audit and PSERS

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

The School District provides certain health care and life insurance benefits for its retirees (commonly referred to as “other post-employment benefits” or “OPEB”). Effective for the 2008-2009 fiscal year, the District adhered to Governmental Accounting Standards Board Statement No. 45, (“GASB 45”) "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the District. As of June 2017, GASB 45 has been eliminated and replaced with a new standard, Governmental Accounting Standards Board Statement No. 75 (“GASB 75”). GASB 75 replaces the requirements of GASB 45 and establishes new accounting and financial reporting requirements. The School District funds the PSERS cost sharing, multiple-employer OPEB plan through contractually required contribution rates. No assurances can be given that the District’s future OPEB obligations will not have a material impact on the District’s ability to pay its debts, including the Bonds.

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

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**APPENDIX B**

**LOCAL DEMOGRAPHIC AND STATISTICAL; AND ECONOMIC INFORMATION**

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**DEMOGRAPHIC AND STATISTICAL INFORMATION**

**Population**

	<u>2020</u>	<u>2024 (est.)</u>
<i>School District</i> .....	24,796	24,977
Dauphin County .....	286,401	293,029
Pennsylvania .....	12,794,885	13,078,751

Source: U.S. Bureau of Census.

**Age Composition  
(2020 5-year estimates)**

	<u>Percent Under 18</u>	<u>Percent 65 and Over</u>
<i>School District</i> .....	28.5%	12.6%
Dauphin County .....	22.1	18.2
Pennsylvania .....	20.7	18.3

Source: U.S. Bureau of Census.

**Income  
(2020 5-year estimates)**

	<u>Median Household</u>	<u>Per Capita</u>	<u>Persons in Poverty</u>
Dauphin County .....	66,480	36,600	11.8%
Pennsylvania .....	63,627	35,518	10.9

Source: U.S. Bureau of Census.

**Housing Characteristics  
(2020 5-year estimates)**

	<u>Total Housing Units</u>	<u>% Owner Occupied</u>
Dauphin County .....	127,758	63.9
Pennsylvania .....	5,732,628	69.0

Source: U.S. Bureau of Census.

**Medical facilities**

<u>Institution</u>	<u>Location</u>
Helen M. Simpson Rehabilitation Hospital	Harrisburg
Milton S. Hershey Medical Center	Hershey
UPMC Pinnacle Hospitals	Harrisburg
Penn State Hershey Rehabilitation, LLC	Hummelstown
Pennsylvania Psychiatric Institute	Harrisburg
Select Medical at Polyclinic Medical Center	Harrisburg

Source: Pennsylvania Department of Health, Bureau of Health Statistics

## Transportation

The School District is served by Interstate 81 which connects it with Scranton and Wilkes-Barre, Pennsylvania, Binghamton and Syracuse, New York to the north, and major cities to the south; Interstate 78 which connects the School District with Allentown-Bethlehem-Easton and New York City to the east; Interstate 83 which runs south to York, Pennsylvania and Pittsburgh. U.S. Routes 11, 15, 22, 322, 422 and Interstate 283 also serve the MSA area.

Public transportation is readily available to residents of the School District. Commuter air transportation for the area is provided by the Lancaster Airport to Philadelphia, Baltimore-Washington, and Harrisburg International Airports. Conrail provides freight service to the County and Amtrak provides passenger service to all major eastern cities on a daily basis. Nationwide bus service is available through Greyhound Bus Lines and National Trailways Bus Service.

Dauphin County's regional setting shows its close proximity to the large metropolitan communities of the East. Today's transportation systems, along with the County's strategic location, make the world's largest markets readily available for the many diverse products of the County.

## Utilities

Pennsylvania is a leader among states in implementing a deregulated, competitive electric energy market. As the Commonwealth switches to a deregulated environment, businesses will be allowed to choose their electric suppliers. Companies will shop in an open market for the best price and service. By taking a lead in this effort, Pennsylvania is providing local firms with a competitive advantage that should last for years to come.

PPL Electric Utilities provides Dauphin County with a dependable, competitively priced supply of electric energy. The utility supplies electricity to 1.2 million customers in Lancaster and 28 other counties in central eastern Pennsylvania. PPL maintains an active presence in economic development, working to attract new businesses to the area and helping existing businesses to expand within Dauphin County.

UGI Utilities is a leader in offering firm and interruptible natural gas transportation service. The utility's distribution system consists of 607 miles of lines within Dauphin County. UGI maintains gas transportation services to more than 700 customers on its system.

## Higher Education

Dauphin County has a number of institutions of higher learning including: Elizabethtown College, a privately owned institution in Elizabethtown, which offers an undergraduate liberal arts education; Franklin and Marshall College, a coeducational liberal arts college in Lancaster; Millersville University, a State-owned institution in Millersville; the Lancaster campus of Harrisburg Area Community College; the Lancaster Campus of Penn State; Pennsylvania College of Art and Design, a member of the National Association of Schools of Art & Design; Lancaster Bible College, a four-year Christian career college unaffiliated with any denomination; Thaddeus Stevens College of Technology and the Lancaster General College of Nursing and Health Sciences. In addition, the Lancaster Theological Seminary, and three vocational-technical schools are located within the County.

## Tourism

Hershey, Pennsylvania is a town that offers a variety of attractions for visitors, especially those who love chocolate. The main attraction is Hersheypark, a theme park that has over 70 rides and attractions. Hershey's Chocolate World is another popular destination, where guests can take guided tours, watch movies and sample chocolate. Besides these, Hershey also has gardens, museums, a zoo, theatres, symphony orchestra, shopping and antiquing. Hershey is also close to other areas of interest, such as Harrisburg, Lancaster and Gettysburg.

## ECONOMIC INFORMATION

### Ten Largest Employers in Dauphin County

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#### Company

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

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Source: Center for Workforce Information and Analysis – Labor & Industry (L & I), 4<sup>th</sup> Quarter, 2025.

**Total Civilian Labor Force, Employment, Unemployment and Labor Force, Unemployment Harrisburg-Carlisle MSA**

TIME PERIOD	CIVILIAN LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	RATE (%)	SEASONALLY ADJUSTED			
					LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	RATE (%)
<b>DAUPHIN COUNTY</b>								
March 2026	312,200	300,800	11,400	3.7	314,400	302,500	12,000	3.8
February	309,000	296,500	12,500	4.0	314,300	302,200	12,100	3.8
January	310,000	298,300	11,700	3.8	314,500	302,400	12,100	3.9
March 2025	312,900	302,100	10,700	3.4	314,200	303,500	10,800	3.4

**Classification of Employment by Industry**

**HARRISBURG-CARLISLE METROPOLITAN STATISTICAL AREA**

(Cumberland, Dauphin, and Perry counties)

**March 2026**

**NONFARM JOBS - NOT SEASONALLY ADJUSTED**

ESTABLISHMENT DATA	Industry Employment				Net Change From:	
	Mar 2026	Feb 2026	Jan 2026	Mar 2025	Feb 2026	Mar 2025
<b>TOTAL NONFARM</b>	<b>361,000</b>	358,700	359,900	361,900	2,300	-900
<b>TOTAL PRIVATE</b>	<b>302,100</b>	299,900	302,200	302,900	2,200	-800
<b>GOODS-PRODUCING</b>	<b>32,700</b>	32,400	32,600	32,900	300	-200
Mining, Logging, and Construction	13,000	12,800	13,000	12,700	200	300
<b>Manufacturing</b>	<b>19,700</b>	19,600	19,600	20,200	100	-500
Durable Goods	9,100	9,100	9,100	9,300	0	-200
Non-Durable Goods	10,600	10,500	10,500	10,900	100	-300
<b>SERVICE-PROVIDING</b>	<b>328,300</b>	326,300	327,300	329,000	2,000	-700
<b>PRIVATE SERVICE-PROVIDING</b>	<b>269,400</b>	267,500	269,600	270,000	1,900	-600
<b>Trade, Transportation, and Utilities</b>	<b>77,600</b>	77,500	78,900	79,400	100	-1,800
Wholesale Trade	12,500	12,400	12,300	12,500	100	0
Retail Trade	30,400	30,200	30,600	30,800	200	-400
General merchandise retailers	5,800	5,800	6,000	5,500	0	300
Transportation, Warehousing, and Utilities	34,700	34,900	36,000	36,100	-200	-1,400
Transportation and Warehousing	34,200	34,400	35,500	35,600	-200	-1,400
Truck transportation	7,400	7,400	7,500	7,600	0	-200
Warehousing and storage	16,400	16,600	17,200	17,000	-200	-600
Information	3,000	3,100	3,100	3,200	-100	-200
Financial Activities	19,600	19,700	19,700	20,000	-100	-400
Professional and Business Services	48,900	48,300	48,700	49,300	600	-400
Professional and technical services	20,900	20,800	20,800	21,400	100	-500
Management of companies and enterprises	9,800	9,700	9,800	9,900	100	-100
Administrative and waste services	18,200	17,800	18,100	18,000	400	200
Education and Health Services	75,900	75,300	75,500	74,000	600	1,900
Educational services	10,200	10,100	9,700	9,800	100	400
Health care and social assistance	65,700	65,200	65,800	64,200	500	1,500
Hospitals	20,500	20,500	20,600	20,200	0	300
Leisure and Hospitality	29,800	28,800	29,000	29,200	1,000	600
Accommodation and food services	22,400	22,000	22,200	22,800	400	-400
Other Services	14,600	14,800	14,700	14,900	-200	-300
<b>Government</b>	<b>58,900</b>	58,800	57,700	59,000	100	-100
Federal Government	7,000	7,000	6,900	7,500	0	-500
State Government	31,200	31,100	30,600	31,100	100	100
Local Government	20,700	20,700	20,200	20,400	0	300
Local government educational services	14,100	14,100	13,700	13,900	0	200
Local government excluding educational services	6,600	6,600	6,500	6,500	0	100
Data benchmarked to March 2025	***Data changes of 100 may be due to rounding***					

Source: Pennsylvania Department of Labor & Industry.

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

# SAXTON & STUMP

LAWYERS AND CONSULTANTS

280 Granite Run Drive, Suite 300 • Lancaster, PA 17601  
P: (717) 556-1000 • F: (717) 441-3810

---

## **DRAFT**

**DERRY TOWNSHIP SCHOOL DISTRICT  
DAUPHIN COUNTY, PENNSYLVANIA  
\$ \_\_\_\_\_ GENERAL OBLIGATION BONDS, 2026**

---

### **OPINION**

We have acted as Bond Counsel in connection with the issuance by the Derry Township School District, Dauphin County, Pennsylvania (the "School District"), of the \$ \_\_\_\_\_ General Obligation Bonds, Series of 2026 (the "Bonds").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

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

1. The Bonds are issued in accordance and in compliance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82), ("the Act"), without the assent of the electors, and pursuant to two resolutions adopted by the Board of School Directors of the School District on June 22, 2026.
2. The Bonds are a valid and binding obligation of the School District.
3. The School District has established with the Paying Agent, as Sinking Fund Depositary, a sinking fund in which it has covenanted to deposit amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and, to the extent required, to apply such amounts to such purposes.
4. The School District has further covenanted that, subject to statutory restrictions and limitations, it will include in its budget for each fiscal year in which the Bonds are outstanding, and will appropriate in each such fiscal year, the amount of the debt service on the Bonds for such year, that it will duly and punctually pay or cause to be paid, the principal of and interest on the Bonds at the dates and place and in the manner stated on the Bonds; and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power. For purposes of such payments, the School District has covenanted that it will exercise its ad valorem taxing power, within limitations provided by law, upon all taxable property within the School District. The Bonds are additionally secured by the

“state aid intercept” provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds and the interest thereon will be free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania.

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

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Very truly yours,

SAXTON & STUMP, LLC

\_\_\_\_\_, 2026

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

# DRAFT

## DERRY TOWNSHIP SCHOOL DISTRICT DAUPHIN COUNTY, PENNSYLVANIA

\$ \_\_\_\_\_ GENERAL OBLIGATION BONDS, SERIES OF 2026  
DATED, ISSUED AND DELIVERED \_\_\_\_\_, 2026

### CONTINUING DISCLOSURE AGREEMENT

This agreement (the "Agreement") is executed as one of the closing documents for the \$ \_\_\_\_\_ General Obligation Bonds, Series of 2026 (the "Bonds") in accordance with the provisions of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934.

The undersigned are officers of the Board of School Directors of Derry Township School District (the "School District"), a Pennsylvania governmental unit, and hereby certify on behalf of the School District as follows:

**Section 1. Undertaking to file current information with MSRB.** The School District agrees, in accordance with the Rule, to provide or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") as designated by the Commission in accordance with the Rule, the following annual financial information and operating data commencing with the fiscal year ended June 30, 2026:

a. A copy of its budget and audited financial statements, prepared in accordance with the guidelines adopted by the Governmental Accounting Standard Board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government, containing the:

- (i) Combined balance sheet of all fund types and account groups; and
- (ii) Combined statement of revenues, expenditures and changes in fund balances - all governmental fund types and expendable trust funds.

b. An update of the following information in the Official Statement for the Bonds dated \_\_\_\_\_:

(i) 2025-26 Real Estate and Non-Real Estate Tax Rates (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(ii) Real Estate Tax Collection Record (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(iii) Trends in Market and Assessed Valuations (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(iv) Top Ten Real Estate Taxpayers (may be contained within the budget or audit for the current fiscal year without need for further cross reference).

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

**Section 2. Modification of types of information and format of information permitted.** The School District reserves the right to modify from time to time the specific types of information provided, the time period within which the information must be filed, the format of the presentation of such information, or any other requirements hereunder, in its sole discretion, so long as such modification or amendment would have been allowed under the Rule at the time of the undertaking. Any such modification will be done in a manner consistent with the Rule at the time of the undertaking, and will not substantially impair the interest of the holders of the Bonds.

**Section 3. Time period within which annual information must be filed.** The annual information and operating data described above in Section 1 must be provided within 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2026. Such information shall be made available, in addition to the MSRB, to the Paying Agent for the Bonds and to each holder of Bonds who makes request for such information. In the event that no such audited financial statement is available within 270 days of the close of the fiscal year, the School District shall provide an unaudited statement, and shall thereafter provide an audited financial statement for the same period as soon as available. Upon receipt of the audited financial statement, the School District will promptly file it.

**Section 4. Notice of failure to comply with annual information updates.** The School District agrees to provide or cause to be provided, in a timely manner, to the Paying Agent for the Bonds, and to the MSRB, notice of a failure by the School District to provide the annual financial information described in Section 1 above on or prior to the date set forth in Section 3 above.

**Section 5. Event disclosure.** The School District agrees to provide or cause to be provided to the MSRB, in a timely manner, not to exceed ten (10) days after occurrence, 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 any credit or liquidity providers, or their failure to perform;

- f. Adverse tax opinions, IRS notices or material events affecting the tax status of the Bonds;
- g. Modifications to rights of holders of the Bonds, 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 (which is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of any order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District);

m. Merger, consolidation or acquisition involving the School District, if material; or

n. Appointment of successor or additional trustee or the change of name of a trustee, if material.

o. Incurrence of a financial obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the School District, any of which affect security holders, if material; and

p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the School District, any of which reflect financial difficulties.

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

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such

other event is material with respect to the Bonds, but the School District does not commit to provide any such notice of the occurrence of any material event except those events listed above.

**Section 6. Termination of reporting obligation.** The School District's obligations under this Agreement shall terminate upon the redemption or payment in full of all of the Bonds.

**Section 7. Enforcement.** The School District agrees that its undertakings pursuant to this Agreement are intended to be for the benefit of the holders of the Bonds (including beneficial owners thereof) and shall be enforceable by the holders of the Bonds or the Paying Agent for the Bonds on behalf of such holders; provided that the holders of the Bonds, or in lieu thereof, the Paying Agent's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder, and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default, with respect to the Bonds.

**Section 8. Amendment; waiver.** Notwithstanding any other provision of this Agreement, the School District may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of Bond Counsel, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

IN WITNESS WHEREOF, the undersigned officers of the School District, being duly authorized, have executed this certificate in the name of and on behalf of the School District and in our own names and on our own behalf, the day and year of the issuance and delivery of the Bonds set forth above.

**Derry Township School District**

By: \_\_\_\_\_  
(Vice) President

Attest: \_\_\_\_\_  
Secretary

(SEAL)

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

**DERRY TOWNSHIP  
SCHOOL DISTRICT  
FINANCIAL REPORT  
JUNE 30, 2025**

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## INDEPENDENT AUDITOR'S REPORT

Board of School Directors  
Derry Township School District  
Hershey, Pennsylvania

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Derry Township School District (District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Contents.

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

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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 1 to the financial statements, as of July 1, 2024, Derry Township School District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this 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 the 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information as listed in the 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 the District's basic financial statements. The supplementary information as listed in the Contents and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 supplementary information as listed in the Contents and Schedule of Expenditures of Federal Awards are 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 December 29, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is positioned in the lower right quadrant of the page.

Camp Hill, Pennsylvania  
December 29, 2025

**DERRY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2025**

The *Management Discussion and Analysis* (MD&A) provides an overall review and insight into the District's financial activities for the fiscal years ended June 30, 2025 and 2024. This MD&A summarizes the district's financial performance as a whole. Therefore, the reader should also review the entire financial statements, including the Notes to Financial Statements, as well as the independent auditor's transmittal letter, to enhance their understanding of the district's financial performance.

**Background**

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) Statement No. 34. Certain condensed comparative analyses of financial statements have been presented in these statements.

Pre-GASB No. 34 standards required use of the modified accrual system of accounting for revenues (no receivables/accruals beyond 60 days). In addition, pre-GASB No. 34 standards also did not record depreciation expense on capital assets and did not require reporting of net assets of various funds. GASB No. 34 now requires full accrual of revenue and calculating depreciation on capital assets.

**Financial Highlights**

In accordance with GASB Statement No. 54, the District has recorded as a Permanent Fund the fair market value of assets held in trust by Fulton Financial Advisors under a bequest made by Milton S. Hershey. As of 2025 and 2024, the value of this fund was \$57,355,859 and \$53,896,929, respectively. The fund balance is classified as "Non-spendable" due to the restrictive nature of the trust since the District has use of income only.

Also, in accordance with GASB 54, the Board of School Directors adopted Policy 620, Fund Balance. This policy classifies the General Fund Balance based on the relative strength of constraints that control the purposes for which specific amounts can be spent. Effective June 30, 2012, fund balances are now reported in the following classifications:

Non-spendable	Amounts that cannot be spent because they are in a non-spendable form (such as inventory and notes receivable).
Restricted	Amounts limited by external parties (grants or donations).
Committed	Amounts limited by Board policy (future anticipated costs).
Assigned	Amounts intended for a particular purpose.
Unassigned	Amounts available for consumption or not restricted in any manner.

Board Policy 625 and 625.1 limit amounts that may be accumulated in the General Fund. Policy 625, Fund Balance, provides that the District shall maintain an unassigned General Fund Balance of not less than 3% of expenditures, and not more than the amount allowed by the Commonwealth of Pennsylvania, currently 8% of budgeted expenditures. The Board of School Directors will approve committed fund balances designated for future anticipated costs.

**DERRY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2025**

The accompanying Fund Balance Review, on page 5, summarizes General Fund activity for the current and prior year. Total Fund Balance increased by \$1,849,190 and \$4,267,288 for the years ended June 30, 2025 and 2024, respectively.

The District has committed a portion of the General Fund Balance for future state retirement costs, for the District's self-insured medical plan and for future capital plans. The committed portion of the General Fund Balance for future retirement costs and for the District's self-insured medical plan is \$500,000 and \$500,00 for years ended June 30, 2025, and June 30, 2024, respectively. The committed portion of the General Fund Balance for future capital plans for the years ended June 30, 2025 and 2024 is \$10,600,000 and \$10,600,000.

DERRY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEARS ENDED JUNE 30, 2025 AND 2024  
FUND BALANCE REVIEW

	Nonspendable Inventory and Prepays	Nonspendable Note Receivable	Committed Retirement Stabilization	Committed Health Benefits	Committed Capital Planning	Unassigned General	Total General Fund	Capital Projects Fund	Student Sponsored Activity Fund	Nonspendable Permanent Fund
<b>Fund Balance - 6/30/23</b>	\$ 274,087	\$ -	\$ 500,000	\$ 2,000,000	\$ 7,000,000	\$ 5,267,866	\$ 15,041,953	\$ 7,010,326	\$ 177,064	\$ 48,134,693
<b>2023-2024 Activity</b>										
Increase (Decrease)	(70,681)	-	-	-	3,600,000	737,969	4,267,288	14,240,656	21,985	5,762,236
<b>Fund Balance - 6/30/24</b>	203,406	-	500,000	2,000,000	10,600,000	6,005,835	19,309,241	21,250,982	199,049	53,896,929
<b>2024-2025 Activity</b>										
Increase (Decrease)	(17,417)	-	-	-	-	(1,831,773)	(1,849,190)	(668,471)	5,034	3,458,930
<b>Fund Balance - 6/30/25</b>	\$ 185,989	\$ -	\$ 500,000	\$ 2,000,000	\$ 10,600,000	\$ 4,174,062	\$ 17,460,051	\$ 20,582,511	\$ 204,083	\$ 57,355,859

2024-2025 revenues from all sources, local, state, federal and other was less than budgeted revenues by \$91,750 or about 0.12%. Increased interest earnings exceeded budget by \$282,716, while earned income tax exceeded budget by \$210,988. There was a strong initiative to collect delinquent occupation tax, resulting in collections that exceeded budget by \$186,255. Local real estate taxes fell short of budget by \$119,634, but overall local revenues are rebounding after the COVID-19 pandemic. Education Subsidy received in the 2024-2025 school year exceeded budget by \$302,448.

2024-2025 actual expenditures exceeded budgeted expenditures by \$1,052,388. Personnel Services (salaries) were \$458,196 over budget during the school year. Additional factors contributing to the deficit were actual versus budgeted costs in transportation, cyber/charter tuition, and operation of plant and maintenance expenditures. The budget included \$1,000,000 in interfund transfers with the intent that amount would be committed for capital projects. Cyber School tuition rates continue to rise.

**DERRY TOWNSHIP SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
**Year ended June 30, 2025**

**Annual Financial Report**

The governmental statements consist of the Statement of Net Assets and the Statement of Activities. These governmental statements combine governmental activities with business-type activities. The governmental activities include most of the District's programs and operations such as instruction, support services, plant operation and maintenance, pupil transportation and extracurricular activities. The business activities include services provided on a charge basis to recover the expenses of the services provided. The food service enterprise fund is reported as a business-type activity.

The Statement of Net Assets is a government-wide statement that summarizes the District's assets and liabilities in their entirety. It includes capital assets, net of a provision for accumulated depreciation, as well as long-term debt (mainly bonds payable).

The Statement of Activities is a government-wide statement that summarizes expenditures among the eight largest functions, as well as each program's net cost (total cost less subsidies, revenues generated by the activity, unrestricted grants and contributions by other organizations). It includes depreciation expense not previously recorded, and interest expense previously reported only in the debt service fund. The Governmental Funds Balance Sheet includes only assets expected to be used or consumed, and liabilities which will be due during the next year. Neither capital assets nor long-term debt are included. Note 1B to the Financial Statements explains the financial statements presentation in detail.

**Fund Financial Statements**

The Fund Statements present financial information in greater detail than the District-wide statements. Major funds are reported in separate columns, while non-major funds are aggregated and presented in a single column.

Governmental Funds are used to report most of the District's activities and focus on the flow of cash and other assets to and from the funds, and the remaining fund balances at the end of the fiscal year, which are available to be used in future periods. The governmental funds use the modified accrual method of accounting that measures cash and assets that can be readily converted to cash. The governmental funds provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine if there are greater or less financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds is reconciled in the financial statements.

Proprietary Funds are used to report District activities that are similar to business operations in the private sector. The Food Service Fund and the Granada Project Fund are the District's proprietary funds. Proprietary funds use the accrual method of accounting; therefore, proprietary fund reports will match, in all essential respects, the business-type activities portion of the government-wide statements.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, are used to support school programs. The District is a beneficiary under the will of Milton S. Hershey and receives quarterly income distributions calculated annually at approximately 4% of the March 31st market value, in accordance with procedures established by the Pennsylvania Attorney General. The distributions support the overall academic programs of the District.

**DERRY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2025**

Fiduciary Funds are those funds that the District is the trustee, or fiduciary. Donations or bequests designated for scholarships are the primary fiduciary funds. Donors specify how the funds may be used. Since the funds may not be used for any other purpose, they are excluded from other District funds because the District is prohibited from using these funds to finance any other activities. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position.

The analysis of the District's major funds provides detailed information about the most significant funds - not the District as a whole. Some funds are required by state statute, while other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's four types of funds: governmental, proprietary, permanent and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

DERRY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT AND DISCUSSION ANALYSIS  
FISCAL YEARS ENDED JUNE 30, 2025 AND 2024  
STATEMENT OF NET POSITION

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Assets and Deferred Outflows</b>						
Current and other assets	\$ 103,818,196	\$ 1,904,966	\$ 105,723,162	\$ 102,299,787	\$ 2,689,865	\$ 104,989,652
Capital assets	63,305,479	319,304	63,624,783	64,812,126	381,004	65,193,130
Deferred outflow of resources	16,231,023	331,225	16,562,248	17,341,482	353,409	17,694,891
Total assets and deferred outflows	<u>\$ 183,354,698</u>	<u>\$ 2,555,495</u>	<u>\$ 185,910,193</u>	<u>\$ 184,453,395</u>	<u>\$ 3,424,278</u>	<u>\$ 187,877,673</u>
<b>Liabilities and Deferred Inflows</b>						
Current liabilities	\$ 11,925,082	\$ (97,447)	\$ 11,827,635	\$ 11,536,335	\$ 599,464	\$ 12,135,799
Non-current liabilities	119,024,708	1,993,731	121,018,439	127,439,969	2,099,798	129,539,767
Deferred inflows of resources	8,424,980	171,455	8,596,435	8,030,982	164,347	8,195,329
Total liabilities and deferred inflows	<u>\$ 139,374,770</u>	<u>\$ 2,067,739</u>	<u>\$ 141,442,509</u>	<u>\$ 147,007,286</u>	<u>\$ 2,863,609</u>	<u>\$ 149,870,895</u>
<b>Net Position</b>						
Net investment in capital assets	\$ 55,061,296	\$ 319,304	\$ 55,380,600	\$ 53,687,953	\$ 381,004	\$ 54,068,957
Restricted	61,217,887	-	61,217,887	57,867,727	-	57,867,727
Unrestricted	(72,299,255)	168,452	(72,130,803)	(74,109,571)	179,665	(73,929,906)
Total net position	<u>\$ 43,979,928</u>	<u>\$ 487,756</u>	<u>\$ 44,467,684</u>	<u>\$ 37,446,109</u>	<u>\$ 560,669</u>	<u>\$ 38,006,778</u>

DERRY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT AND DISCUSSION AND ANALYSIS  
FISCAL YEARS ENDED JUNE 30, 2025 AND 2024  
STATEMENT OF ACTIVITIES

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for services and sales	\$ 601,317	\$ 1,019,496	\$ 1,620,813	\$ 604,700	\$ 963,584	\$ 1,568,284
Operating grants and contributions	17,149,942	1,224,467	18,374,409	18,204,040	1,231,686	19,435,726
Total program revenues:	<u>17,751,259</u>	<u>2,243,963</u>	<u>19,995,222</u>	<u>18,808,740</u>	<u>2,195,270</u>	<u>21,004,010</u>
General Revenues, Transfers and Special Item:						
Property taxes	42,643,287	-	42,643,287	41,960,782	-	41,960,782
Act 511 taxes	11,936,093	-	11,936,093	11,736,249	-	11,736,249
State property tax relief	1,020,583	-	1,020,583	850,227	-	850,227
Investment earnings	7,785,144	79,307	7,864,451	9,057,139	53,517	9,110,656
Miscellaneous	17,172	6,765	23,937	52,611	-	52,611
Gain on disposal of fixed assets	47,500	-	47,500	-	-	-
Total general revenues, transfers and special item	<u>63,449,779</u>	<u>86,072</u>	<u>63,535,851</u>	<u>63,657,008</u>	<u>53,517</u>	<u>63,710,525</u>
Total revenues	<u>81,201,038</u>	<u>2,330,035</u>	<u>83,531,073</u>	<u>82,465,748</u>	<u>2,248,787</u>	<u>84,714,535</u>
Expenses						
Program Expenses:						
Instruction	44,112,586	-	44,112,586	41,809,955	-	41,809,955
Instructional student support	6,921,935	-	6,921,935	6,592,214	-	6,592,214
Administrative and financial support services	8,520,577	-	8,520,577	7,069,984	-	7,069,984
Operation and maintenance of plant services	6,276,125	-	6,276,125	6,406,378	-	6,406,378
Pupil transportation	3,763,520	-	3,763,520	3,450,396	-	3,450,396
Student activities	2,413,593	-	2,413,593	2,235,810	-	2,235,810
Community services	10,256	-	10,256	13,530	-	13,530
Food service	-	2,316,183	2,316,183	-	2,139,690	2,139,690
Granada project	-	80,203	80,203	-	112,570	112,570
Total program expenses	<u>72,018,592</u>	<u>2,396,386</u>	<u>74,414,978</u>	<u>67,578,267</u>	<u>2,252,260</u>	<u>69,830,527</u>
Interest and Fiscal Charges	1,548,902	-	1,548,902	966,306	-	966,306
Total expenses	<u>73,567,494</u>	<u>2,396,386</u>	<u>75,963,880</u>	<u>68,544,573</u>	<u>2,252,260</u>	<u>70,796,833</u>
(Decrease) increase in net position	7,633,544	(66,351)	7,567,193	13,921,175	(3,473)	13,917,702
Net position (deficit) - beginning	37,446,109	560,669	38,006,778	23,524,934	564,142	24,089,076
Prior period adjustment	(1,099,725)	(6,562)	(1,106,287)	-	-	-
Net position (deficit) - beginning (as restated)	<u>36,346,384</u>	<u>554,107</u>	<u>36,900,491</u>	<u>23,524,934</u>	<u>564,142</u>	<u>24,089,076</u>
Net position (deficit) - ending	<u>\$ 43,979,928</u>	<u>\$ 487,756</u>	<u>\$ 44,467,684</u>	<u>\$ 37,446,109</u>	<u>\$ 560,669</u>	<u>\$ 38,006,778</u>

**DERRY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2025**

**District Budget**

The District's budget is prepared in accordance with Pennsylvania law and is based on accounting for certain transactions based on cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The budgeting system controls expenses by classifying expenses by functional areas and by type of expense. A summary of budget to actual results for 2024-2025, is shown in the review below:

DERRY TOWNSHIP SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDED JUNE 30, 2025 GENERAL FUND SPENDING REVIEW					
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Pos (Neg)	
	Original Budget	Final Budget			
<b>REVENUES</b>					
6000 Local Sources	\$ 57,000,597	\$ 57,000,597	\$ 56,273,294	\$ (727,303)	
7000 State Sources	16,302,361	16,302,361	16,798,952	496,591	
8000 Federal Sources	857,047	857,047	1,041,079	184,032	
9000 Other Financing Sources	2,032,520	2,032,520	1,987,449	(45,071)	
Total Revenues	76,192,525	76,192,525	76,100,774	(91,751)	
<b>EXPENDITURES</b>					
1100 Regular Programs	32,432,460	32,433,315	31,443,503	989,812	
1200 Special Programs	9,940,315	9,942,928	10,557,782	(614,854)	
1300 Vocational Programs	1,661,045	1,661,045	1,621,103	39,942	
1400 Other Instructional Programs	150,848	152,628	136,631	15,997	
1500 Nonpublic School Programs	-	-	-	-	
1700 Community College	150,000	150,000	142,826	7,174	
2100 Pupil Personnel	2,284,391	2,284,176	2,377,353	(93,177)	
2200 Instructional Staff Services	3,073,841	3,071,736	3,215,497	(143,761)	
2300 Administrative Services	4,397,260	4,398,460	4,487,885	(89,425)	
2400 Pupil Health	1,250,634	1,247,744	1,249,252	(1,508)	
2500 Business Services	874,854	874,854	845,255	29,599	
2600 Plant Operation & Maintenance	6,729,322	6,732,314	7,724,748	(992,434)	
2700 Pupil Transportation	3,517,252	3,528,158	3,858,242	(330,084)	
2800 Central	1,920,814	1,907,908	1,648,426	259,482	
2900 Other Support Services	52,269	52,269	52,453	(184)	
3200 Student Activities	1,785,803	1,783,573	2,177,294	(393,721)	
3300 Community Services	13,833	13,833	10,277	3,556	
5110 Debt Service	286,609	286,609	923,742	(637,133)	
5120 Refund of Prior Years Receipts	-	-	1,669	(1,669)	
5200 Interfund Transfers	6,376,026	6,376,026	5,476,026	900,000	
Total Expenditures	76,897,576	76,897,576	77,949,964	(1,052,388)	
CHANGE IN FUND BALANCE	\$ (705,051)	\$ (705,051)	\$ (1,849,190)	\$ (1,144,139)	

In 2024-2025, actual revenues were less than budgeted revenues by \$91,751.

Actual expenditures for 2024-2025 were more than budgeted expenditures by \$1,052,388.

**DERRY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2025**

**Capital Assets**

The schedule below reflects capital assets owned by the District, net of accumulated depreciation. For comparative purposes, the schedule reflects both the current and the preceding year.

**DERRY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEARS ENDED JUNE 30, 2025 AND 2024  
CAPITAL AND RIGHT-TO-USE ASSETS**

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,047,274	\$ -	\$ 1,047,274	\$ 1,047,274	\$ -	\$ 1,047,274
Construction-in-progress	2,300,844	-	2,300,844	736,218	-	736,218
Site improvements	2,572,094	-	2,572,094	2,722,461	-	2,722,461
Building and building improvements	52,574,914	-	52,574,914	55,628,755	-	55,628,755
Furniture and equipment	4,499,987	319,304	4,819,291	4,415,129	381,004	4,796,133
Right-to-use subscription assets	65,459	-	65,459	262,289	-	262,289
	<u>\$ 62,995,113</u>	<u>\$ 319,304</u>	<u>\$ 63,314,417</u>	<u>\$ 64,549,837</u>	<u>\$ 381,004</u>	<u>\$ 64,930,841</u>

**DERRY TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2025**

**Debt**

The District did not issue any new debt in 2024-2025, The District continues to maintain a AAA credit rating as issued by Standard & Poor's. This rating is the highest rating that can be achieved. This places the District among only a handful of Pennsylvania districts with that rating.

**Current Issues**

On June 27, 2006, Pennsylvania's governor signed Act 1 of Special Session 2006 into law. This legislation is far-reaching and complex and includes provisions for District property tax reduction funded through gaming revenue, facilitates a tax reduction and possible tax shift through imposition of additional earned income tax or personal income tax, requires voter approval through a "back end referendum" for real estate tax rate increases beyond a state-calculated index and created a Local Tax Study Commission to submit a recommendation to the Board regarding the tax shifting noted above. The Act also requires adoption of a preliminary budget as much as six months earlier than in the past.

The District is required to make contributions to the Pennsylvania State Employees Retirement System (PSERS) which covers substantially all employees. Although contribution rates were projected to increase, the contribution rate for 2024-2025 is actually being reduced compared to the current rate. The PSERS Board of Trustees will continue to monitor the performance of the fund as it sets the rates going forward. Historic rates have been as follows:

2014-2015	21.40%
2015-2016	25.84%
2016-2017	30.03%
2017-2018	32.57%
2018-2019	33.43%
2019-2020	34.29%
2020-2021	34.51%
2021-2022	34.94%
2022-2023	35.26%
2023-2024	34.00%
2024-2025	33.90%

The Commonwealth of Pennsylvania provides a subsidy for one-half of the retirement contributions.

**Contacting the District's Financial Management**

Our financial report is designed to provide our citizens, taxpayers, parents, students, staff, investors and creditors with a general overview of the Derry Township School District's finances and to show the Board of School Directors' accountability for the funds the District receives. Questions about this report or requests for additional financial information should be directed to the Business Manager at Derry Township School District, 30A East Granada Avenue, Hershey, PA 17033, (717) 534-2501.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
June 30, 2025**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 27,395,493	\$ 1,767,784	\$ 29,163,277
Investments	13,913,900	-	13,913,900
Taxes receivable - net of allowance	2,102,653	-	2,102,653
Due from other governments	2,721,894	12,158	2,734,052
Other receivables	142,408	16,546	158,954
Inventories	55,347	108,478	163,825
Prepaid expense	130,642	-	130,642
<b>Total current assets</b>	<b>46,462,337</b>	<b>1,904,966</b>	<b>48,367,303</b>
Noncurrent Assets			
Land	1,047,274	-	1,047,274
Construction-in-progress	2,300,844	-	2,300,844
Site improvements - net of accum. depreciation	2,572,095	-	2,572,095
Buildings and improvements - net of accum. depreciation	52,574,913	-	52,574,913
Furniture and equipment - net of accum. depreciation	4,499,987	319,304	4,819,291
Right-to-use leased equipment - net of accum. amortization	244,907	-	244,907
Right-to-use subscription assets - net of accum. amortization	65,459	-	65,459
Beneficial interest in perpetual trust	57,355,859	-	57,355,859
<b>Total noncurrent assets</b>	<b>120,661,338</b>	<b>319,304</b>	<b>120,980,642</b>
<b>Total assets</b>	<b>\$ 167,123,675</b>	<b>\$ 2,224,270</b>	<b>\$ 169,347,945</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	\$ 13,229,000	\$ 270,000	\$ 13,499,000
Deferred amounts on OPEB liabilities	3,002,023	61,225	3,063,248
<b>Total deferred outflows of resources</b>	<b>\$ 16,231,023</b>	<b>\$ 331,225</b>	<b>\$ 16,562,248</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 183,354,698</b>	<b>\$ 2,555,495</b>	<b>\$ 185,910,193</b>

See Notes to Financial Statements.

	Governmental Activities	Business-Type Activities	Totals
<b>Liabilities</b>			
Current Liabilities			
Internal balances	\$ 161,215	\$ (161,215)	\$ -
Accounts payable	1,467,432	14,060	1,481,492
Accrued salaries and benefits	5,700,496	2,902	5,703,398
Payroll deductions and withholdings	344,341	-	344,341
Unearned revenue	2,213	44,851	47,064
Current portion of long-term liabilities	4,099,494	1,955	4,101,449
Accrued interest payable	138,044	-	138,044
Other current liabilities	11,847	-	11,847
<b>Total current liabilities</b>	<b>11,925,082</b>	<b>(97,447)</b>	<b>11,827,635</b>
Noncurrent Liabilities			
Net pension liability	81,462,000	1,662,000	83,124,000
General obligation bonds	21,004,505	-	21,004,505
Other lease obligations	637,298	-	637,298
Accrued compensated absences	2,485,964	57,181	2,543,145
Other post-employment benefits (OPEB) payable	13,434,941	274,550	13,709,491
<b>Total noncurrent liabilities</b>	<b>119,024,708</b>	<b>1,993,731</b>	<b>121,018,439</b>
<b>Total liabilities</b>	<b>130,949,790</b>	<b>1,896,284</b>	<b>132,846,074</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	3,944,000	80,000	4,024,000
Deferred amounts on OPEB liabilities	4,480,271	91,455	4,571,726
Deferred amounts related to refunding debt	709	-	709
<b>Total deferred inflows of resources</b>	<b>8,424,980</b>	<b>171,455</b>	<b>8,596,435</b>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	55,061,296	319,304	55,380,600
Restricted	61,217,887	-	61,217,887
Unrestricted deficit	(72,299,255)	168,452	(72,130,803)
<b>Total net position</b>	<b>43,979,928</b>	<b>487,756</b>	<b>44,467,684</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 183,354,698</b>	<b>\$ 2,555,495</b>	<b>\$ 185,910,193</b>

**DERRY TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2025**

Function/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>						
Instruction	\$ 44,112,586	\$ 43,075	\$ 13,558,354	\$ (30,511,157)	\$ -	\$ (30,511,157)
Instructional student support	6,921,935	-	1,170,934	(5,751,001)	-	(5,751,001)
Administrative and financial support services	8,520,577	-	690,185	(7,830,392)	-	(7,830,392)
Operation and maintenance of plant services	6,276,125	64,805	533,457	(5,677,863)	-	(5,677,863)
Pupil transportation	3,763,520	-	905,165	(2,858,355)	-	(2,858,355)
Student activities	2,413,593	493,437	204,313	(1,715,843)	-	(1,715,843)
Community services	10,256	-	1,445	(8,811)	-	(8,811)
Debt service	1,548,902	-	86,089	(1,462,813)	-	(1,462,813)
<b>Total governmental activities</b>	<b>73,567,494</b>	<b>601,317</b>	<b>17,149,942</b>	<b>(55,816,235)</b>	<b>-</b>	<b>(55,816,235)</b>
<b>Business-type Activities:</b>						
Food service	2,316,183	1,001,496	1,224,467	-	(90,220)	(90,220)
Granada project	80,203	18,000	-	-	(62,203)	(62,203)
<b>Total business-type activities</b>	<b>2,396,386</b>	<b>1,019,496</b>	<b>1,224,467</b>	<b>-</b>	<b>(152,423)</b>	<b>(152,423)</b>
<b>Total primary government</b>	<b>\$ 75,963,880</b>	<b>\$ 1,620,813</b>	<b>\$ 18,374,409</b>	<b>\$ (55,816,235)</b>	<b>\$ (152,423)</b>	<b>\$ (55,968,658)</b>
<b>General Revenues and Transfers:</b>						
Property taxes, levied for general purposes				\$ 42,643,287	\$ -	\$ 42,643,287
Act 511 taxes, levied for general purposes				11,936,093	-	11,936,093
State property tax relief allocation				1,020,583	-	1,020,583
Investment earnings				7,785,144	79,307	7,864,451
Gain on disposition of fixed assets				47,500	-	47,500
Miscellaneous income				17,172	6,765	23,937
<b>Total general revenues and transfers</b>				<b>63,449,779</b>	<b>86,072</b>	<b>63,535,851</b>
<b>Changes in net position</b>				<b>7,633,544</b>	<b>(66,351)</b>	<b>7,567,193</b>
<b>Net position - July 1, 2024</b>				<b>37,446,109</b>	<b>560,669</b>	<b>38,006,778</b>
<b>Prior period adjustment (see Note 1)</b>				<b>(1,099,725)</b>	<b>(6,562)</b>	<b>(1,106,287)</b>
<b>Net position (deficit) - July 1, 2024 (restated)</b>				<b>36,346,384</b>	<b>554,107</b>	<b>36,900,491</b>
<b>Net position - June 30, 2025</b>				<b>\$ 43,979,928</b>	<b>\$ 487,756</b>	<b>\$ 44,467,684</b>

See Notes to Financial Statements.

DERRY TOWNSHIP SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2025

	General Fund	Capital Projects Fund	Permanent Fund	Student Sponsored Activity Fund	Totals Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 21,220,003	\$ 5,966,564	\$ -	\$ 208,926	\$ 27,395,493
Investments	-	13,913,900	-	-	13,913,900
Taxes receivable - net of allowance	2,102,653	-	-	-	2,102,653
Due from other funds	26,785	1,646,076	-	-	1,672,861
Due from other governments	2,721,894	-	-	-	2,721,894
Other receivables	142,408	-	-	-	142,408
Inventories	55,347	-	-	-	55,347
Prepaid expense	130,642	-	-	-	130,642
Beneficial interest in perpetual trust	-	-	57,355,859	-	57,355,859
<b>Total assets</b>	<b>\$ 26,399,732</b>	<b>\$ 21,526,540</b>	<b>\$ 57,355,859</b>	<b>\$ 208,926</b>	<b>\$ 105,491,057</b>
<b>Liabilities</b>					
Due to other funds	\$ 1,163,100	\$ 670,976	\$ -	\$ -	\$ 1,834,076
Accounts payable	1,189,536	273,053	-	4,843	1,467,432
Accrued salaries and benefits	5,700,496	-	-	-	5,700,496
Payroll deductions and withholdings	344,341	-	-	-	344,341
Unearned revenue	2,213	-	-	-	2,213
Other Current Liabilities	11,847	-	-	-	11,847
<b>Total liabilities</b>	<b>8,411,533</b>	<b>944,029</b>	<b>-</b>	<b>4,843</b>	<b>9,360,405</b>
<b>Deferred Inflows of Resources</b>					
Delinquent property taxes	528,148	-	-	-	528,148
<b>Fund Balances</b>					
Nonspendable	185,989	-	57,355,859	-	57,541,848
Restricted	-	20,582,511	-	204,083	20,786,594
Committed	13,100,000	-	-	-	13,100,000
Unassigned	4,174,062	-	-	-	4,174,062
<b>Total fund balances</b>	<b>17,460,051</b>	<b>20,582,511</b>	<b>57,355,859</b>	<b>204,083</b>	<b>95,602,504</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 26,399,732</b>	<b>\$ 21,526,540</b>	<b>\$ 57,355,859</b>	<b>\$ 208,926</b>	<b>\$ 105,491,057</b>

See Notes to Financial Statements.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**June 30, 2025**

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<b>Total fund balances - governmental funds</b>	<b>\$ 95,602,504</b>
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the capital assets is \$168,913,876, and the accumulated depreciation/amortization is \$105,608,397.	63,305,479
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Property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.	528,148
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Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore, are not reported within the funds. Deferred inflows and outflows related to the pension are as follows (see footnotes for detail):	
Deferred outflows of resources	13,229,000
Deferred inflows of resources	(3,944,000)

Deferred inflows and outflows of resources related to OPEB are applicable to future periods and, therefore, are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnotes for detail):	
Deferred outflows of resources	3,002,023
Deferred inflows of resources	(4,480,271)

Long-term liabilities, including bonds payable, lease obligations and payables, net pension liability, compensated absences and other post-employment benefits, 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, net of related discounts and premiums	(24,525,505)
Deferred amount on refunding of debt	(709)
Accrued interest payable	(138,044)
Lease and lease purchase obligations	(1,072,753)
Subscription liabilities	(66,099)
Net pension liability	(81,462,000)
OPEB liabilities	(13,434,941)
Accumulated compensated absences	(2,562,904)
	(123,262,955)

<b>Total net position - governmental activities</b>	<b>\$ 43,979,928</b>
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See Notes to Financial Statements.

DERRY TOWNSHIP SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 Year Ended June 30, 2025

	General Fund	Capital Projects Fund	Permanent Fund	Debt Service Funds	Student Sponsored Activity Fund	Totals Governmental Funds
<b>Revenues</b>						
Local sources	\$ 56,273,294	\$ 1,105,477	\$ 5,391,450	\$ -	\$ 300,682	\$ 63,070,903
State sources	16,798,952	-	-	-	-	16,798,952
Federal sources	1,041,079	-	-	-	-	1,041,079
<b>Total revenues</b>	<b>74,113,325</b>	<b>1,105,477</b>	<b>5,391,450</b>	<b>-</b>	<b>300,682</b>	<b>80,910,934</b>
<b>Expenditures</b>						
Instructional	43,901,845	-	-	-	-	43,901,845
Support services	25,459,111	557,344	-	-	-	26,016,455
Operation of noninstructional services	2,187,571	-	-	-	295,648	2,483,219
Refund of prior year receipts	1,669	-	-	-	-	1,669
Capital Outlay	-	2,216,604	-	-	-	2,216,604
Debt service	923,742	-	-	4,476,026	-	5,399,768
<b>Total expenditures</b>	<b>72,473,938</b>	<b>2,773,948</b>	<b>-</b>	<b>4,476,026</b>	<b>295,648</b>	<b>80,019,560</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,639,387</b>	<b>(1,668,471)</b>	<b>5,391,450</b>	<b>(4,476,026)</b>	<b>5,034</b>	<b>891,374</b>
<b>Other Financing (Uses) Sources</b>						
Sale of capital assets	47,500	-	-	-	-	47,500
Interfund transfers in	1,932,520	1,000,000	-	4,476,026	-	7,408,546
Interfund transfers out	(5,476,026)	-	(1,932,520)	-	-	(7,408,546)
Insurance recoveries	7,429	-	-	-	-	7,429
<b>Total other financing sources (uses)</b>	<b>(3,488,577)</b>	<b>1,000,000</b>	<b>(1,932,520)</b>	<b>4,476,026</b>	<b>-</b>	<b>54,929</b>
<b>Net changes in fund balances</b>	<b>(1,849,190)</b>	<b>(668,471)</b>	<b>3,458,930</b>	<b>-</b>	<b>5,034</b>	<b>946,303</b>
Fund balance - July 1, 2024	19,309,241	21,250,982	53,896,929	-	199,049	94,656,201
Fund balance - June 30, 2025	\$ 17,460,051	\$ 20,582,511	\$ 57,355,859	\$ -	\$ 204,083	\$ 95,602,504

See Notes to Financial Statements.

**DERRY TOWNSHIP 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, 2025**

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<b>Net changes in fund balances - governmental funds</b>	\$	946,303
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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/amortization expense. This is the amount by which depreciation/amortization and dispositions exceed capital outlays in the current period:

Capital outlays	3,560,447	
Less depreciation/amortization expense	<u>(5,067,094)</u>	(1,506,647)

Some taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount during the year.

235,172

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The change in interest accrued in the Statement of Activities over the amount due is shown here.

19,771

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

Change in net pension liability, net of deferred resources		3,922,000
Change in OPEB liabilities, net of deferred resources		240,873
Change in compensated absences		(55,022)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of leases payable	60,036	
Issuance of leases payable	(306,134)	
Repayment of subscription liabilities	196,146	
Repayment of long-term debt	3,456,000	
Amortization of charges for bond refunding	(28,131)	
Amortization of bond premiums and discounts - net	77,414	
Repayment of extended term financing	<u>375,763</u>	<u>3,831,094</u>

<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>7,633,544</u></b>
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See Notes to Financial Statements.

DERRY TOWNSHIP SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL FUND  
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 57,000,597	\$ 57,000,597	\$ 56,273,294	\$ (727,303)
State sources	16,302,361	16,302,361	16,798,952	496,591
Federal sources	857,047	857,047	1,041,079	184,032
<b>Total revenues</b>	<b>74,160,005</b>	<b>74,160,005</b>	<b>74,113,325</b>	<b>(46,680)</b>
<b>Expenditures</b>				
Instruction				
Regular programs	32,432,460	32,433,315	31,443,503	989,812
Special programs	9,940,315	9,942,928	10,557,782	(614,854)
Vocational education programs	1,661,045	1,661,045	1,621,103	39,942
Other instructional programs	150,848	152,628	136,631	15,997
Community/junior college education programs	150,000	150,000	142,826	7,174
<b>Total instruction</b>	<b>44,334,668</b>	<b>44,339,916</b>	<b>43,901,845</b>	<b>438,071</b>
Support services				
Pupil personnel	2,284,391	2,284,176	2,377,353	(93,177)
Instructional staff	3,073,841	3,071,736	3,215,497	(143,761)
Administration	4,397,260	4,398,460	4,487,885	(89,425)
Pupil health	1,250,634	1,247,744	1,249,252	(1,508)
Business	874,854	874,854	845,255	29,599
Operation and maintenance of plant services	6,729,322	6,732,314	7,724,748	(992,434)
Student transportation services	3,517,252	3,528,158	3,858,242	(330,084)
Central	1,920,814	1,907,908	1,648,426	259,482
Other support services	52,269	52,269	52,453	(184)
<b>Total support services</b>	<b>24,100,637</b>	<b>24,097,619</b>	<b>25,459,111</b>	<b>(1,361,492)</b>
Operation of noninstructional services				
Student activities	1,785,803	1,783,573	2,177,294	(393,721)
Community services	13,833	13,833	10,277	3,556
<b>Total operation of noninstructional services</b>	<b>1,799,636</b>	<b>1,797,406</b>	<b>2,187,571</b>	<b>(390,165)</b>
Refund of prior years' receipts	-	-	1,669	(1,669)
Debt service	286,609	286,609	923,742	(637,133)
<b>Total expenditures</b>	<b>70,521,550</b>	<b>70,521,550</b>	<b>72,473,938</b>	<b>(1,952,388)</b>
<b>Excess of revenues over expenditures</b>	<b>3,638,455</b>	<b>3,638,455</b>	<b>1,639,387</b>	<b>(1,999,068)</b>
Other Financing (Uses) Sources				
Sale of or compensation for loss of fixed assets	100,000	100,000	47,500	(52,500)
Interfund transfers in	1,932,520	1,932,520	1,932,520	-
Interfund transfers out	(6,376,026)	(6,376,026)	(5,476,026)	900,000
Insurance recoveries	-	-	7,429	7,429
<b>Total other financing sources (uses)</b>	<b>(4,343,506)</b>	<b>(4,343,506)</b>	<b>(3,488,577)</b>	<b>854,929</b>
<b>Net change in fund balances</b>	<b>\$ (705,051)</b>	<b>\$ (705,051)</b>	<b>\$ (1,849,190)</b>	<b>\$ (1,144,139)</b>

See Notes to Financial Statements.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

**June 30, 2025**

	Food Service Fund	Granada Project Fund	Totals
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 502,657	\$ 1,265,127	\$ 1,767,784
Due from other funds	163,100	-	163,100
Due from other governments	12,158	-	12,158
Other receivables	16,546	-	16,546
Inventories	108,478	-	108,478
<b>Total current assets</b>	<b>802,939</b>	<b>1,265,127</b>	<b>2,068,066</b>
Noncurrent Assets			
Food service equipment, net	319,304	-	319,304
<b>Total noncurrent assets</b>	<b>319,304</b>	<b>-</b>	<b>319,304</b>
<b>Total assets</b>	<b>\$ 1,122,243</b>	<b>\$ 1,265,127</b>	<b>\$ 2,387,370</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	\$ 270,000	\$ -	\$ 270,000
Deferred amounts on OPEB liabilities	61,225	-	61,225
<b>Total deferred outflows of resources</b>	<b>\$ 331,225</b>	<b>\$ -</b>	<b>\$ 331,225</b>
<b>Liabilities</b>			
Current Liabilities			
Due to other funds	\$ 1,885	\$ -	\$ 1,885
Accounts payable	14,060	-	14,060
Accrued salaries and benefits	2,902	-	2,902
Accrued compensated absences	1,955	-	1,955
Unearned revenues	43,351	1,500	44,851
<b>Total current liabilities</b>	<b>64,153</b>	<b>1,500</b>	<b>65,653</b>
Noncurrent Liabilities			
Net pension liability	1,662,000	-	1,662,000
Accrued compensated absences	57,181	-	57,181
OPEB liabilities	274,550	-	274,550
<b>Total noncurrent liabilities</b>	<b>1,993,731</b>	<b>-</b>	<b>1,993,731</b>
<b>Total liabilities</b>	<b>\$ 2,057,884</b>	<b>\$ 1,500</b>	<b>\$ 2,059,384</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	\$ 80,000	\$ -	\$ 80,000
Deferred amounts on OPEB liabilities	91,455	-	91,455
<b>Total deferred inflows of resources</b>	<b>\$ 171,455</b>	<b>\$ -</b>	<b>\$ 171,455</b>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	\$ 319,304	\$ -	\$ 319,304
Unrestricted (deficit) position	(1,095,175)	1,263,627	168,452
<b>Total net (deficit) position</b>	<b>\$ (775,871)</b>	<b>\$ 1,263,627</b>	<b>\$ 487,756</b>

See Notes to Financial Statements.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2025**

	Food Service Fund	Granada Project Fund	Total
<b>Operating Revenues</b>			
Food service revenue	\$ 1,001,496	\$ -	\$ 1,001,496
Rental income	-	18,000	18,000
<b>Total operating revenues</b>	<b>1,001,496</b>	<b>18,000</b>	<b>1,019,496</b>
<b>Operating Expenses</b>			
Salaries	864,264	-	864,264
Employee benefits	361,116	-	361,116
Food and supplies consumed	967,778	-	967,778
Other expenses	61,325	-	61,325
CAM expenses	-	80,203	80,203
Depreciation and amortization	61,700	-	61,700
<b>Total operating expenses</b>	<b>2,316,183</b>	<b>80,203</b>	<b>2,396,386</b>
<b>Operating loss</b>	<b>(1,314,687)</b>	<b>(62,203)</b>	<b>(1,376,890)</b>
<b>Nonoperating Revenues</b>			
State subsidies for food service	248,136	-	248,136
State subsidy for social security payments	32,556	-	32,556
State subsidy for retirement payments	130,543	-	130,543
Federal subsidies	651,587	-	651,587
Private contribution	3,894	-	3,894
Value of U.S.D.A. commodities	161,645	-	161,645
Investment earnings	42,545	36,762	79,307
Refund of prior years' expenditures	2,591	280	2,871
<b>Total nonoperating revenues</b>	<b>1,273,497</b>	<b>37,042</b>	<b>1,310,539</b>
<b>Changes in net position</b>	<b>(41,190)</b>	<b>(25,161)</b>	<b>(66,351)</b>
Net (Deficit) Position - July 1, 2024	(728,119)	1,288,788	560,669
Prior Period adjustment (see Note 1)	(6,562)	-	(6,562)
Net Position - July 1, 2024 (restated)	(734,681)	1,288,788	554,107
Net (Deficit) Position - June 30, 2025	<b>\$ (775,871)</b>	<b>\$ 1,263,627</b>	<b>\$ 487,756</b>

See Notes to Financial Statements.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**Year Ended June 30, 2025**

	Food Service Fund	Granada Project Fund	Total
<b>Cash Flows From Operating Activities</b>			
Cash received from users	\$ 965,792	\$ 19,500	\$ 985,292
Cash payments to employees for services	(1,306,982)	-	(1,306,982)
Cash payments for goods and services	(1,526,358)	(90,467)	(1,616,825)
<b>Net cash used in operating activities</b>	<b>(1,867,548)</b>	<b>(70,967)</b>	<b>(1,938,515)</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
State subsidies	520,313	-	520,313
Federal subsidies	1,003,090	-	1,003,090
Private contributions	3,894	-	3,894
Refund of prior year expenditures	2,591	280	2,871
<b>Net cash provided by noncapital financing activities</b>	<b>1,529,888</b>	<b>280</b>	<b>1,530,168</b>
<b>Cash Flows From Investing Activities</b>			
<b>Investment earnings</b>	<b>42,545</b>	<b>36,762</b>	<b>79,307</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(295,115)</b>	<b>(33,925)</b>	<b>(329,040)</b>
<b>Cash and Cash Equivalents:</b>			
July 1, 2024	797,772	1,299,052	2,096,824
June 30, 2025	<u>\$ 502,657</u>	<u>\$ 1,265,127</u>	<u>\$ 1,767,784</u>
<b>Reconciliation of Operating Loss to</b>			
<b>Net Cash Used in Operating Activities:</b>			
Operating loss	\$ (1,314,687)	\$ (62,203)	\$ (1,376,890)
<b>Adjustments to reconcile operating loss to net</b>			
<b>cash used in operating activities:</b>			
Depreciation	61,700	-	61,700
Value of donated commodities	161,645	-	161,645
<b>(Increase) decrease in:</b>			
Other accounts receivable	(12,473)	-	(12,473)
Inventories	7,751	-	7,751
Deferred outflows of resources	22,184	-	22,184
<b>(Decrease) increase in:</b>			
Internal balances	(538,068)	82,463	(455,605)
Accounts payable	(128,583)	(92,727)	(221,310)
Accrued salaries and benefits	(220)	-	(220)
Unearned revenues	(23,231)	1,500	(21,731)
Accrued compensated absences	5,085	-	5,085
Net pension liability	(158,000)	-	(158,000)
OPEB liabilities	42,241	-	42,241
Deferred inflows of resources	7,108	-	7,108
<b>Net cash used in operating activities</b>	<b>(1,867,548)</b>	<b>(70,967)</b>	<b>(1,938,515)</b>
<b>Supplemental Disclosure</b>			
<b>Noncash noncapital financing activity</b>			
USDA donated commodities	\$ 161,645	\$ -	\$ 161,645

See Notes to Financial Statements.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**June 30, 2025**

	Private-Purpose Trust Fund
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 284,134
Investments	869,733
<b>Total assets</b>	<u>\$ 1,153,867</u>
<b>Net Position</b>	
Restricted	\$ 1,153,867
<b>Total net position</b>	<u>\$ 1,153,867</u>

See Notes to Financial Statements.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Year Ended June 30, 2025**

	Private-Purpose Trust Fund
<hr/>	
Additions	
Interest earned	\$ 4,697
Contributions	151,526
<b>Total additions</b>	<u>156,223</u>
Deductions	
<b>Scholarships awarded</b>	<u>255,012</u>
<b>Change in net position</b>	(98,789)
Net Position:	
July 1, 2024	<u>1,252,656</u>
June 30, 2025	<u><u>\$ 1,153,867</u></u>

See Notes to Financial Statements.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

Derry Township School District (the District) operates a public school system that encompasses one municipality in Dauphin County. The District operates one elementary school, one middle school and one high school. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The governing body of the District is comprised of a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. Funding for the District is received from local, Commonwealth and Federal sources and must comply with the requirements of the various funding source agencies.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative, standard setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

#### A. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the District reviews the applicability of the following criteria:

The District is financially accountable for:

Organizations that make up the legal District entity.

Legally separate organizations if District officials appoint a voting majority of the organizations' governing body and the District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Impose its will: If the District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial benefit or burden: Exists if the District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

Organizations that are fiscally dependent on the District.

Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the District.

Based on the foregoing criteria, the District has no component entities that need to be included in the District's financial statements.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### A. Reporting Entity (Continued)

Joint Ventures: The District is a participant in several joint ventures, each of which is a separate legal entity that offers services to the District and its residents. These entities serve multiple school districts and municipalities and, therefore, are not included in this reporting entity as a component unit. These entities do not have taxing authority, but are required to adopt an annual budget, which is funded primarily by its members and others that use its services.

Dauphin County Area Vocational Technical School: The District is one of seven-member school districts of the Dauphin County Technical School (DCTS). The Vo-Tech School provides vocational-technical education to the constituents of all participating school districts. Member school districts are responsible for funding the major portion of the Vo-Tech School's operating budget. For the year ended June 30, 2025, Derry Township School District paid \$549,664 for its estimated share of the operating budget. As of June 30, 2025, the Vo-Tech School's General Fund had total assets of \$2,966,109 and total liabilities of \$2,484,879. As of June 30, 2025, the Vo-Tech School had property and equipment net of accumulated depreciation of \$24,557,033, and long-term liabilities of \$37,497,428. The Vo-Tech School's outstanding balance on their Series of 2015 bond as of June 30, 2025, is \$9,465,000.

The Board authorized the incurring of lease rental debt in connection with the Dauphin County Technical School, by entering into an agreement of lease and guaranty with Dauphin County Technical School, dated March 15, 2007. The Technical School constructed improvements and renovations and acquired equipment for the Technical School and has financed it by issuing \$24,750,000 in School Lease Revenue Bonds, Series of 2007, dated March 15, 2007. These bonds were refinanced by the issuance of Series of 2015, dated March 15, 2015, in the amount of \$19,005,000. This debt is supported by the full faith, credit and taxing power of the seven-member school districts who participate in the Technical School. Derry Township School District's original share of this debt was \$3,170,034, which was based on the market valuation of all taxable real property in each school district.

The following is a schedule of principal and interest requirements to service the Lease Obligations - Dauphin County Technical School Bond requirements of the District:

Years	Vo-Tech Lease Obligation		
	Principal	Interest	Total
2026	\$ 227,234	\$ 60,974	\$ 288,208
2027	237,296	51,043	288,339
2028	247,358	40,623	287,981
2029	258,258	29,688	287,946
2030	504,999	18,198	523,197
2031	281,736	6,163	287,899
	<u>\$ 1,756,881</u>	<u>\$ 206,689</u>	<u>\$ 1,963,570</u>

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### A. Reporting Entity (Continued)

Capital Area Intermediate Unit: This Intermediate Unit provides support and services to students with special needs that cannot be provided by district staff.

Harrisburg Area Community College: Provides higher education services. All Dauphin County Schools provide support to reduce tuition for district residents who attend full time.

The most recent audited financial statements of these joint ventures are available for inspection at the District's business office.

#### B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities and Fund Financial Statements, which provide a more detailed level of financial information.

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities, and for the business-type activities of the District. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds for the year ended June 30, 2025:

The General Fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

The Capital Projects Funds are made up of the Capital Reserve Fund as well as the Capital Projects Fund. The Capital Reserve Fund was established by the Board in April 2008, to fund various future school projects. The annual funding level shall be adjusted based on a board approved "capital maintenance/growth plan" and shall not exceed three years of projected expenditures. Expenditures are limited to capital improvements, replacement of and additions to public works and improvements, for deferred maintenance thereof, and for the purchase or the replacement of school buses, and for no other purpose. The Capital Projects fund is comprised of two funds, including 1) established by the Board in 2019 and is used to account for and report financial resources that are restricted to expenditures for the acquisition, construction, or improvement of major capital facilities and 2) to account for the Bond Series of 2023 funds.

The Permanent Fund is a beneficial interest in a perpetual trust. The fund is legally restricted to the extent that only earnings, and not principal, are used for purposes that support the District's programs.

The Debt Service fund accounts for accumulation of resources for, and the payment of long-term debt principal, interest and related costs.

The Student Sponsored Activity Fund is set up in accordance with Section 511 of the PA School Code for student sponsored school organizations and publications which do not meet the criteria to be reported as custodial funds per GASB Statement No. 84 *Fiduciary Activities*.

Proprietary Funds focus on the determination of the changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no internal service funds.

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. The District reports the following enterprise funds:

The Food Service Fund accounts for the financial transactions related to food service operations.

The Granada Project Fund accounts for financial transactions related to facility rental operations.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Fund Accounting (Continued)

Fiduciary Fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's only trust funds are private purpose trust funds which account for scholarship programs for students.

#### D. Measurement Focus and Basis of Accounting

The government-wide, proprietary 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. Net position (total assets, plus deferred outflows of resources, less total liabilities, less deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from Federal, state and other grants designated for payment of specific School District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## DERRY TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### E. Budgets and Budgetary Accounting

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

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

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

The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within 15 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District.

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

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The Board made no supplemental budgetary appropriations throughout the year.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end are reported in the fund financial statements as a committed fund balance.

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

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Cash Equivalents and Investments: Cash includes all demand deposits, petty cash, savings, money market accounts and Certificates of Deposit owned by the District. Investments include repurchase agreements, investment trusts which mature at a future date, mutual funds and United States Treasury Notes. Investments are stated at fair value. Accrued interest is reflected as “other receivables” on the balance sheet.

The District is authorized by Sec. 440.1 of the Public School Code of 1949, as amended, to invest in United States Treasury Bills, short-term obligations of the United States Government or its agencies and instrumentalities, or in deposits, in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or the National Credit Union Share Insurance Fund (NCUSIF), to the extent that such accounts are so insured, and for any amounts above the insured maximums, provided that approved collateral as required by provisions of Act No. 72 of the Commonwealth of Pennsylvania are pledged by the depository.

For purposes of these financial statements, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Interfund Balances: On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payable.” These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Inventory: On the 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.

On fund financial statements, inventories of governmental funds are based upon the latest invoice price, which approximates cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventories of the governmental funds and enterprise fund are expensed when used.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Capital Assets: General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land, land improvements and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and improvements	20-50 years	N/A
Furniture and equipment	5-15 years	5-12 years
Vehicles	8-10 years	N/A

Deferred Outflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred outflows of resources, which represent a consumption of net assets that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has identified these items in subsequent notes to the financial statements.

Deferred Outflows of Resources - Deferred Amounts on Refunding Debt: The District recognizes the difference between the re-acquisition price and the net carrying amount of the old debt as a deferred outflow which is a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

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 or business-type activity columns in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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

Leases: The District is a lessee for non-cancellable leases of equipment. A lease liability and an intangible right-to-use lease asset is recognized in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Compensated Absences: Effective July 1, 2024, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This Statement establishes uniform recognition and measurement criteria for all types of compensated absences, including vacation, personal leave, sick leave and other forms of paid time off that are attributable to services already rendered, accumulate and are more likely than not to be used or otherwise paid. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related payments, such as payroll taxes, where applicable.

As part of the implementation, the District adopted a last-in, first-out (LIFO) flow assumption for the use of leave balances. Under this approach, the most recently earned leave is assumed to be used first. This assumption aligns with the District's administrative practices and provides a more accurate reflection of the expected settlement value of compensated absences.

Upon separation from employment with the District, employees shall receive pay for unused sick, vacation and personal leave in accordance with each bargaining unit's contract or agreement. The District utilizes a vesting scale to determine the likelihood that an employee will reach the minimum service required to receive a payout at separation.

Pensions: Substantially all full-time and qualifying part-time employees of the District participate in a cost sharing, multiple employer defined benefit pension plan. 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's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation. The District participates in two plans, the first is a single employer plan administered by the District. The Plan provides retiree health, vision, dental care and prescription drug benefits for eligible, retired employees and their qualified spouses/beneficiaries. The District estimates the cost of providing these benefits through an actuarial valuation.

The District also participates in a governmental cost sharing, multiple employer other post-employment benefit plan (OPEB) with PSERS for all eligible retirees who qualify and elect to participate. 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's 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.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

##### Other Post-Employment Benefits (Continued):

The balance of the District's OPEB liabilities and related deferred outflows/inflows of resources at June 30, 2025, are as follows:

	Governmental Activities	Business-Type Activities	Total
<b>OPEB Liabilities</b>			
District's Single Employer Plan	\$ 9,973,941	\$ 203,550	\$ 10,177,491
PSERS Cost Sharing Plan	3,461,000	71,000	3,532,000
Total	<u>\$ 13,434,941</u>	<u>\$ 274,550</u>	<u>\$ 13,709,491</u>
<b>Deferred Outflows of Resources</b>			
District's Single Employer Plan	\$ 2,490,423	\$ 50,825	\$ 2,541,248
PSERS Cost Sharing Plan	511,600	10,400	522,000
Total	<u>\$ 3,002,023</u>	<u>\$ 61,225</u>	<u>\$ 3,063,248</u>
<b>Deferred Inflows of Resources</b>			
District's Single Employer Plan	\$ 3,716,871	\$ 75,855	\$ 3,792,726
PSERS Costs Sharing Plan	763,400	15,600	779,000
Total	<u>\$ 4,480,271</u>	<u>\$ 91,455</u>	<u>\$ 4,571,726</u>

Additional disclosures related to other post-employment benefits of the School's Single Employer Plan and PSERS Cost Sharing Plan can be found in subsequent notes to the financial statements.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Deferred Inflows of Resources - Unearned Revenues: The District recognizes property tax revenues when they become available. Available includes those property taxes expected to be collected within 60 days after year end. Those property taxes expected to be collected beyond 60 days after year end are shown as deferred revenue in the fund financial statements. Governmental funds also defer revenues in connection with resources that have been received but not yet earned.

Deferred Inflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred inflows of resources, which represent an acquisition of net assets that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has identified these items in subsequent notes to the financial statements.

Government-wide Net Position: Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The District's net position is composed of the following:

Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of these assets.

Restricted: Represents amounts with external constraints placed on the use of these resources or imposed through constitutional provisions or enabling legislation. Restricted net position for the governmental activities is composed of the following:

	Amount
Capital improvements	\$ 3,657,945
Student sponsored activities	204,083
Beneficial interest in perpetual trust (nonexpendable)	<u>57,355,859</u>
Total restricted net position	<u><u>\$ 61,217,887</u></u>

There were no restrictions placed on net position for the business-type activities.

Unrestricted: The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not reported in net investment in capital assets or as restricted net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies (Continued)

#### F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Fund Balances: In the governmental fund financial statements, fund balances are classified as follows:

Non-spendable: Represents amounts that cannot be spent either because they are in non-spendable form (such as inventory or prepaids) or because they are legally or contractually required to be maintained intact (such as notes receivable or principal of a permanent fund).

Restricted: Represents amounts with external constraints placed on the use of these resources (such as grantors, bondholders and higher level of government) or imposed through constitutional provisions or enabling legislation.

Committed: Represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned: Represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Business Manager. The District does not have any amounts that are assigned.

Unassigned: Represents amounts that are available for any purpose, reported only in the General Fund.

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

The District's policy is to maintain 8% of annual budgeted operating expenditures for the next fiscal year as its maximum general fund unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General Fund	Capital Projects Fund	Student Sponsored Activity Fund	Permanent Fund	Total
<b>Nonspendable</b>					
Inventory	\$ 55,347	\$ -	\$ -	\$ -	\$ 55,347
Prepaid expenses	130,642	-	-	-	130,642
Beneficial interest in perpetual trust	-	-	-	57,355,859	57,355,859
<b>Restricted</b>					
Capital improvements	-	20,582,511	-	-	20,582,511
Student sponsored activities	-	-	204,083	-	204,083
<b>Committed</b>					
Health benefits	2,000,000	-	-	-	2,000,000
Retirement stabilization	500,000	-	-	-	500,000
Capital planning	10,600,000	-	-	-	10,600,000
Unassigned	4,174,062	-	-	-	4,174,062
<b>Total</b>	<b>\$ 17,460,051</b>	<b>\$ 20,582,511</b>	<b>\$ 204,083</b>	<b>\$ 57,355,859</b>	<b>\$ 95,602,504</b>

## DERRY TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### G. New Accounting Pronouncements

The following list reflects only those pronouncements initially effective in the current or upcoming reporting periods which, based on our review, may be applicable to the District's reporting requirements.

Following are descriptions of significant pronouncements that were considered or initially selected during the year ended June 30, 2025:

GASB Statement No. 101, *Compensated Absences*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, establishes financial reporting requirements to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent fiscal years:

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the District beginning with its year ending June 30, 2026 (fiscal years beginning after June 15, 2025). This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement addresses requirements relating to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, major component unit information and budgetary comparison information.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the District beginning with its year ending June 30, 2026 (fiscal years beginning after June 15, 2025). This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets, subscription assets, intangible right-to-use assets and intangible assets should be disclosed separately by major class of underlying asset within the note disclosures. This Statement also requires additional disclosures for capital assets held for sale.

The effects of implementation of these standards have not yet been determined.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### H. Other

Encumbrances: Encumbrances at year end are reported in the fund financial statements as restricted or committed fund balances since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates used in preparation of these financial statements include depreciation, compensated absences, pension-related items and other post-employment benefits. Accordingly, actual results could differ from those estimates.

Restatement: During the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. Implementation of the new standard changed the District's compensated absences liability measurement. The effects of the change in accounting principle are summarized in the "Restatement – GASB 101 implementation" column in the table below:

	June 30, 2024 net position, as previously reported	Restatement - GASB 101 implementation	June 30, 2024 net position, as restated
Government-wide			
Governmental activities	\$ 37,446,109	\$ (1,099,725)	\$ 36,346,384
Business-type activities	560,669	(6,562)	554,107
Total government-wide	<u>\$ 38,006,778</u>	<u>\$ (1,106,287)</u>	<u>\$ 36,900,491</u>

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 29, 2025, the date that the financial statements were available to be issued.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments

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

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or its instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
  1. The Federal Deposit Insurance Corporation (FDIC), or
  2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
  3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America and (b) the Commonwealth of Pennsylvania, or instrumentalities thereof, backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

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

#### Deposits: Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank default, the District's investments may not be returned to it. A summary of the District's deposits at June 30, 2025, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	First National Bank
Uninsured, collateralized in accordance with Act 72	12,721,392	13,494,172	First National Bank
	<u>\$ 12,971,392</u>	<u>\$ 13,744,172</u>	

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

As of June 30, 2025, the District has \$59 of petty cash on hand.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Deposits and Investments (Continued)**

Investments

It is the District’s investment policy to optimize its return through investment of cash balances in such a way as to minimize non-invested balances and to maximize return on investments. The primary objectives of investment activities, in priority order, shall be:

1. Legality - All investments shall be made in accordance with applicable laws of Pennsylvania.
2. Safety - Safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be ensured through the mitigation of credit risk and interest rate risk.
3. Liquidity - Investments shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year operations anticipated cash flow shall be developed so that investments can be made as early as possible, with maturities concurrent with anticipated cash demands.
4. Yield - Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

At June 30, 2025, the District had investments with PSDLAF:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
<b>Pennsylvania School District Liquid Asset Fund (PSDLAF)</b>			
PSDMAX	AAAm	0.1425	\$ 14,234,655
PDSLAF Full Flex Pool	NA	Various	2,241,305
PSDLAF Collateralized CD Pool	NA	Various	13,913,900
			<u>\$ 30,389,860</u>

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
<b>Pennsylvania School District Liquid Asset Fund (PSDLAF)</b>			
PSDMAX	AAAm	0.1425	\$ 14,234,655
PDSLAF Full Flex Pool	NA	Various	2,241,305

The PSDMAX fund is a 2a7-like pool. The amortized cost, which approximates fair value of the pool, is determined by the pool’s share price. The District has an investment in a qualified investment pool with the Pennsylvania School District Liquid Asset Fund (PSDLAF). Except for direct deposits from the Commonwealth, investments in the PSDLAF/Max account are subject to a 14-day minimum holding period, and to penalty for early withdrawal. This requirement has been waived by the trust since inception. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PMA Financial Network, Inc. The pool is audited annually by PricewaterhouseCoopers, LLP, an independently elected public official.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Investments (Continued)

The PSDLAF Full Flex Pool, as part of the Fixed Term Series at PSDLAF, are fixed term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed Term Series are fixed term investment vehicles with maturities depending upon the maturity date of each particular Fixed Term Series. All investments in a Fixed Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed Term Series, however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed Term Series are invested is registered in the name of that particular Fixed Term Series. Certificates of Deposit used for Fixed Term Series (i) are normally in principal amounts in excess of the FDIC insurance limit of \$250,000, (ii) are collateralized in accordance with law and (iii) the collateral is held by a third-party custodian pursuant to a custody agreement among the Fund, the bank that issues the Certificate of Deposit and the third party custodian. In some instances, the collateral consists of an Irrevocable Letter of Credit issued by the applicable Federal Home Loan Bank.

The District reports these nonparticipating contracts, as non-negotiable Certificates of Deposit with redemption terms that do not consider market rates, using a cost based measure, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors consistent with GASB Statement No. 31.

As of June 30, 2025, the James L. Fillmore Scholarship Trust Fund (contained within the fiduciary fund - private purpose trust fund), to be used to provide scholarships for students to attend the University of Cincinnati, had the following investments:

<u>Investments</u>	<u>Fair Value</u>
Money market fund	\$ 26,152
Fixed income certificate of deposits	131,103
Mutual funds	601,703
Exchange traded funds	110,775
Total investments	<u>\$ 869,733</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Common Stocks, Mutual Funds and Exchange Traded Funds: The fair value of common stocks and mutual funds are based on closing market prices for the identical security as reported in active markets. These investments are reported at fair value as Level 1 investments under GASB Statement No. 72.

Money Market Funds: Fixed income securities do not always trade on a daily basis so the fair values of each security are dependent upon various pricing models that incorporate benchmark yields, interest rates, credit risk, broker-dealer quotes and other valuation processes. These investments are reported at fair value as a Level 2 investment under GASB Statement No. 72.

## DERRY TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Beneficial Interest in a Perpetual Trust

The District is named the beneficiary in a perpetual trust, which originated from a bequest by Milton S. Hershey in 1946 and is administered by Fulton Bank, NA. The perpetual trust is to pay income to the District quarterly, and the District is to use the funds for such purpose as determined by the Board. The funds in the trust are restricted and are not available to the District, except for distributions made from the trust to the District per the trust agreement and state law governing perpetual trusts. Assets of the perpetual trust are restricted in the Statement of Net Position and designated as non-spendable in the governmental funds balance sheet. The assets are recorded at fair value. Income less trustee fees and changes in fair value of the perpetual trust are recorded as investment earnings. The following is a summary of the transactions for the year ended June 30, 2025:

	Amount
Balance at July 1, 2024	\$ 53,896,929
Net investment gain	5,391,450
Trustee fees	-
Transfers to general fund	(1,932,520)
Balance at June 30, 2025	<u>\$ 57,355,859</u>

The assets of the perpetual trust are categorized as Level 3. Financial assets valued using level 3 inputs are based on significant unobservable inputs and have the lowest priority. According to FASB ASC 820-10-35-58, if an organization will never be able to redeem its investment at the net asset value per share (as in a perpetual trust), the measurement should be categorized as a Level 3 fair value measurement.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 4. Property Taxes

Based upon assessed valuations provided by the County, the District bills and collects its own property taxes. The schedule for property taxes levied for 2024-2025, is as follows:

July 1, 2024	Tax levy date
Through August 31, 2024	2% discount
September 1 - October 31, 2024	Face payment period
November 1 - December 31, 2024	10% penalty period
January 1, 2025	Lien filing date

The District's tax rate for all purposes in 2024-2025 was 20.3387 mills (\$20.3387 per \$1,000 assessed valuation). Refunds on payments of prior year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania's accounting system. Current tax collections for the District were approximately 99% of the total tax levy.

### Note 5. Taxes Receivable, Deferred Inflows of Resources and Estimated Uncollectible Taxes

A summary of the taxes receivable and related accounts at June 30, 2025, are as follows:

	Amount
Uncollected Taxes	\$ 5,173,777
Estimated uncollectible taxes	(3,071,124)
Taxes Receivable - Net	<u>\$ 2,102,653</u>
Taxes to be collected within 60 days	\$ 1,574,505
Deferred inflows of resources - delinquent property taxes	528,148
Taxes Receivable - Net	<u>\$ 2,102,653</u>

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Interfund Receivables and Payables and Transfers

Individual fund receivable and payable balances at June 30, 2025, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds		
General	\$ 26,785	\$ 1,163,100
Capital projects	1,646,076	670,976
Proprietary Funds		
Food service	163,100	1,885
	<u>\$ 1,835,961</u>	<u>\$ 1,835,961</u>

In order to take advantage of higher interest rates, the District holds all of the cash for each fund in one account. They make monthly transfers to cover the expenses of each fund. The balances in the interfund receivables are the amount of cash belonging to that fund in the general fund account.

All interfund receivable/payable 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 balances are expected to be repaid within the following year.

Individual fund transfers during the fiscal year ended June 30, 2025, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General	\$ 1,932,520	\$ 5,476,026
Capital projects	1,000,000	-
Permanent	-	1,932,520
Debt service	4,476,026	-
	<u>\$ 7,408,546</u>	<u>\$ 7,408,546</u>

Transfers and payments within the District are substantially for purposes of funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Transfers are made from the general fund to the food service fund for the operation of the school's cafeteria program. Transfers are made from the general fund to the capital projects fund to provide funding for future projects. Transfers are made from the permanent fund to the general fund for investment earnings of the fund. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	July 1, 2024	Increases	Decreases	June 30, 2025
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,047,274	\$ -	\$ -	\$ 1,047,274
Construction-in-progress	736,218	1,564,626	-	2,300,844
Total capital assets not being depreciated	1,783,492	1,564,626	-	3,348,118
Capital and right-to-use assets being depreciated/amortized				
Site improvements	11,428,706	382,531	-	11,811,237
Buildings and building improvements	120,029,845	129,220	-	120,159,065
Furniture and equipment	32,436,880	1,177,936	587,326	33,027,490
Right-to-use leased equipment	-	306,134	-	306,134
Right-to-use subscription assets	655,949	-	394,117	261,832
Total capital and right-to-use assets being depreciated/amortized	164,551,380	1,995,821	981,443	165,565,758
Less accumulated depreciation/amortization				
Site improvements	8,706,245	532,898	-	9,239,143
Buildings and building improvements	64,401,090	3,183,061	-	67,584,151
Furniture and equipment	28,021,751	1,093,078	587,326	28,527,503
Right-to-use leased equipment	-	61,227	-	61,227
Right-to-use subscription assets	393,660	196,830	394,117	196,373
Total accumulated depreciation/amortization	101,522,746	5,067,094	981,443	105,608,397
Total capital and right-to-use assets being depreciated/amortized - net	63,028,634	(3,071,273)	-	59,957,361
Total Governmental Activities, Capital and Right-to-use Assets - Net	\$ 64,812,126	\$ (1,506,647)	\$ -	\$ 63,305,479
<b>Business-Type Activities</b>				
Capital assets being depreciated				
Equipment	\$ 2,541,824	\$ -	\$ 750	\$ 2,541,074
Less accumulated depreciation				
Equipment	2,160,820	61,700	750	2,221,770
Business-Type Activities, Capital Assets - Net	\$ 381,004	\$ (61,700)	\$ -	\$ 319,304

**DERRY TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Capital Assets (Continued)**

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

	Amounts
Governmental Activities:	
Instruction	\$ 3,184,578
Instructional student support	580,645
Administrative and financial support services	518,542
Operation and maintenance of plant services	397,521
Pupil transportation	229,974
Student activities	154,739
Other community services	1,095
Total governmental activities	<u>5,067,094</u>
Business-Type Activities	
Food service	61,700
Total School District	<u><u>\$ 5,128,794</u></u>

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Obligations

A summary of the reporting entity's long-term obligations as of June 30, 2025, and transactions during the year then ended follows:

	July 1, 2024 restated	Increases	Decreases	June 30, 2025	Due within one year
<b>Governmental activities:</b>					
Bonds and notes payable					
Series A of 2019	\$ 1,915,000	\$ -	\$ 40,000	\$ 1,875,000	\$ 1,875,000
Series B of 2019	1,555,000	-	-	1,555,000	1,555,000
Series C of 2019	3,380,000	-	3,380,000	-	-
Series of 2021	4,385,000	-	30,000	4,355,000	85,000
Series A of 2021	1,012,000	-	1,000	1,011,000	1,000
Series of 2023	14,995,000	-	5,000	14,990,000	5,000
Net premium on bonds	816,919	-	77,414	739,505	-
Total bonds and notes payable	<u>28,058,919</u>	<u>-</u>	<u>3,533,414</u>	<u>24,525,505</u>	<u>3,521,000</u>
Financed purchase agreements payable	1,202,418	-	375,763	826,655	375,763
Leases payable	-	306,134	60,036	246,098	59,692
Subscription liabilities	262,245	-	196,146	66,099	66,099
Compensated absences*	2,507,882	55,022	-	2,562,904	76,940
<b>Total governmental activities long-term obligations</b>	<u>\$ 32,031,464</u>	<u>\$ 361,156</u>	<u>\$ 4,165,359</u>	<u>\$ 28,227,261</u>	<u>\$ 4,099,494</u>
<b>Business-type activities:</b>					
Compensated absences*	\$ 54,051	\$ 5,085	\$ -	\$ 59,136	\$ 1,955
<b>Total business-type activities long-term obligations</b>	<u>\$ 54,051</u>	<u>\$ 5,085</u>	<u>\$ -</u>	<u>\$ 59,136</u>	<u>\$ 1,955</u>

General Obligation Notes - Series A of 2019 - On December 17, 2018, the District authorized the issuance of General Obligation Notes, Series A of 2019, in the aggregate principal amount of \$3,310,000. The proceeds of the notes were used to provide funds to: (1) the current refunding of the outstanding General Obligation Bonds, Series of 2012, of the District; (2) the current refunding of a portion of the outstanding General Obligation Bonds, Series A of 2012, of the District; (3) various capital projects of the District; and (4) pay the costs of issuing the notes. The economic loss on the refunding of the 2012, and 2012A bonds was \$165,934. The Notes bear interest rates that shall not exceed 4.00%; the initial rate is 1.78%. The notes mature serially in amounts ranging from \$10,000 to \$1,685,000 through 2026. On January 25, 2021, the District issued General Obligation Bond – Series A of 2021 to partially refund these bonds.

General Obligation Notes – Series B of 2019 – On December 17, 2018, the District authorized the issuance of General Obligation Notes, Series B of 2019, in the aggregate principal amount of \$1,555,000. The proceeds of the notes were used to provide funds to: (1) various capital projects of the District and (2) pay the costs of issuing the notes. The Notes bear an interest rate of 3.5%. The notes are not subject to redemption prior to maturity and are scheduled to mature in May 2026.

## DERRY TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 8. Long-Term Obligations (Continued)**

General Obligation Notes – Series C of 2019 – On December 20, 2019, the District authorized the issuance of General Obligation Notes, Series C of 2019, in the aggregate principal amount of \$9,030,000. The proceeds of the notes were used to provide funds to: (1) the current refunding of the outstanding General Obligation Bonds, Series of 2014, of the District and (2) pay the costs of issuing the bonds. The economic gain on the refunding of the 2014 bonds was \$421,150. The bonds bear interest rates that shall not exceed 4.00%, the initial rate is 1.20%. The bonds matured during the fiscal year ended June 30, 2025.

General Obligation Notes – Series of 2021 – On January 25, 2021, the District authorized the issuance of General Obligation Notes, Series of 2021, in the aggregate principal amount of \$4,815,000. The proceeds of the notes were used to provide funds to: (1) the current refunding of the outstanding General Obligation Bonds, Series A of 2012, and Series of 2015, and a portion of the General Obligation Bonds, Series A of 2015, of the District and (2) pay the costs of issuing the notes. The Notes bear an interest rate of 1.38%. The Notes mature serially in amounts ranging from \$30,000 to \$2,625,000 through 2028.

General Obligation Bonds – Series A of 2021 – On January 25, 2021, the District authorized the issuance of General Obligation Bonds, Series A of 2021, in the aggregate principal amount of \$1,015,000. The proceeds of the Bonds were used to advance refund the District's outstanding General Obligation Notes, Series A of 2019 and to pay for the cost of issuance. A portion of the proceeds was irrevocably deposited in a trust with an escrow agent. These proceeds were used to purchase certain United States Treasury Securities, which will mature and earn interest to provide for all future debt service on the refunded portion of the Series A of 2019 bonds. As a result, a portion of the Series A of 2019 bonds are considered defeased and the District has removed a portion of the liability from its accounts. The outstanding principal of the defeased bonds is \$910,000 as of June 30, 2021. The economic loss on the refunding of the bonds was \$39,914. The Notes bear an interest rate of 1.25%. The bonds mature serially in amounts ranging from \$1,000 to \$1,010,000 through 2027.

General Obligation Bonds – Series of 2023 – On November 29, 2023, the District authorized the issuance of General Obligation Bonds, Series of 2023, in the aggregate principal amount of \$14,995,000. The proceeds of the bonds will be used to pay for various capital projects as determined by the District. The Bonds bear interest rates that shall not exceed 5.25%; the initial rate is 3.75%. The bonds mature serially in amounts ranging from \$380,000 to \$1,715,000 through 2040.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Obligations (Continued)

The following is a schedule of principal and interest requirements to service the general long-term debt of the District:

Years	General Obligation Debt		
	Principal	Interest	Total
2026	\$ 3,521,000	\$ 950,718	\$ 4,471,718
2027	3,640,000	828,670	4,468,670
2028	1,655,000	779,539	2,434,539
2029	800,000	736,650	1,536,650
2030	840,000	695,650	1,535,650
2031-2035	5,745,000	2,703,375	8,448,375
2036-2040	7,585,000	1,018,324	8,603,324
	<u>\$ 23,786,000</u>	<u>\$ 7,712,926</u>	<u>\$ 31,498,926</u>

### Financed Purchase Agreements Payable

The District leases computers which are located throughout the District. The related lease agreements qualify as capital leases, and accordingly, these transactions are recorded at the present values of related future, minimum lease payments as of the inception date. All lease-purchase obligations are funded by the General Fund.

The assets acquired through financed purchase agreements are as follows:

	Amount
Assets	
Computers	\$ 1,503,051
Less accumulated depreciation	(676,395)
Total computers - net book value	<u>\$ 826,655</u>

The following is a schedule of the future, minimum lease payments due under the financed purchase agreements as of June 30, 2025:

Years	Amount
2025-2026	\$ 375,763
2026-2027	225,444
2027-2028	225,445
Total present value of minimum lease payments	<u>\$ 826,655</u>

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Long-Term Obligations (Continued)

#### Leases Payable

The District leases equipment for certain offices and buildings. The term of the lease is five years.

The District's equipment lease contains scheduled monthly payments with expiration dates extending through 2029. Lease and finance purchase obligations are fully funded by the general fund.

The following is a schedule of future minimum lease payments for leases with initial or remaining terms in excess of one year as of June 30, 2025:

Year ending June 30:	Principal	Interest	Total Payments
2026	\$ 59,692	\$ 4,484	\$ 64,176
2027	60,898	3,279	64,177
2028	62,127	2,049	64,176
2029	63,381	795	64,176
	<u>\$ 246,098</u>	<u>\$ 10,607</u>	<u>\$ 256,705</u>

#### Subscription Based Information Technology Arrangements (SBITA) Liabilities

The District enters into various arrangements for administrative and educational software and other information technology. Many of the software and information technology arrangements are for a term of one year or less. However, the District also enters into arrangements that are for greater than one year which require accounting for and reporting of a right-to-use subscription asset and liability. These terms range from two to four years in length.

The District's subscription based information technology arrangements contain scheduled annual payments with expiration dates extending through 2026. Payments of the subscription liability are primarily funded by the general fund.

The following is a schedule of future minimum subscription liability payments for agreements with initial or remaining terms in excess of one year as of June 30, 2025:

Year ending June 30:	Principal	Interest	Total
2026	\$ 66,099	\$ 1,334	\$ 67,433
	<u>\$ 66,099</u>	<u>\$ 1,334</u>	<u>\$ 67,433</u>

#### Compensated Absences

Under the terms of the District's employment policies, employees are reimbursed for accrued vacation upon retirement or other termination of employment. The reimbursement rate is established by the employment contract and varies by employee classification. In addition, employees are granted sick days per school year, and any unused sick days are permitted to be carried over to future years. Upon retirement from the District, employees are reimbursed for accumulated sick days equal to the number of unused days multiplied by an amount established by the employment contract. The employees are also offered options regarding retirement payouts as prescribed in the contract if certain conditions are met. The total liability for accrued vacation, sick leave and retirement bonuses has been reflected in the Statement of Net Position.

## DERRY TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 9. Defined-Benefit Pension Plan

##### Plan Description

PSERS (Pennsylvania Public School Employee's Retirement System or the System) 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](http://www.psers.pa.gov).

##### Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes: Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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

Benefits are generally between 1% and 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.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Defined-Benefit Pension Plan (Continued)

#### Benefits Provided (Continued)

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

#### Contributions

##### Member Contributions:

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

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	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
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 District's contractually required contribution rate for the fiscal year ended June 30, 2024, was 33.27% 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. Included in the District's contractually required contribution rate is the Act 5 contribution rate totaling an estimated 0.35%.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Defined-Benefit Pension Plan (Continued)

#### Contributions (Continued)

##### Employer Contributions (Continued):

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total District's rate. The District's contributions to the Plan, relating to pension benefits, for the year ended June 30, 2025, was \$10,839,971, and is equal to the required contribution for the year. For the year ended June 30, 2025, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$5,636,968.

#### Pension Liabilities, Pension Expense, Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2025, the District reported a liability of \$83,124,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's reported proportion was 0.1986%, which was a decrease of 0.0059% from its proportion reported as of June 30, 2024.

For the year ended June 30, 2025, the District recognized pension expense of \$6,836,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,307,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	1,376,000	-
Changes in proportion	1,283,000	2,717,000
Contributions subsequent to the measurement date	10,840,000	-
	<u>\$ 13,499,000</u>	<u>\$ 4,024,000</u>

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Defined-Benefit Pension Plan (Continued)

#### Pension Liabilities, Pension Expense, Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$10,840,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Total</u>
2026	\$ (3,007,000)
2027	2,192,000
2028	(270,000)
2029	(280,000)
	<u>\$ (1,365,000)</u>

#### Actuarial Assumptions

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

- Valuation Date - June 30, 2023
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2023, and as of June 30, 2024.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021, actuarial valuation:
  - Salary growth rate - decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021, actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Defined-Benefit Pension Plan (Continued)

#### Investments

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

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

For the year ended June 30, 2024, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	30.0%	4.8%
Private equity	12.0%	6.7%
Fixed income	33.5%	3.9%
Commodities	5.0%	2.5%
Infrastructure/MLPs	10.0%	6.4%
Real estate	9.5%	5.9%
	<u>100.0%</u>	

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

#### Discount Rate

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

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Defined-Benefit Pension Plan (Continued)

#### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 109,500,000	\$ 83,124,000	\$ 60,852,000

#### Pension Plan Fiduciary Net Position

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

#### Plan Payables

At June 30, 2025, the District reported a payable to PSERS of \$3,722,824, which represents the employer contributions owed to the pension plan.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Other Post-Employment Benefits - District's Single Employer Plan

#### Plan Description, Benefit Terms and Funding Policy

The District provides retiree health, vision and dental care benefits, including prescription drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. The District funds OPEB on a pay-as-you go basis, and there is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan description and benefit terms provided by the Plan are summarized in the chart below:

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
<b><u>I. SUPERINTENDENT</u></b>	Age 57 with 20 years of PSERS service and 15 years of service within DTSD  2020-2021 MOU: Age 53 with 20 years of PSERS service and 15 years of service within DTSD	Coverage: Medical, Prescription Drug, and Vision  Premium Sharing: The premium sharing for Medical, Prescription Drug, and Vision coverage is set at 12% (6% if participating in Wellness program) of the previous school year's full COBRA rate for the member and spouse.  Dependents: Spouse included (if spouse has no other coverage)	Member -- Coverage is provided until member Medicare age. Spouse -- Coverage is provided until member Medicare age or member death whichever is earlier.
<b><u>II. ADMINISTRATORS &amp; ACT 93</u></b>	Age 57 with 20 years of PSERS service and 5 years of service within DTSD	Coverage: Medical, Prescription Drug, and Vision  Premium Sharing: <b>Group 1 (Principals, Directors, Assistant Superintendent):</b> the premium sharing for Medical and Prescription Drug coverage is set at 12% (6% if participating in Wellness program) of the current school year's full COBRA rate. <b>Group 2 (Admin Support Staff, Computer Techs):</b> The premium sharing for Medical and Prescription Drug coverage is set at 9% (4.5% if participating in Wellness program) of the current school year's full COBRA rate.  Dependents: Spouse included (if spouse has no other coverage)  Grandfathered Retiree: The district pays the full premium for	Same as I
<b><u>III. TEACHERS UNION</u></b>	Same as I	Coverage: Medical, Prescription Drug, and Vision  Premium Sharing: The premium sharing for Medical and Prescription Drug coverage is set at 12% (6% if participating in Wellness program) of the previous school year's full COBRA rate for the member and spouse. If the member has at least 30 years of service with DTSD then the district pays the full premium for vision coverage for the member and spouse.  Dependents: Spouse included (if spouse has no other coverage)	Same as I
<b><u>IV. NON PROFESSIONAL UNION</u></b>	Act 110/43	Act 110/43	Member -- Coverage is provided until member Medicare age. Spouse -- Coverage is provided until member Medicare age, spouse Medicare age, or member death whichever is earlier.

**Notes:**  
 Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.  
 Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reached Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

**PSERS Retirement:**  
 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 62 with 5 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service of 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.  
 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 65 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.  
 3) Pension Class T-G: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.  
 4) Pension Class T-H: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.  
 5) All individuals except those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

Coordination with Medicare: Plan benefits pay secondary to Medicare

**DERRY TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Other Post-Employment Benefits - District’s Single Employer Plan (Continued)**

Employees Covered by Benefit Terms

As of the July 1, 2024, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	23
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	477
	500

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

At June 30, 2025, the District reported a liability of \$10,177,491 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2024, and was determined by an actuarial valuation as of July 1, 2024. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 7,915,449
Changes for the year	
Service cost	446,957
Interest	336,437
Changes of benefit terms	(38,346)
Differences between expected and actual experience	1,897,004
Changes in assumptions	19,163
Estimated benefit payments	(399,173)
Net changes	2,262,042
Total OPEB Liability, ending	\$ 10,177,491

For the year ended June 30, 2025, the District recognized OPEB expense of \$444,499. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,818,805	\$ 731,140
Changes in assumptions	124,604	3,061,586
Benefit payments subsequent to the measurement date	597,839	-
	\$ 2,541,248	\$ 3,792,726

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 10. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$597,839 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ending June 30:</u>	<u>Total</u>
2026	\$ (300,549)
2027	(300,549)
2028	(300,549)
2029	(300,549)
2030	(300,549)
Thereafter	(346,572)
	<u>\$ (1,849,317)</u>

#### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%.
- Salary Increases - 2.5% cost of living adjustment, 1.5% real wage growth and for teachers and administrators a merit increase which varies by age from 2.75 to 0%.
- Discount Rate - 4.29%. Based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2024.
- Health Care Cost Trend Rate - 7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retirees' Share of Benefit-Related Costs - Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- Mortality rates are separate and assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Other Post-Employment Benefits - District’s Single Employer Plan (Continued)**

Sensitivity of the District’s Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the district calculated using the discount rate of 4.29%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (3.29%) or one-percentage-higher (5.29%) than the current discount rate:

	1% Decrease 3.29%	Current Discount Rate 4.29%	1% Increase 5.29%
Total OPEB liability	\$ 10,842,885	\$ 10,177,491	\$ 9,546,625

The discount rate used to measure the total OPEB liability increased from 4.13% as of July 1, 2023, to 4.29% as of July 1, 2024.

Sensitivity of the District’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the district calculated using the health care cost trend rates of (5.4% decreasing to 4.0%), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 9,298,354	\$ 10,177,491	\$ 11,194,105

## DERRY TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan

##### Plan Description

PSERS administers a defined benefit pension plan, and two post-employment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

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

Retirees of the System can participate in Premium Assistance if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age.

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

- Attain Medicare eligibility with 24½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

##### 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.

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

#### Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2025, was 0.63% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$205,265 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$3,532,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's reported proportion was 0.1988%, which was a decrease of 0.0056% from its proportion reported as of June 30, 2024.

For the year ended June 30, 2025, the District recognized OPEB expense of \$113,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,000	\$ 53,000
Changes in assumptions	215,000	539,000
Net difference between projected and actual investment earnings	4,000	-
Changes in proportion	85,000	187,000
Contributions subsequent to the measurement date	205,000	-
	<u>\$ 522,000</u>	<u>\$ 779,000</u>

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

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

\$205,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2026	\$ (119,000)
2027	(141,000)
2028	(155,000)
2029	(17,000)
2030	(30,000)
	<u>\$ (462,000)</u>

#### Actuarial Assumptions

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

- Valuation Date - June 30, 2023
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.21% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, 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 discount rate used to measure the total OPEB liability increased from 4.13% as of June 30, 2023 to 4.21%, as of June 30, 2024.

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

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

#### Actuarial Assumptions (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022, determined the employer contribution rate for fiscal year 2024.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021, was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

#### Investments

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	1.7%
	<u>100.0%</u>	

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

**DERRY TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)**

Discount Rate

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

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 3.21%	Current Discount Rate 4.21%	1% Increase 5.21%
District's proportionate share of the net OPEB liability	\$ 3,990,000	\$ 3,532,000	\$ 3,148,000

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7%) that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,531,000	\$ 3,532,000	\$ 3,532,000

OPEB Plan Fiduciary Net Position

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

# DERRY TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

#### Plan Payables

At June 30, 2025, the District reported a payable to PSERS of \$70,495 which represents the employer contributions owed to the OPEB plan.

### Note 12. Act 93 Employee Annuity

The District provides all Act 93 employees with a tax-sheltered annuity. The District provides a \$0.50 contribution to each \$1.00 of employee contribution, up to a maximum District contribution of \$2,500. The District contributed \$39,021 to the Plan for the year ended June 30, 2025.

### Note 13. Risk Management

The policy of the District is to not purchase health and vision insurance for the risks of losses to which it is exposed. Instead, the District's management policy is that it is more economical to manage its risks internally. The District pays all claims for risk of loss which the District is exposed to, including medical, dental, drug and vision claims, which are administered by third parties. The District has purchased stop loss insurance from commercial insurers that will reimburse the District for 100% of all medical claims over \$170,000 per year per participant with exceptions.

Liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. Liabilities include the amount for claims that have been incurred but not reported. Because of delays between the time a claim is incurred, and it is reported to the District for payment, the estimated liability does not necessarily result in an exact amount. A current net liability has been included in accrued salaries and benefits of the General Fund for claims reported but not paid by June 30, 2025. Changes in the District's claims liability amount for the year ended June 30, 2025, were:

	Amount
Liability - beginning of year	\$ 416,116
Current year claims and changes in estimates	8,131,522
Less - claim payments	(8,057,079)
Liability - end of year	<u>\$ 490,559</u>

The District continues to carry commercial insurance for all other risks of loss, including workers compensation, liability and property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **DERRY TOWNSHIP SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 14. Contingent Liabilities**

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

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

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2025, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

#### **Note 15. Risk Disclosures Related to Funding Constraints**

As of the date of issuance of these financial statements, the District is subject to external constraints that may create a risk of substantial impact on its financial position. During the fiscal year ended June 30, 2025, approximately 54% of the District's total revenues were derived from the Commonwealth of Pennsylvania and the Federal Government. The District is dependent on timely appropriations and disbursements from these governments to fund its operations and programs. The Commonwealth of Pennsylvania and Federal Government have experienced delays in the passage of their annual budgets, resulting in delays in the release of state and certain federal pass-through funds to local governments and agencies. Management continues to monitor the budget process at both the federal and state levels and will update its mitigation strategies as necessary.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DERRY TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

<b>For the Fiscal Year Ended June 30</b>	<b>District's Proportion of the Net Pension Liability</b>	<b>District's Proportionate Share of the Net Pension Liability</b>	<b>District's Covered Payroll</b>	<b>District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2025	0.1986%	\$ 83,124,000	\$ 31,300,541	265.57%	64.63%
2024	0.2045%	\$ 90,975,000	\$ 31,318,131	290.49%	61.85%
2023	0.1987%	\$ 88,339,000	\$ 29,218,061	302.34%	61.34%
2022	0.2057%	\$ 84,454,000	\$ 29,135,309	289.87%	63.67%
2021	0.2075%	\$ 102,171,000	\$ 29,160,738	350.37%	54.32%
2020	0.2079%	\$ 97,261,000	\$ 28,675,998	339.17%	55.66%
2019	0.2057%	\$ 98,746,000	\$ 27,704,050	356.43%	54.00%
2018	0.2010%	\$ 99,271,000	\$ 26,765,017	370.90%	51.84%
2017	0.1986%	\$ 98,420,000	\$ 25,724,950	382.59%	50.14%
2016	0.1945%	\$ 84,248,000	\$ 25,960,380	324.53%	54.36%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF DISTRICT'S PENSION CONTRIBUTIONS -  
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>District's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2025	\$ 10,839,971	\$ (10,839,971)	\$ -	\$ 31,300,541	34.63%
2024	\$ 10,521,108	\$ (10,521,108)	\$ -	\$ 31,570,133	33.33%
2023	\$ 10,004,516	\$ (10,004,516)	\$ -	\$ 30,551,809	32.75%
2022	\$ 10,183,128	\$ (10,183,128)	\$ -	\$ 29,253,057	34.81%
2021	\$ 9,832,087	\$ (9,832,087)	\$ -	\$ 29,192,061	33.68%
2020	\$ 9,732,247	\$ (9,732,247)	\$ -	\$ 29,282,177	33.24%
2019	\$ 9,341,769	\$ (9,341,769)	\$ -	\$ 28,770,520	32.47%
2018	\$ 8,807,160	\$ (8,807,160)	\$ -	\$ 27,758,265	31.73%
2017	\$ 7,827,296	\$ (7,827,296)	\$ -	\$ 25,724,950	30.43%
2016	\$ 6,490,095	\$ (6,490,095)	\$ -	\$ 25,960,380	25.00%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

DERRY TOWNSHIP SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -  
DISTRICT'S SINGLE EMPLOYER PLAN

For the Fiscal Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>								
Service cost	\$ 446,957	\$ 418,966	\$ 632,726	\$ 639,225	\$ 723,366	\$ 725,598	\$ 733,487	\$ 740,774
Interest	336,437	310,584	203,020	159,953	351,487	296,918	319,081	246,678
Changes of benefit terms	(38,346)	-	36,120	-	-	-	-	-
Differences between expected and actual experience	1,897,004	-	88,043	-	(473,399)	-	(952,930)	-
Changes in assumptions	19,163	123,797	(1,691,445)	(248,645)	(2,156,167)	(295,392)	4,691	(238,941)
Benefit payments	(399,173)	(368,277)	(239,476)	(239,002)	(202,912)	(256,866)	(410,001)	(505,336)
Other Changes	-	-	-	-	-	-	-	-
<b>Net change in total OPEB liability</b>	<b>2,262,042</b>	<b>485,070</b>	<b>(971,012)</b>	<b>311,531</b>	<b>(1,757,625)</b>	<b>470,258</b>	<b>(305,672)</b>	<b>243,175</b>
<b>Total OPEB Liability - beginning</b>	<b>7,915,449</b>	<b>7,430,379</b>	<b>8,401,391</b>	<b>8,089,860</b>	<b>9,847,485</b>	<b>9,377,227</b>	<b>9,682,899</b>	<b>9,439,724</b>
<b>Total OPEB Liability - ending</b>	<b>\$ 10,177,491</b>	<b>\$ 7,915,449</b>	<b>\$ 7,430,379</b>	<b>\$ 8,401,391</b>	<b>\$ 8,089,860</b>	<b>\$ 9,847,485</b>	<b>\$ 9,377,227</b>	<b>\$ 9,682,899</b>
<b>Covered payroll</b>	<b>\$ 31,489,006</b>	<b>\$ 27,049,351</b>	<b>\$ 27,049,351</b>	<b>\$ 26,015,946</b>	<b>\$ 26,015,946</b>	<b>\$ 24,914,381</b>	<b>\$ 24,914,381</b>	<b>\$ 24,053,671</b>
<b>Net OPEB liability as a percentage of covered payroll</b>	<b>32.32%</b>	<b>29.26%</b>	<b>27.47%</b>	<b>32.29%</b>	<b>31.10%</b>	<b>39.53%</b>	<b>37.64%</b>	<b>40.26%</b>

Notes to Schedule:

For the fiscal year ended June 30, 2025:

Changes in assumptions: The discount rate changed from 4.13% to 4.29%. The trend assumption was updated.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -  
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

<b>For the Fiscal Year Ended June 30</b>	<b>District's Proportion of the Net OPEB Liability</b>	<b>District's Proportionate Share of the Net OPEB Liability</b>	<b>District's Covered Payroll</b>	<b>District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2025	0.1988%	\$ 3,532,000	\$ 31,558,288	11.19%	7.13%
2024	0.2044%	\$ 3,698,000	\$ 31,318,131	11.81%	7.22%
2023	0.1987%	\$ 3,658,000	\$ 29,218,061	12.52%	6.86%
2022	0.2055%	\$ 4,871,000	\$ 29,135,309	16.72%	5.30%
2021	0.2078%	\$ 4,490,000	\$ 29,160,738	15.40%	5.69%
2020	0.2079%	\$ 4,422,000	\$ 28,675,998	15.42%	5.56%
2019	0.2057%	\$ 4,289,000	\$ 27,704,050	15.48%	5.56%
2018	0.2010%	\$ 4,095,000	\$ 26,765,017	15.30%	5.73%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS -  
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>District's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2025	\$ 205,265	\$ (205,265)	\$ -	\$ 31,300,541	0.66%
2024	\$ 201,844	\$ (201,844)	\$ -	\$ 31,570,133	0.64%
2023	\$ 217,427	\$ (217,427)	\$ -	\$ 30,551,809	0.71%
2022	\$ 238,494	\$ (238,494)	\$ -	\$ 29,253,057	0.82%
2021	\$ 239,309	\$ (239,309)	\$ -	\$ 29,192,061	0.82%
2020	\$ 244,397	\$ (244,397)	\$ -	\$ 29,282,177	0.83%
2019	\$ 237,843	\$ (237,843)	\$ -	\$ 28,770,520	0.83%
2018	\$ 230,307	\$ (230,307)	\$ -	\$ 27,758,265	0.83%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

**SUPPLEMENTARY INFORMATION**

**DERRY TOWNSHIP SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS**

**June 30, 2025**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 2,612,738	\$ 3,353,826	\$ 5,966,564
Investments	13,913,900	-	13,913,900
Due from other funds	646,076	1,000,000	1,646,076
<b>Total assets</b>	<b>\$ 17,172,714</b>	<b>\$ 4,353,826</b>	<b>\$ 21,526,540</b>
<b>Liabilities</b>			
Accounts payable	\$ 248,148	\$ 24,905	\$ 273,053
Due to other funds	-	670,976	670,976
<b>Total liabilities</b>	<b>248,148</b>	<b>695,881</b>	<b>944,029</b>
<b>Fund Balances</b>			
Restricted	16,924,566	3,657,945	20,582,511
<b>Total fund balances</b>	<b>16,924,566</b>	<b>3,657,945</b>	<b>20,582,511</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,172,714</b>	<b>\$ 4,353,826</b>	<b>\$ 21,526,540</b>

**DERRY TOWNSHIP SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CAPITAL PROJECTS FUNDS**

**Year Ended June 30, 2025**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
<hr/>			
Revenues			
Local sources	\$ 921,902	\$ 183,575	\$ 1,105,477
<b>Total revenues</b>	<u>921,902</u>	<u>183,575</u>	<u>1,105,477</u>
Expenditures			
Support services	-	557,344	557,344
Capital outlay	1,476,569	740,035	2,216,604
<b>Total expenditures</b>	<u>1,476,569</u>	<u>1,297,379</u>	<u>2,773,948</u>
Other Financing Sources			
Interfund transfers	-	1,000,000	1,000,000
 <b>Net changes in fund balances</b>	 (554,667)	 (113,804)	 (668,471)
Fund Balances - July 1, 2024	17,479,233	3,771,749	21,250,982
Fund Balances - June 30, 2025	<u>\$ 16,924,566</u>	<u>\$ 3,657,945</u>	<u>\$ 20,582,511</u>



**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***

Board of School Directors  
Derry Township School District  
Hershey, 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 Derry Township School District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

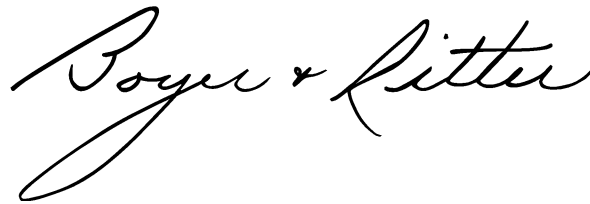
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

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

### **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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Camp Hill, Pennsylvania  
December 29, 2025



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

Board of School Directors  
Derry Township School District  
Hershey, Pennsylvania

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

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

We have audited Derry Township School District's (District) 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 the District's major Federal programs for the year ended June 30, 2025. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2025.

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

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe 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 the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

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

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

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

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

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

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

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

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

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

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

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
December 29, 2025

**DERRY TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2025**

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**Section I -- Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency (ies) identified that is not considered to be a material weakness (es)? \_\_\_\_\_ Yes   X   No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

- Material weakness (es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency (ies) identified that is not considered to be a material weakness (es)? \_\_\_\_\_ Yes   X   None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)3? \_\_\_\_\_ Yes   X   No

**DERRY TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2025**

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**Section I -- Summary of Auditor's Results (Continued)**

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Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee?      Yes   X   No

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**Section II -- Financial Statement Findings**

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A. Significant Deficiency(ies) in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

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**Section III -- Federal Award Findings and Questioned Costs**

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A. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

B. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

DERRY TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2025

	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received (Refunded) for the Year	Accrued or (Deferred) Revenue at July 1, 2024	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue June 30, 2025	Provided to Subrecipients
<b>U.S. Department of Education</b>										
Passed through the Pennsylvania Department of Education										
Title I - Grants to Local Educational Agencies	84.010	013-24-0118	23-24	\$ 527,734	\$ 387,345	\$ 387,345	\$ -	\$ -	\$ -	\$ -
Title I - Grants to Local Educational Agencies	84.010	013-25-0118	24-25	\$ 448,573	448,573	-	448,573	448,573	-	-
					<u>835,918</u>	<u>387,345</u>	<u>448,573</u>	<u>448,573</u>	<u>-</u>	<u>-</u>
Title II - Supporting Effective Instruction State Grants	84.367	020-24-0118	23-24	\$ 80,952	59,557	59,557	-	-	-	-
Title II - Supporting Effective Instruction State Grants	84.367	020-25-0118	24-25	\$ 65,375	55,841	-	65,375	65,375	9,534	-
					<u>115,398</u>	<u>59,557</u>	<u>65,375</u>	<u>65,375</u>	<u>9,534</u>	<u>-</u>
Title IV - Student Support and Academic Enrichment Program	84.424	144-24-0118	23-24	\$ 48,141	35,303	35,303	-	-	-	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-25-0118	24-25	\$ 39,742	39,742	-	39,742	39,742	-	-
					<u>75,045</u>	<u>35,303</u>	<u>39,742</u>	<u>39,742</u>	<u>-</u>	<u>-</u>
Elementary & Secondary School Emergency Relief Fund (ARP) - ESSER III	84.425U	223-21-0118	20-24	\$ 4,387,331	2,313,319	2,313,319	-	-	-	-
Elementary & Secondary School Emergency Relief Fund (ARP) Learning Loss	84.425U	225-21-0118	20-24	\$ 340,993	44,286	37,307	6,979	6,979	-	-
ARP ESSER Homeless Children and Youth	84.425W	181-21-2119	21-24	\$ 17,851	16,021	16,021	-	-	-	-
Total passed through the Pennsylvania Department of Education					<u>3,399,987</u>	<u>2,848,852</u>	<u>560,669</u>	<u>560,669</u>	<u>9,534</u>	<u>-</u>
Passed through the Capital Area Intermediate Unit										
Title III - English Language Acquisition State Grants	84.365	N/A	24-25	\$ 25,869	-	-	3,947	3,947	3,947	-
Special Education Cluster (IDEA)										
Special Education Grants to States	84.027	062-200015	22-23	\$ 375,767	56,366	56,366	-	-	-	-
Special Education Grants to States	84.027	062-200015	23-24	\$ 363,792	308,976	363,792	-	-	54,816	-
Special Education Grants to States	84.027	062-200015	24-25	\$ 320,360	-	-	320,360	320,360	320,360	-
					<u>365,342</u>	<u>420,158</u>	<u>320,360</u>	<u>320,360</u>	<u>375,176</u>	<u>-</u>
Special Education Preschool Grants	84.173	131-200015	23-24	\$ 1,652	1,652	1,652	-	-	-	-
Special Education Preschool Grants	84.173	131-200015	24-25	\$ 2,420	-	-	2,420	2,420	2,420	-
					<u>1,652</u>	<u>1,652</u>	<u>2,420</u>	<u>2,420</u>	<u>2,420</u>	<u>-</u>
Total Special Education Cluster					<u>366,994</u>	<u>421,810</u>	<u>322,780</u>	<u>322,780</u>	<u>377,596</u>	<u>-</u>
Total passed through the Capital Area Intermediate Unit					<u>366,994</u>	<u>421,810</u>	<u>326,727</u>	<u>326,727</u>	<u>381,543</u>	<u>-</u>
<b>Total U.S. Department of Education</b>					<u>3,766,981</u>	<u>3,270,662</u>	<u>887,396</u>	<u>887,396</u>	<u>391,077</u>	<u>-</u>

DERRY TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
Year Ended June 30, 2025

	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received (Refunded) for the Year	Accrued or (Deferred) Revenue at July 1, 2023	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue June 30, 2025	Provided to Subrecipients
<b>U.S. Department of Health and Human Services</b>										
Passed through the Pennsylvania Department of Public Welfare										
Medicaid Cluster										
Medical Assistance Program: Title XIX	93.778	N/A	24-25	N/A	1,683	-	1,683	1,683	-	-
Total Medicaid Cluster					1,683	-	1,683	1,683	-	-
<b>Total U.S. Department of Health and Human Services</b>					1,683	-	1,683	1,683	-	-
<b>U.S. Department of Treasury</b>										
Passed through the Pennsylvania Commission on Crime and Delinquency										
COVID-19 State and Local Fiscal Recovery Funds - School Mental Health Grant	21.027	2023-CM-01 43671	24-26	\$ 141,624	110,219	-	137,351	137,351	27,132	-
<b>Total U.S. Department of Treasury</b>					110,219	-	137,351	137,351	27,132	-
<b>U.S. Department of Agriculture</b>										
Passed through the Pennsylvania Department of Education										
School Breakfast Program	10.553	N/A	23-24	N/A	88,204	88,204	-	-	-	-
School Breakfast Program	10.553	N/A	24-25	N/A	161,320	-	163,754	163,754	2,434	-
					249,524	88,204	163,754	163,754	2,434	-
National School Lunch Program	10.555	N/A	23-24	N/A	271,506	271,506	-	-	-	-
National School Lunch Program	10.555	N/A	24-25	N/A	482,060	-	487,833	487,833	5,773	-
					753,566	271,506	487,833	487,833	5,773	-
Total passed through the Pennsylvania Department of Education					1,003,090	359,710	651,587	651,587	8,207	-
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program - Food Donations (a)	10.555	N/A	24-25	N/A	150,393 (b)	(24,316) (c)	161,645	161,645 (d)	(13,064) (e)	-
<b>Total U.S. Department of Agriculture</b>					1,153,483	335,394	813,232	813,232	(4,857)	-
<b>Total Expenditures of Federal Awards</b>					\$ 5,032,366	\$ 3,606,056	\$ 1,839,662	\$ 1,839,662	\$ 413,352	\$ -
Child Nutrition Cluster (Assistance Listing Numbers - 10.553 and 10.555)					\$ 1,153,483	\$ 335,394	\$ 813,232	\$ 813,232	\$ (4,857)	\$ -
Special Education Cluster (Assistance Listing Numbers - 84.027 and 84.173)					\$ 366,994	\$ 421,810	\$ 322,780	\$ 322,780	\$ 377,596	\$ -
Education Stabilization Fund (Assistance Listing Numbers - 84.425)					\$ 2,373,626	\$ 2,366,647	\$ 6,979	\$ 6,979	\$ -	\$ -

Legends:

- (a) Donated commodities value at local market rates
- (b) Total amount of commodities received from Department
- (c) Inventories at July 1, 2024

- (d) Total amount of commodities used
- (e) Inventories at June 30, 2025

See Notes to Schedule of Expenditures of Federal Awards.

## DERRY TOWNSHIP SCHOOL DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of the District's under programs of the Federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the District's operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

#### **Note 2. Significant Accounting Policies**

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. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10% de Minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Note 3. Access Program**

The ACCESS Program is a medical assistance program that reimburses local education agencies for direct, eligible health-related services provided to enrolled special needs students. ACCESS reimbursements are Federal monies but are classified as fee-for-service revenues and are not considered Federal financial assistance and are not included on the Schedule. The amount of ACCESS funding expended, but not included on the Schedule, for the year ended June 30, 2025, was \$337,430.

**DERRY TOWNSHIP SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**Year Ended June 30, 2025**

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**Financial Statement Finding - Significant Deficiency**

**Finding 2024-001: Untimely Fund Closing**

Condition: The District staff did not close and reconcile their financial records after year-end on a timely basis.

Recommendation: We recommend the District implement detailed monthly closing schedules and reconciliation processes for all funds with oversight reviews established to ensure that the information provided to the decision makers is complete, accurate, and timely.

Management Response: The District has rectified this deficiency by closing their funds timely during the current audit year.

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