

NEW ISSUE - BOOK ENTRY ONLY

RATING: Moody's "Aa2"
(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.

\$15,000,000*
HEMPFIELD SCHOOL DISTRICT
(Lancaster County, Pennsylvania)
General Obligation Bonds, Series of 2025

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

Interest Payable: April 15 and October 15
First Interest Payment: October 15, 2025
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 2025 (the "Bonds" or "2025 Bonds") in the aggregate principal amount of \$15,000,000* are being issued by the Hempfield School District (the "School District"), a public school district located in Lancaster 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 Fulton Bank, National Association, 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 October 15, 2025, and thereafter, semiannually on April 15 and October 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 April 8, 2025, 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 various capital projects of the School District; 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, McNeese Wallace & Nurick LLC, Lancaster, Pennsylvania. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, will serve as Financial 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 May ____, 2025.

RAYMOND JAMES®

*Preliminary, subject to change.

\$15,000,000*
HEMPFIELD SCHOOL DISTRICT
(Lancaster County, Pennsylvania)
General Obligation Bonds, Series of 2025

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Form: DTC Book-entry Only

BOND MATURITY SCHEDULE

(April 15)	Principal	Interest			CUSIP
<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Numbers ⁽¹⁾</u>

⁽¹⁾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’S 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 DO 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.

Issuer	Hempfield School District, Lancaster County, Pennsylvania (the “School District”).
Bonds	<p>The General Obligation Bonds, Series of 2025 in the aggregate principal amount of \$15,000,000* (the “Bonds”), dated as of the date of delivery, maturing on April 15, ____ through April 15, ____.</p> <p>Interest on the Bonds shall be payable semiannually on April 15 and October 15. See “DESCRIPTION OF THE BONDS” herein.</p>
Optional Redemption	The Bonds stated to mature on or after April 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 April 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.
Form	Book-Entry Only.
Application of Proceeds	Proceeds of the Bonds will be used to: (1) finance various capital projects of the School District; and (2) pay the related costs, including the costs of issuing the Bonds.
Security	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.
Rating	Moody’s Investor’s Service, Inc. (“Moody’s”) has assigned, to this issue of Bonds, the School District a rating of “Aa2”. (See “ RATING ” herein.)
Continuing Disclosure Undertaking	The School District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted (the “Rule”). (See “ CONTINUING DISCLOSURE UNDERTAKING ” and “ APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE, for the filing deadline, see “Section 3: Time period within which annual information must be filed” ” herein.)

*Preliminary, subject to change.

HEMPFIELD SCHOOL DISTRICT
(Lancaster County, Pennsylvania)

200 Church Street
Lancaster, Pennsylvania 17538

BOARD OF SCHOOL DIRECTORS

Mike Donato.....	President
Pat Wagner.....	Vice President
Judy Brady.....	Member
Megan Eshleman	Member
Richard Garber.....	Member
Linda Johnston.....	Member
Grant Keener.....	Member
Charles Merris	Member
Justin Wolgemuth	Member

SCHOOL ADMINISTRATION

Michael Bromirski.....	Superintendent of Schools
Karen Hall	Chief Financial & Operations Officer

BOND COUNSEL/SOLICITOR

Saxton & Stump, LLC
Lancaster, Pennsylvania

UNDERWRITER

Raymond James & Associates, Inc.
Lancaster, Pennsylvania

LIMITED SCOPE UNDERWRITER'S COUNSEL

McNees Wallace & Nurick LLC
Lancaster, Pennsylvania

FINANCIAL ADVISOR

PFM Financial Advisors LLC
Harrisburg, Pennsylvania

PAYING AGENT

Fulton Bank, National Association
Lancaster, Pennsylvania

OFFICIAL STATEMENT

\$15,000,000*

HEMPFIELD SCHOOL DISTRICT

(Lancaster County, Pennsylvania)

General Obligation Bonds, Series of 2025

INTRODUCTION

This Official Statement is furnished by the Hempfield School District (the "School District"), a public school district located in Lancaster County, Pennsylvania, in connection with the offering of its General Obligation Bonds, Series of 2025 (the "Bonds") in the aggregate principal amount of \$15,000,000*, 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 April 8, 2025 (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 April 15 and October 15 of each year, commencing October 15, 2025. 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 Fulton Bank, National Association (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 various capital projects of the School District; and (2) pay the related costs, including the costs of issuing the Bonds.

SOURCES AND USES OF FUNDS

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

⁽¹⁾Includes legal fees, underwriter's discount, paying agent fees, rating fee, CUSIP, printing and miscellaneous fees.

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 October 15, 2025, and thereafter, semiannually on April 15 and October 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, October 15, 2025, 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 April 15th of the following years and in the following principal amounts:

<u>Year</u>	<u>Amount</u>
-------------	---------------

Optional Redemption

The Bonds maturing on and after April 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 April 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 nor more than forty-five (45) 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.

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 2025" (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 Depositary, 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 depositary 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 Impasses**” herein.

Pennsylvania Budget Adoption Impasses

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

The budgets for the 2018-19 and the 2019-20 fiscal years were adopted timely. Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the Governor approved a five-month stopgap budget for the fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven-months of fiscal year 2020-21. The legislation was sent to the Governor’s desk for approval and on November 23, 2020, the Governor approved the 2020-21 Supplemental Budget, which included mostly flat funding for public education similar to the stopgap budget adopted for the first five months of the 2020-21 fiscal year.

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

After a week’s delay and intense negotiations, the \$45.2 billion budget for Pennsylvania’s 2022-2023 fiscal year was signed by Governor Tom Wolf on July 8, 2022. The 2022-2023 enacted budget includes \$7,625,124,000 for the basic education funding appropriation and \$225,000,000 to supplement those school districts with a higher at risk student population. The total amount is a \$767,820,000 (10.83%) increase over the 2021-2022 fiscal year appropriation.

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

After a two week delay, a \$47.6 billion budget for the state’s 2024-25 fiscal year was signed by Governor Josh Shapiro on July 11, 2024, which included an increase of \$1.11 billion for K-12 education funding. The total basic education funding appropriation is \$8,157,444,000 which is a 3.62% increase over the 2023-24 enacted fiscal year appropriation. Also, the budget provides for \$100 million increase in additional aid to school districts for special education services.

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” below.**

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 Underwriter disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability 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.

<u>Year</u> <u>Ending</u>	<u>Filing</u> <u>Due Date</u>	<u>Audit</u>	<u>Filing Dates</u> <u>Operating</u> <u>Data</u>	<u>Budget</u>
6/30/2024	3/27/2025	3/05/2025	3/11/2025	3/11/2025
6/30/2023	3/26/2024	2/20/2024	12/06/2023	12/06/2023
6/30/2022	3/27/2023	3/23/2023	3/27/2023	3/23/2023
6/30/2021	3/27/2022	3/23/2023*	3/27/2023*	6/28/2021
6/30/2020	2/25/2021	12/21/2020	12/21/2020	7/16/2020

**The School District failed to timely file, but subsequently cured on the dates listed above, along with a "Prior Failure to file Certain Annual Financial Information" Notice to EMMA on 3/27/2023.*

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. As a result, beginning for tax year after December 31, 2022, 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, as Solicitor for the School District and McNees Wallace & Nurick LLC, in Lancaster, Pennsylvania, will pass upon certain legal matters as limited scope undertaking counsel to the underwriter.

RATING

Moody’s Investor’s Service, Inc. has assigned, to this issue of Bonds, the School District a rating of “Aa2”. This underlying 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 an original issue premium 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.

FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, of Harrisburg, Pennsylvania, as financial advisor (the “Financial Advisor”) in connection with the authorization and issuance of the Bonds. The Financial 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.

HEMPFIELD SCHOOL DISTRICT
Lancaster 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 Hempfield School District (the “School District”) is located in northwestern Lancaster County and is approximately five miles from the City of Lancaster, Pennsylvania. The School District covers approximately 40 square miles. It comprised of East Hempfield and West Hempfield Townships, the Borough of East Petersburg and the Borough of Mountville. The School District is approximately 30 miles southeast of Harrisburg and 60 miles west of Philadelphia. The School District is characterized as suburban and residential in character, with industrial and commercial development.

Because of the School District's close proximity to the largest metropolitan communities of the east, the world's largest markets are readily available for the many diverse products of the area. The School District's location and its many other attributes form a nucleus of economic and social activity that is impressive from all points of view.

The School District is governed by a nine member Board of School Directors who are citizens of the School District and elected to serve four-year terms on a staggered basis. The daily operations and management of the School District are performed by a central administrative staff which is led by the Superintendent and the Director of Finance who are appointed by the Board of School Directors.

School Facilities

The School District presently operates (7) elementary schools, (2) middle schools and (1) high school, all as described in the following table. Students in grades 9-12 have the option to attend the Lancaster County Career and Technology Center.

<u>School</u>	<u>Year Constructed</u>	<u>Additions/ Alterations</u>	<u>Grades</u>	<u>Rated Pupil Capacity</u>	<u>2024-25 Enrollment ⁽¹⁾</u>
<u>Elementary:</u>					
Centerville.....	1970	2002	K-6	725	543
East Petersburg	2013	---	K-6	700	483
Farmdale	2013	---	K-6	650	492
Landisville ⁽²⁾	1994/2012	---	K-6	1,250	1,020
Mountville.....	2004	---	K-6	675	563
Rohrerstown.....	2004	---	K-6	625	457
<u>Secondary:</u>					
Centerville Middle School.....	1967	2007	7-8	900	557
Landisville Middle School	1995	---	7-8	620	506
Hempfield High School.....	1955	1967/74/95	9-12	2,368	2,289
Total School District.....					

⁽¹⁾As of September 4, 2023. There are 74 additional students not included in the table above, these students are in outside placements or virtual programs.

⁽²⁾Consists of two buildings.

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>
2020-21	3,582	3,284	6,866
2021-22	3,700	3,349	7,049
2022-23	3,664	3,388	7,052
2023-24	3,635	3,419	7,054
2024-25 (Current)	3,558	3,352	6,910
2025-26 (Projected)	3,536	3,415	6,951

Source: School District Officials – October 1st “Enrollment Report” as filed with the Pennsylvania Department of Education.

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 BBD, LLP, of Philadelphia, 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, 2020 through June 30, 2024. For more complete information, the individual financial statements and the 2025 Budget of the School District are available on the School District's website or may be reviewed at the School District's Business Office.

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

	ACTUAL					Budgeted
	2020	2021	2022	2023	2024	2025
Revenues						
Local Sources.....	\$89,890,278	\$91,991,625	\$95,674,059	\$102,042,731	\$106,802,117	\$107,836,668
State Sources.....	33,517,658	33,995,822	34,815,463	37,864,040	39,081,402	40,001,895
Federal Sources.....	<u>1,442,940</u>	<u>2,106,286</u>	<u>3,584,410</u>	<u>6,181,621</u>	<u>4,739,003</u>	<u>2,178,209</u>
Total Revenues	\$124,850,876	\$128,093,733	\$134,073,932	\$146,088,392	\$150,622,522	\$150,016,772
Expenditures						
Instructional Services.....	\$80,076,911	\$82,028,800	\$87,340,640	\$88,006,920	\$91,124,446	\$94,630,110
Support Services.....	30,898,765	32,373,102	34,727,007	36,955,308	36,507,835	41,419,161
Noninstructional Services.....	1,846,865	1,795,102	2,045,541	2,115,390	2,343,488	1,804,462
Capital Outlay.....	0	0	10,887	1,857,158	70,630	1,550,000
Debt Service.....	0	0	755,439	749,265	722,733	0
Miscellaneous.....	<u>3,855</u>	<u>6,708</u>	<u>0</u>	<u>45,152</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$112,826,396	\$116,203,712	\$124,879,514	\$129,729,193	\$130,769,132	\$139,403,733
Other Financing Sources (Uses)						
Interfund Transfers out.....	(\$7,982,686)	(\$9,804,896)	(\$10,887,349)	(\$11,063,264)	(\$20,199,141)	(\$10,613,039)
Proceeds from extended term financing.....	0	0	1,390,472	512,469	478,437	0
Refunds of prior year's receipts.....	0	0	3,558,829	0	0	0
Sale of Capital Assets.....	0	0	25,627	0	0	0
Loss on lease termination.....	0	0	(56,196)	0	0	0
Budgetary Reserve.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(\$7,982,686)</u>	<u>(\$9,804,896)</u>	<u>(\$5,968,617)</u>	<u>(\$10,550,795)</u>	<u>(\$19,720,704)</u>	<u>(\$10,613,039)</u>
Excess Expenditures						
Over (Under) Revenues	\$4,041,794	\$2,085,125	\$3,225,801	\$5,808,404	\$132,686	\$0
Beginning Fund Balance	<u>\$14,847,216</u>	<u>\$18,889,010</u>	<u>\$21,130,186</u>	<u>\$24,355,987</u>	<u>\$30,164,391</u>	
Fund Balance June 30	<u>\$18,889,010</u>	<u>\$20,974,135</u>	<u>\$24,355,987</u>	<u>\$30,164,391</u>	<u>\$30,297,077</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 great 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 (2nd 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>
2024-25	6.3
2023-24	4.8
2022-23	4.8
2021-22	4.3
2020-21	3.8

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:

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

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

*Applicable to the School District

⁽¹⁾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

2024-25 Real Estate and Non-Real Estate Tax Rates

Realty Tax Rates

<u>Municipality</u>	<u>Real Estate (Mills)</u>			
	<u>School District</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
East Hempfield Township.....	18.3084	1.010	2.911	22.2294
East Petersburg Borough.....	18.3084	5.527	2.911	26.7464
Mountville Borough.....	18.3084	2.730	2.911	23.9494
West Hempfield Township	18.3084	1.950	2.911	23.1694

Non-Real Estate Tax Rates

<u>Municipality</u>	<u>Wage & Income</u>		<u>Real Estate Transfer</u>	
	<u>Municipal</u>	<u>School</u>	<u>Municipal</u>	<u>School</u>
East Hempfield Township.....	0.5%	0.5%	0.5%	0.5%
East Petersburg Borough.....	0.5%	0.5%	0.5%	0.5%
Mountville Borough.....	0.5%	0.5%	0.5%	0.5%
West Hempfield Township	0.5%	0.5%	0.5%	0.5%

Source: Local Officials

Real Estate Tax Collection Record

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

<u>Fiscal Year</u>	<u>Adjusted Total Levy⁽¹⁾</u>	<u>Current Collections</u>	<u>Current Percent Collected</u>	<u>Total Collections⁽²⁾</u>	<u>Total Percent Collected</u>
2019-20	\$77,796,786	\$75,622,500	97.21%	\$76,608,185	98.47%
2020-21	78,800,142	76,507,075	97.09%	78,065,645	99.07%
2021-22	81,557,039	79,101,948	96.99%	80,679,438	98.92%
2022-23	85,108,791	83,739,721	98.39%	84,469,552	99.25%
2023-24	89,172,931	87,571,620	98.20%	88,418,833	99.15%

⁽¹⁾Flat billing, plus penalties, less discounts, rebates and exonerations.

⁽²⁾Includes delinquent real estate collection.

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>Tax Year</u>	<u>Market Value</u>	<u>Assessed Value</u>	<u>Ratio</u>
2019-20	\$4,502,341,043	\$4,828,380,400	107.24%
2020-21	4,682,928,641	4,874,988,100	104.10%
2021-22	4,755,250,309	4,940,765,300	103.90%
2022-23	5,108,137,532	5,016,708,600	98.21%
2023-24	5,190,793,030	5,078,947,700	97.85%

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

Ten Most Valuable Taxable Parcels in the School District

The following table represents the ten real estate parcels having the highest assessed values in the School District. These taxpayers represent approximately 8.6% of the School District's total most recent assessed value.

<u>Taxpayer</u>	<u>Taxable Aggregate Assessed Valuation</u>
Lancaster General Hospital Foundation	\$159,813,800
Mennonite Home Inc.	76,657,400
Art Mortgage Borrower Propco 2	49,059,700
LIT East Hempfield LLC	31,359,600
Homestead Village Inc.....	27,780,900
Sports Complex LP	24,095,100
Homestead Village.....	18,943,700
Saint Annes Retirement Community	18,000,800
Kellogg USA Inc.	16,314,100
HP Altman Wheatland Hills LP	15,883,900
Totals	<u>\$437,909,000</u>

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 42.88%. 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.

<u>DIRECT DEBT</u>	Gross	Project	Effective⁽¹⁾	State	Local
<u>NONELECTORAL DEBT</u>	<u>Outstanding</u>	<u>Reimbursable</u>	<u>Reimbursement</u>	<u>Share</u>	<u>Share</u>
<u>Issue Type</u>		<u>Percent (%)</u>			
General Obligation Bonds, Series of 2025	\$15,000,000	0.00%	0.00%	\$ 0	\$15,000,000
General Obligation Bonds, Series of 2024	13,430,000	0.00%	0.00%	0	13,430,000
General Obligation Bonds, Series of 2023	14,275,000	0.00%	0.00%	0	14,275,000
General Obligation Bonds, Series of 2022	8,560,000	24.83%	10.65%	911,392	7,648,608
General Obligation Bonds, Series A of 2021	3,015,000	26.09%	11.19%	337,300	2,677,700
General Obligation Bonds, Series of 2021	6,765,000	23.55%	10.10%	683,146	6,081,854
General Obligation Bonds, Series AA of 2020	9,615,000	0.00%	0.00%	0	9,615,000
General Obligation Bonds, Series A of 2020	23,345,000	25.27%	10.84%	2,529,612	20,815,388
General Obligation Bonds, Series AA of 2019	1,405,000	19.95%	8.55%	120,192	1,284,808
General Obligation Bonds, Series A of 2019	3,110,000	22.06%	9.46%	294,185	2,815,815
Total Principal of Nonelectoral Debt.....	\$98,520,000			\$4,875,826	\$93,644,174
<u>LEASE RENTAL DEBT</u>					
Lancaster County Career & Technology Center Authority					
Guaranteed Lease Revenue Bonds, Series of 2020	\$699,128	87.59%	38.82%	\$271,401	\$427,727
Total Principal of Lease Rental Debt	\$699,128				
TOTAL DIRECT DEBT	\$99,219,128			\$5,147,227	\$94,071,901
<u>OVERLAPPING DEBT</u>					
Component Municipalities Debt	\$12,185,558				
Lancaster County	26,036,654				
Total Principal of Overlapping Debt	\$38,222,212				
TOTAL DIRECT AND OVERLAPPING DEBT	\$137,441,340				
<u>DEBT RATIOS OF DIRECT DEBT</u>					
Market Valuation of Real Estate	2.09%				
Assessed Valuation of Real Estate	2.01%				
Per Capita (2020 Population)	\$2,155				
<u>DEBT RATIOS OF DIRECT DEBT AND OVERLAPPING DEBT</u>					
Market Valuation of Real Estate	2.89%				
Assessed Valuation of Real Estate	2.78%				
Per Capita (2020 Population)	\$2,985				

⁽¹⁾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.

⁽²⁾School District’s pro rata 11.60% share of the County’s \$224,539,966 principal amount outstanding.

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

FUTURE FINANCING

The School District has a long-range capital improvement plan in place for renovations and upgrades to its existing facilities; if implemented, the School District anticipates issuing additional long-term debt of approximately \$67 million to fund this plan over the next 3-5 years.

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>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Total General Fund Revenues	\$134,073,932	\$146,088,392	\$150,622,522
Less: Required Deductions			
a. Rental and Sinking Fund Reimbursement	\$817,376	\$820,472	\$872,651
b. Revenues for Self-Liquidating Debt.....	0	0	0
c. Interest Earned on Sinking Funds	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
Total Deductions	<u>\$817,376</u>	<u>\$820,472</u>	<u>\$872,651</u>
Total Revenues	<u>\$133,256,556</u>	<u>\$145,267,920</u>	<u>\$149,749,871</u>
Total Net Revenues for Three Years		\$428,274,347	
Borrowing Base - Average Net Revenues for Three-Year Period		\$142,758,116	
Computation of Borrowing Capacity			
Debt Limitation - 225% OF Borrowing Base		\$321,205,760	
Less: Net Non-Electoral and Lease Rental Debt		\$99,219,128	
Current Non-Electoral and Lease Rental Borrowing Capacity		<u>\$221,986,632</u>	

LABOR RELATIONS

Employees and Labor Contracts

There are presently 791 employees of the School District, including 536 teachers, 34 administrators, 221 full-time secretaries, athletic staff, maintenance/custodial staff, transportation staff, cafeteria staff and teachers' aides. Part-time and substitute employees are not included in this total.

The current collective bargaining agreement between the School District and its professional employees, represented by the Hempfield Education Association, extends until June 30, 2028. Relations between the School District and Association have been good.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administered by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees who render at least 500 hours of service in the school year can 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. For the fiscal year ended June 30, 2025, the PSERS Board certified employer rate, to be paid by the School District, is 33.9%. 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. Recent School District payments, net of reimbursement, have been as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020-21	\$ 9,323,500
2021-22	9,670,317
2022-23	10,262,471
2023-24	10,061,610
2024-25 (Budgeted)	10,304,795

On June 30, 2024, the School District reported a liability of \$7,818,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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, 2024 (measurement date), the School District's proportion was 0.3822%, which was a decrease of 0.0030% from its proportion measured as of June 30, 2023.

As of June 30, 2023, the PSERS plan was 61.6% funded, with an unfunded actuarial accrued liability of approximately \$44.0 billion. PSERS’ rate of return for fiscal year ended June 30, 2023, was 3.54%. The Fund had plan net assets of \$72.8 billion on June 30, 2023. For more information, visit the PSERS website at 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>2010</u>
<i>School District</i>	46,040	46,983
Lancaster County.....	543,050	519,445
Pennsylvania	12,794,885	12,702,379

Source: U.S. Bureau of Census.

Percentage of Age Composition (Estimates as of July 1, 2022)

	<u>Under 5 years</u>	<u>Under 18 years</u>	<u>65 years and over</u>
East Hempfield Township	4.0%	18.1%	26.1%
East Petersburg Borough	---	34.4	6.4
Mountville Borough	---	28.9	7.5
West Hempfield Township.....	7.2	24.1	17.4
Lancaster County.....	6.1	22.9	19.7
Pennsylvania	5.2	20.2	19.6

Source: U.S. Bureau of Census.

Income (Estimates as of July 1, 2022)

	<u>Median Household</u>	<u>Per Capita</u>	<u>Persons in Poverty</u>
	\$87,238	\$49,666	3.4%
	53,910	21,979	2.7
	20,928	22,010	4.6
	83,966	36,289	4.7
	73,688	35,609	8.8
	67,587	37,725	12.1

Source: U.S. Bureau of Census.

Housing Characteristics (Estimates as of July 1, 2022)

	<u>Housing Units</u>	<u>% Owner-Occupied</u>	<u>Households</u>	<u>Persons Per Household</u>
Lancaster County.....	218,994	69.7	207,291	2.60
Pennsylvania	5,815,392	69.2	5,147,783	2.44

Source: U.S. Bureau of Census.

Medical facilities

<u>Institution</u>
Lancaster General Hospital
Community Hospital of Lancaster
Lancaster Regional Medical Center
Ephrata Community Hospital
Columbia Hospital

Source: School District Officials.

Transportation

With the School District's proximity to the cities of Lancaster and Reading, there are many different methods of transportation available to residents of the School District. The four-lane Lancaster by-pass (U.S. Route 30) is the main thoroughfare through the area. U.S. Route 222, running in a north-south direction, passes through the School District in the heart of the business district of Lancaster, and three other highways, State Route 72 from Manheim, U.S. Route 230 from Harrisburg and State Route 23 from New Holland, connects with U.S. Route 222 in the northern section of the School District. The Pennsylvania Turnpike passes in an east-west direction approximately 15 miles north of the School District. The four-lane Coatesville bypass parallels Route 30 to the east of the School District and makes the four-lane Lancaster by-pass more easily accessible to the Philadelphia Metropolitan Area. Route 283, located just north of the School District connects Lancaster with Harrisburg.

Public transportation is readily available to residents of the School District. The Lancaster Airport provides commuter air transportation for the area to Philadelphia, Baltimore-Washington, and Harrisburg International Airports. Norfolk Southern provides freight service to the County and Amtrak provides passenger service to all major eastern cities on a daily basis. The Red Rose Transit Authority provides daily transportation within the School District and the County of Lancaster. Nationwide bus service is available through Greyhound Bus Lines and National Trailways Bus Service.

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 Lancaster 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 Lancaster 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 Lancaster County. UGI maintains gas transportation services to more than 700 customers on its system.

Each municipality in the School District receives water service from a separate water company or municipal authority; they include, Columbia Water Company, Mountville Water Company, East Petersburg Borough Authority and Municipal Authority of East Hempfield.

Higher Education

Lancaster 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

Because of the area's historic sites, the City of Lancaster's architectural charm, the County's rolling, well-kept farmlands, and the large Amish community, Lancaster has become more and more attractive to tourists. Each year some 8 million people visit the area, spending about \$1.2 billion and generating \$2.3 billion in indirect activity.

ECONOMIC INFORMATION

Ten Largest Employers in Lancaster County

Company

Lancaster General Hospital
Mutual Assistance Group
Giant Food Stores LLC
Eurofins Lancaster Laboratories Inc.
County of Lancaster
Lancaster School District
Dart Container Corporation
Nordstrom Inc.
Lancaster General Medical Group
Masonic Villages of the Grand Lodge

Source: Department of Labor and Industry, Center for Workforce Information and Analysis – Labor & Industry (L & I), 1st Quarter, 2023.

LANCASTER METROPOLITAN STATISTICAL AREA

(Lancaster County)

Total Civilian Labor Force, Employment, Unemployment and Labor Force, Unemployment

Time Period	Civilian Labor Force	Employment	Unemployment	Rate (%)	SEASONALLY ADJUSTED			
					Labor Force	Employment	Unemployment	Rate (%)
July 2023	295,700	286,200	9,500	3.2	290,400	282,200	8,200	2.8
June	295,200	285,600	9,500	3.2	290,600	282,000	8,600	3.0
May	291,200	282,700	8,500	2.9	290,700	281,800	8,800	3.0
July 2022	289,900	279,000	10,900	3.8	290,000	279,700	10,300	3.6

Source: Pennsylvania Department of Labor & Industry.

Classification of Employment by Industry

July 2023 NONFARM JOBS - NOT SEASONALLY ADJUSTED

ESTABLISHMENT DATA	Industry Employment				Net Change From:	
	Jul 2023	Jun 2023	May 2023	Jul 2022	Jun 2023	Jul 2022
TOTAL NONFARM	266,800	267,600	266,000	261,000	-800	5,800
TOTAL PRIVATE	249,400	248,900	246,800	244,100	500	5,300
GOODS-PRODUCING	59,400	59,300	58,200	58,700	100	700
Mining, Logging, and Construction	20,800	20,500	19,900	19,800	300	1,000
Manufacturing	38,600	38,800	38,300	38,900	-200	-300
Durable Goods	21,700	21,600	21,300	21,300	100	400
Non-Durable Goods	16,900	17,200	17,000	17,600	-300	-700
Food mfg.	8,800	8,800	8,700	8,800	0	0
SERVICE-PROVIDING	207,400	208,300	207,800	202,300	-900	5,100
PRIVATE SERVICE-PROVIDING	190,000	189,600	188,600	185,400	400	4,600
Trade, Transportation, and Utilities	62,000	62,100	61,900	60,200	-100	1,800
Wholesale Trade	14,200	14,000	13,900	13,800	200	400
Retail Trade	31,000	31,100	30,900	29,900	-100	1,100
General merchandise retailers	3,400	3,300	3,400	3,300	100	100
Transportation, Warehousing, and Utilities	16,800	17,000	17,100	16,500	-200	300
Information	2,700	2,600	2,600	2,600	100	100
Financial Activities	10,400	10,400	10,300	10,300	0	100
Professional and Business Services	26,700	26,700	26,800	27,200	0	-500
Education and Health Services	48,200	47,800	48,600	45,900	400	2,300
Health care and social assistance	41,900	41,600	41,300	40,200	300	1,700
Hospitals	9,800	9,800	9,700	9,300	0	500
Leisure and Hospitality	26,900	26,900	25,600	26,500	0	400
Accommodation and food services	21,000	21,100	20,300	21,000	-100	0
Food services and drinking places	17,500	17,600	17,100	16,900	-100	600
Other Services	13,100	13,100	12,800	12,700	0	400
Government	17,400	18,700	19,200	16,900	-1,300	500
Federal Government	1,300	1,300	1,300	1,200	0	100
State Government	2,100	2,100	2,300	2,100	0	0
Local Government	14,000	15,300	15,600	13,600	-1,300	400
Data benchmarked to March 2022	***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

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DRAFT

**HEMPFIELD SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
\$ _____ GENERAL OBLIGATION BONDS, SERIES OF 2025**

OPINION

We have acted as Bond Counsel in connection with the issuance by the Hempfield School District, Lancaster County, Pennsylvania (the "School District"), of the \$ _____ General Obligation Bonds, Series of 2025 (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 a resolution adopted by the Board of School Directors of the School District on April 8, 2025.
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

_____, 2025

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

DRAFT

HEMPFIELD SCHOOL DISTRICT LANCASTER COUNTY, PENNSYLVANIA

**\$ _____ GENERAL OBLIGATION BONDS, SERIES OF 2025
DATED, ISSUED AND DELIVERED _____, 2025**

CONTINUING DISCLOSURE AGREEMENT

This agreement (the "Agreement") is executed as one of the closing documents for the \$ _____ General Obligation Bonds, Series of 2025 (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 Hempfield 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, 2025:

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) Realty Tax Rates (School District only) - (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) Ten Most Valuable Taxable Parcels in the School District (may be contained within the budget or audit for the current fiscal year without need for further cross reference); and.

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, 2025. 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 into 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.

HEMPFIELD SCHOOL DISTRICT

By: _____
(Vice) President

Attest: _____
Secretary

(SEAL)

APPENDIX E
AUDITED FINANCIAL STATEMENTS

HEMPFIELD SCHOOL DISTRICT
Financial Statements
June 30, 2024

HEMPFIELD SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
Hempfield School District
Landisville, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hempfield School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Hempfield School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hempfield School District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Correction of an Error

As discussed in Note 2 to the financial statements, the School District restated leases receivable and deferred inflows of resource related to leases to correct an error in the calculation. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

*Members of the American and Pennsylvania
Institutes of Certified Public Accountants*

Hempfield School District
Independent Auditor's Report

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 Hempfield School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, and other postemployment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

Hempfield School District
Independent Auditor's Report

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 Hempfield School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2025, on our consideration of Hempfield School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hempfield School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hempfield School District's internal control over financial reporting and compliance.

Meyer, Slaty & Associates, LLC

Carnegie, Pennsylvania
February 24, 2025

The management's discussion and analysis of Hempfield School District's financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2024. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. It should be read in conjunction with the notes to the basic financial statements and the financial statements as a whole to enhance the understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2024 are as follows:

- Total governmental and business-type assets increased by \$33.5 million to \$229.4 million.
- Cash and investment balances increased by \$36.4 million to \$101.6 million.
- The value of capital assets, net of depreciation and amortization, decreased by \$1.7 million primarily as a result of \$6.1 million of depreciation and amortization expense offset by \$4.3 million of capital additions during the year.
- Total governmental and business-type pension and other post-employment benefit liabilities decreased by \$0.7 million during the year. Deferred outflows of resources related to pension and other post-employment benefits liabilities increased by \$1.6 million and deferred inflows of resources related to pension and other post-employment benefits decreased by \$3.3 million.
- Governmental activities revenues increased by \$5.9 million to \$152.4 million. General revenues and transfers accounted for \$123.9 million, or 81.3% of this total, while program-specific charges for services, grants, or contributions represented \$28.6 million, or 18.7%.
 - Program revenues decreased by \$1.1 million, primarily related to spending under federal programs established by the American Recovery Plan Act.
 - General governmental revenues increased by \$6.9 million. Total tax revenues increased by \$3.3 million, unrestricted grants increased by \$1.1 million, and net investment earnings increased by \$2.6 million.
- The School District had \$134.3 million in expenses related to governmental activities.
 - \$28.6 million of these expenses were offset by program-specific charges for services, grants, or contributions. The net expense was \$105.8 million. General revenues, including \$99.7 million in taxes, provided coverage for these expenses.
- Net position increased by \$18.1 million for governmental activities and \$38,000 for business-type activities. Long-term liabilities related to debt service increased by \$22.0 million, primarily due to new bond issuances and related bond premiums for a total of \$30.0 million. The liability for benefits earned under the pension plan net of payments made decreased by \$1.0 million, and the liability for OPEB benefits earned net of payments made increased by \$0.3 million.
- Among major funds, the general fund had \$151.1 million in revenues and other financing sources and \$151.0 million in expenditures and other financing uses. This resulted in an increase in fund balance of \$132,686 to \$30.3 million.

Using the Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Hempfield School District as a financial whole.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how the services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds including proprietary and fiduciary fund statements. In the case of Hempfield School District, the general fund is the most significant.

Reporting the School District as a Whole

Our analysis of the School District as a whole begins on page 6. One of the most important questions asked about the School District's finances is, "Have our financial results this year improved or diminished our overall financial position?" The statement of net position and the statement of activities report information about the School District as a whole and about the activities in a way that helps answer this question. These statements include all assets and liabilities, as well as deferred outflows and inflows of resources, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors.

In the statement of net position and the statement of activities, the School District's financial information is divided into two distinct kinds of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activities - These services are provided on a charge-for-goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service operations are reported as business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 16 and provide detailed information about the most significant funds, not the School District as a whole. The School District's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net

HEMPFIELD SCHOOL DISTRICT

Management's Discussion & Analysis

June 30, 2024

position and the statement of activities) and governmental funds are reconciled in the financial statements.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, the financial statements for enterprise funds will essentially match. The School District also reports an internal service fund. Proprietary funds report activities that the School District operates like a business.

Fiduciary Funds

The School District is a custodian for assets that belong to others, such as student-led activities funds. These activities are excluded from the School District-wide financial statements because the School District cannot use these assets to finance its operations.

The School District as a Whole

Statement of Net Position

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2024 compared to 2023:

Table 1
Net Position (Deficit) at June 30
(In Millions)

	Governmental Activities		Business-Type		Totals	
	2024	2023	2024	2023	2024	2023
Assets						
Current assets	\$ 110.1	\$ 75.0	\$ 2.0	\$ 2.0	\$ 112.1	\$ 77.0
Noncurrent assets	116.8	118.3	0.5	0.6	117.3	118.9
Total assets	226.9	193.3	2.5	2.6	229.4	195.9
Deferred outflows of resources	29.1	27.6	0.6	0.5	29.7	28.2
Liabilities						
Current liabilities	28.9	30.9	0.1	0.1	29.0	31.0
Noncurrent liabilities	275.3	253.0	3.7	3.7	279.0	256.8
Total liabilities	304.1	283.9	3.8	3.9	308.0	287.8
Deferred inflows of resources	11.4	13.8	0.2	0.3	11.6	14.1
Net position (deficit)						
Net investment in capital assets	50.0	46.6	0.5	0.6	50.5	47.3
Restricted	21.4	12.2	-	-	21.4	12.2
Unrestricted	(130.9)	(135.7)	(1.4)	(1.6)	(132.4)	(137.3)
Total net position (deficit)	\$ (59.5)	\$ (76.8)	\$ (0.9)	\$ (1.0)	\$ (60.5)	\$ (77.8)

Analysis of Table 1

The School District's combined total net deficit reflects aggregated total liabilities and deferred inflow balances which exceed combined total asset and deferred outflow balances by \$60.5 million on June 30, 2024. Because the net pension liabilities and the net OPEB liabilities, as required by GASB 68 and GASB 75, respectively, are included in the School District's long-term liabilities, the result is a negative net position (net deficit) for both fiscal years. Recognizing the School District's proportionate share of these

HEMPFIELD SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2024

liabilities and the related deferred inflows and outflows of resources adds a net liability to the government-wide financial statements in the amount of \$161.9 million for 2024. The future liabilities will be funded by the taxing authority of the School District.

Governmental Activities

Current assets increased \$35.1 million which was primarily due to two new bond issues of \$30.0 million, revenue growth in the general fund, including an increase in tax revenues of \$3.2 million, and an increase in the yield on deposit accounts which resulted from an increase in earnings on investment of \$2.6 million for 2024.

Noncurrent assets decreased by \$1.6 million, from \$118.3 million to \$116.8 million. This decrease is a result of the recognition of \$5.9 million annual depreciation and amortization expense offset by capital asset additions of \$4.3 million.

Business-Type Activities

The net position of business-type activities increased by \$38,176. Current assets remained at \$2.0 million and the net future cost of net pension and other post-employment benefits decreased \$0.1 million.

Statement of Activities

Table 2
Changes in Net Position at June 30
(In Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues						
Program revenues						
Charges for services	\$ 1.4	\$ 1.3	\$ 0.8	\$ 1.6	\$ 2.2	\$ 2.9
Operating grants & contrib.	26.2	27.4	3.6	3.1	29.9	30.5
Capital grants & contrib.	1.0	1.0	-	-	1.0	1.0
General revenues						
Taxes	99.7	96.4	-	-	99.7	96.4
Grants and entitlements	18.7	17.6	-	-	18.7	17.6
Other	5.5	2.9	0.1	0.1	5.5	3.0
Total revenues	<u>152.4</u>	<u>146.6</u>	<u>4.5</u>	<u>4.7</u>	<u>157.0</u>	<u>151.3</u>
Expenses						
Instruction	90.6	87.0	-	-	90.6	87.0
Instructional support	9.4	9.4	-	-	9.4	9.4
Administration & financial	12.4	11.6	-	-	12.4	11.6
Operations & maintenance	10.9	11.8	-	-	10.9	11.8
Pupil transportation	6.1	5.9	-	-	6.1	5.9
Student activities	2.2	1.9	-	-	2.2	1.9
Community services	0.1	0.0	-	-	-	-
Interest on long-term debt	1.7	1.4	-	-	1.7	1.4
Unallocated depreciation	0.9	0.9	-	-	0.9	0.9
Food service	-	-	4.5	4.0	4.5	4.0
Total expenses	<u>134.3</u>	<u>130.0</u>	<u>4.5</u>	<u>4.0</u>	<u>138.8</u>	<u>134.0</u>
Increase in net position	<u>\$ 18.1</u>	<u>\$ 16.6</u>	<u>\$ 0.0</u>	<u>\$ 0.8</u>	<u>\$ 18.2</u>	<u>\$ 17.4</u>

HEMPFIELD SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2024

The statement of activities shows the cost of program services and the charges for services and grants offsetting those costs. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities at June 30
(In Millions)

	Total Cost of Services		Net Cost of Services	
	2024	2023	2024	2023
Functions/Programs				
Instruction	\$ 90.6	\$ 87.0	\$ 71.4	\$ 68.2
Instructional support	9.4	9.4	7.8	7.5
Administrative & financial	12.4	11.6	10.5	9.3
Operations & maintenance	10.9	11.8	9.4	9.3
Pupil transportation	6.1	5.9	3.2	3.1
Student activities	2.2	1.9	1.8	1.5
Interest on long-term debt	1.7	1.4	0.8	0.5
Unallocated depreciation expense	0.9	0.9	0.9	0.9
Total governmental activities	<u>\$ 134.3</u>	<u>\$ 130.0</u>	<u>\$ 105.8</u>	<u>\$ 100.3</u>

Analysis of Tables 2 and 3

Governmental Activities

Program revenues are used to partially offset the costs of governmental activities. The program revenues which offset expenses this year included:

- Charges for services included tuition for non-resident students, fees for extra programs and extracurricular activities, rental charges, admission paid to athletic events, and transportation services provided to other local LEAs.
- Operating grants and contributions included state subsidies for special education, transportation, and employee benefits, as well as federal and state grants for specific programs.
- Capital grants included state subsidies which fund a portion of the debt service principal and interest expenses.

There is heavy reliance on tax revenues to fund the operations of the School District. The community, as a whole, is by far the primary financial support for Hempfield School District.

Property, earned income, and other taxes provided \$99.7 million, or 80.5% of the \$123.9 million general governmental revenues. Program-related grants, subsidies, and charges for services provided \$28.6 million of funding for program expenses, and \$24.2 million of additional grants, subsidies, interest, and other revenues provided for other expenses after the offset of asset disposals.

Total tax revenues increased by \$3.3 million due primarily to increases in real estate tax millage. The mileage rate for the 2023-2024 year was 17.6893, an increase of 0.4314 mills, or 2.5%, over the 2022-2023 year.

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Total expenses for governmental activities have increased by \$4.3 million. Instructional expenses increased by \$3.6 million, administrative and financial expenses increased by \$0.8 million, and operations and maintenance expenses decreased by \$0.9 million. The increases were partly due to spending under programmatic operating (\$4.0 million). Noncapital repairs and maintenance of roadways and parking lots totaled \$1.3 million.

Business-Type Activities

Business-type activities consist of food service operations. The child nutrition program had revenues, including state and federal support and transfers, of \$4.5 million, and expenses of \$4.5 million for the fiscal year 2024, resulting in net zero profit or loss for food service operations. On a cash basis, food service recognized negative cash flows from operating activities of \$3.4 million. Subsidies provided nonoperating cash flows of \$3.3 million. Federal and state source revenues increased by \$479,000. Federal revenues increased by \$352,000 because of the Community Eligibility provision program that provides free lunches to all students. State revenues increased by \$127,000, primarily a result of the state breakfast initiative.

The School District's Funds

The governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had total revenues of \$152.4 million and expenditures of \$146.4 million. The net amount of other financing sources and uses was \$30.5 million. Governmental fund balances increased by \$36.5 million.

General Fund

The general fund balance increased by \$132,686 to a total of \$30.3 million. Commitments have been made by the board under GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to identify and protect contingent resources to address needs in some critical areas. An amount of \$3.0 million has been committed to manage future increases in retirement contributions to PSERS, and \$17.0 million has been assigned for future capital projects. Non-spendable fund balance is \$138,000 leaving approximately \$10.0 million remaining as unassigned fund balance.

With these transactions recorded, the unassigned fund balance test yields a 7.0% fund balance against the 2023-2024 budgeted expenditures, which is within the 8% legal restriction. The assigned, committed, and unassigned amounts in the fund balance provide some contingency amounts, if needed, to deal with increasing costs and future liabilities. The unassigned fund balance also assists in meeting the following fiscal year's obligations until real estate taxes are collected. Maintaining a healthy fund balance is important for a positive bond rating, as well as potential resources to deal with unanticipated financial challenges as they may occur.

Debt Service Fund

The debt service fund had a net increase of \$247,000 this year, leaving the ongoing fund balance at \$5.0 million.

Capital Project and Capital Reserve Funds

The capital reserve fund and bond construction fund total balance increased by \$36.1 million to \$51.5 million. In prior years, the School District had utilized capital reserve funds for spending needs related to major repair and small construction projects identified in a five-year plan. Because the School District began a feasibility study in 2023, capital expenditures have continued to be minimal pending the final report of necessary School District upgrades to existing buildings. Capital expenditures in 2023-2024 were \$5.8 million.

General Fund Budgeting Highlights

The School District's general fund budget is prepared according to Pennsylvania law and is based on accounting for transactions as prescribed by the modified accrual basis of accounting.

During the course of the 2024 fiscal year, the School District managed School District expenditures based on its general fund budget. At the end of the fiscal year, the board approved certain budgetary transfers to be made as needed to comply with statutory requirements to update commitments and assignments of fund balance.

For the general fund, actual revenues were \$150.6 million, which was approximately \$7.8 million more than the original budget estimates for revenues.

- Local sourced revenues were \$3.4 million more than budget, primarily due to increases in Act 511 tax revenues and earnings on investments.
- State revenues of \$39.1 million were \$1.9 more than budget. The State Budget was not final at the time the School District's budget was adopted and was made consistent with all known factors at that time. The 2023-2024 State Budget was finalized in August of 2023 and contained new education funding for school mental health support and safety and security enhancements. Statewide basic education funding and special education funding increased and the School District realized an increase of \$1.1 million and \$277,000, respectively.
- Federal revenues exceeded the School District budget by \$2.5 million. ESSER programs under the American Recovery Plan are available for spending over three years, and therefore, only amounts committed at the beginning of the fiscal year were included in the budget. Expenditures for federal programs may exceed amounts appropriated by the budget for such cost reimbursement grant programs that are not regular and recurring.

Actual expenditures for the year were \$130.8 million, which was approximately \$1.3 million more than the amounts appropriated for the fiscal year 2024.

- \$91.1 million was expended for instructional costs and was \$2.1 over the original budget. Approximately \$691,000 of ESSER program expenditures were not included in the original budget.
- \$36.5 million was for support services and was \$2.2 million under the original budget.
- \$2.3 million was for noninstructional expenditures and was \$563,000 over the original budget.
- \$71,000 was expended for facilities and not included in the general fund budget. These costs were for ESSER programs for HVAC improvements.

Transfers out of the general fund consisted of budgeted amounts for debt service, \$9.4 million, transfers to the capital reserve fund, \$10.8 million and transfers to the capital projects fund, \$29.6 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2024, the School District had \$116.4 million invested in land, buildings, equipment, vehicles, right-to-use lease assets, and construction in progress in combined governmental and business-type activities. Table 4 shows the fiscal year 2024 balance compared to 2023.

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Table 4
Capital Assets at June 30
(Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 4.7	\$ 4.7	\$ -	\$ -	\$ 4.7	\$ 4.7
Building and building improvements	96.3	100.2	-	-	96.3	100.2
Furniture, equipment, and vehicles	8.0	8.7	0.5	0.6	8.5	9.3
Right-to-use lease assets	0.5	0.5	-	-	0.5	0.5
Construction in progress	6.4	3.4	-	-	6.4	3.4
Total capital assets	<u>\$ 115.9</u>	<u>\$ 117.5</u>	<u>\$ 0.5</u>	<u>\$ 0.6</u>	<u>\$ 116.4</u>	<u>\$ 118.1</u>

Property and equipment additions were \$4.3 million for the fiscal year 2024, and annual depreciation expense was \$6.1 million.

Debt Administration

At June 30, 2024, the School District had \$88.8 million in bonds outstanding, with \$5.9 million in principal due within one year. Table 5 summarizes the bonds outstanding:

Table 5
Outstanding Debt at Year End
(In Millions)

	Governmental Activities	
	2024	2023
General Obligation Bonds:		
2019A Bond Refinancing	\$ 6.0	\$ 8.2
2019AA Bond Refinancing	2.0	2.9
2020A Bond Refinancing	23.4	26.7
2020AA Bond Refinancing	10.0	10.0
2021 Bond Refinancing	8.0	8.0
2021A Bond Refinancing	3.1	3.6
2022 Bond Refinancing	8.6	8.6
2023 Bond Issue	14.3	-
2024 Bond Issue	13.4	-
	<u>\$ 88.8</u>	<u>\$ 68.0</u>

For the Future

Total budgeted expenditures for the fiscal year 2025 are \$150.0 million, an increase of \$6.4 million, or 4.5%. The tax rate for real estate tax was levied at 18.3084 mills, an increase of 3.5%. Revenues from real estate tax collection are estimated to provide \$90.3 million, an increase of \$3.1 million.

The PSERS employer contribution rate for the fiscal year 2025 is 33.9%, which consists of 32.92% for pension costs, 0.63% for premium assistance payments, and 0.35% for defined contribution costs. Of the 32.92% employer pension contribution rate, 27.24% represents payment toward the unfunded liability. PSERS contributions make up \$20.1 million of next year's budget.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it received. If you have questions about this report or need additional financial information, please contact the Chief Financial and Operations Officer at Hempfield School District, 200 Church Street, Landisville, PA 17538.

HEMPFIELD SCHOOL DISTRICT**Statement of Net Position (Deficit)****June 30, 2024**

	Governmental Activities	Business-type Activities	Totals
Assets			
Current Assets			
Cash and cash equivalents	\$ 34,058,482	\$ 1,967,212	\$ 36,025,694
Cash and cash equivalents, restricted	22,850,317	-	22,850,317
Investments	12,595,105	8	12,595,113
Investments, restricted	30,158,628	-	30,158,628
Taxes receivable, net	2,607,692	-	2,607,692
Internal balances	8,739	(8,739)	-
Due from other governments	7,279,843	-	7,279,843
Other receivables	402,263	8,667	410,930
Inventories	-	55,839	55,839
Prepaid expenses	137,594	-	137,594
Total current assets	<u>110,098,663</u>	<u>2,022,987</u>	<u>112,121,650</u>
Noncurrent assets			
Lease receivable, long-term	916,496	-	916,496
Capital assets, net of depreciation			
Nondepreciable capital assets	11,066,543	-	11,066,543
Depreciable capital assets, net	<u>104,799,314</u>	<u>521,527</u>	<u>105,320,841</u>
Total capital assets, net of depreciation	<u>115,865,857</u>	<u>521,527</u>	<u>116,387,384</u>
Total noncurrent assets	<u>116,782,353</u>	<u>521,527</u>	<u>117,303,880</u>
Total assets	<u>226,881,016</u>	<u>2,544,514</u>	<u>229,425,530</u>
Deferred outflows of resources			
Pension	26,666,346	523,326	27,189,672
OPEB - PSERS	1,020,919	20,426	1,041,345
OPEB - School plan	1,247,425	25,458	1,272,883
Loss on refunding	<u>196,846</u>	<u>-</u>	<u>196,846</u>
Total deferred outflows of resources	<u>29,131,536</u>	<u>569,210</u>	<u>29,700,746</u>

(Continued)

HEMPFIELD SCHOOL DISTRICT

Statement of Net Position (Deficit)

June 30, 2024

(Continued)

	Governmental Activities	Business-type Activities	Totals
Liabilities			
Current Liabilities			
Due to other governments	85,688	-	85,688
Accounts payable	5,677,758	4,761	5,682,519
Current portion of long-term debt	7,072,791	15,659	7,088,450
Accrued interest	802,506	-	802,506
Accrued salaries, benefits, and withholdings	14,714,680	-	14,714,680
Unearned revenue	461,314	8,868	470,182
Other current liabilities	41,663	97,331	138,994
Total current liabilities	28,856,400	126,619	28,983,019
Noncurrent liabilities			
Bonds payable, net	89,281,587	-	89,281,587
Extended-term financing	188,911	-	188,911
Lease liability	159,007	-	159,007
Subscriptions payable	-	6,963	6,963
Compensated absences	1,665,539	12,961	1,678,500
Accrued retirement bonuses	3,046,494	-	3,046,494
Net pension liabilities	166,539,240	3,398,760	169,938,000
Separately financed specific pen. liab.	44,688	912	45,600
Net OPEB liability - PSERS plan	6,776,700	138,300	6,915,000
Separately financed specific OPEB liab.	1,372	28	1,400
Total OPEB liability - School plan	7,555,444	154,193	7,709,637
Total noncurrent liabilities	275,258,982	3,712,117	278,971,099
Total liabilities	304,115,382	3,838,736	307,954,118
Deferred inflows of resources			
Pension	4,635,400	94,600	4,730,000
OPEB - PSERS	1,550,360	31,640	1,582,000
OPEB - School plan	4,090,568	83,481	4,174,049
Leases	916,496	-	916,496
Gain on refunding	245,845	-	245,845
Deferred inflows of resources	11,438,669	209,721	11,648,390
Net position (deficit)			
Net investment in capital assets	49,978,733	507,905	50,486,638
Restricted	21,399,694	-	21,399,694
Unrestricted	(130,919,926)	(1,442,638)	(132,362,564)
Total net position (deficit)	\$ (59,541,499)	\$ (934,733)	\$ (60,476,232)

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

HEMPFIELD SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
Instruction	\$ 90,642,013	\$ 392,445	\$ 18,816,460	\$ -	\$ (71,433,108)	\$ -	\$ (71,433,108)
Instructional support	9,421,983	26	1,631,405	-	(7,790,552)	-	(7,790,552)
Administrative and financial	12,410,202	-	1,933,194	-	(10,477,008)	-	(10,477,008)
Operations and maintenance	10,923,756	166,380	1,340,461	-	(9,416,915)	-	(9,416,915)
Pupil transportation	6,058,929	640,883	2,252,355	-	(3,165,691)	-	(3,165,691)
Student activities	2,164,596	165,051	224,347	-	(1,775,198)	-	(1,775,198)
Community services	51,173	-	34,800	-	(16,373)	-	(16,373)
Interest on long-term debt	1,745,277	-	-	957,934	(787,343)	-	(787,343)
Unallocated depreciation expense	<u>929,236</u>	-	-	-	<u>(929,236)</u>	-	<u>(929,236)</u>
Total governmental activities	<u>134,347,165</u>	<u>1,364,785</u>	<u>26,233,022</u>	<u>957,934</u>	<u>(105,791,424)</u>	<u>-</u>	<u>(105,791,424)</u>
Business-type activities:							
Food service	<u>4,472,177</u>	<u>795,138</u>	<u>3,624,322</u>	<u>-</u>	<u>-</u>	<u>(52,717)</u>	<u>(52,717)</u>
Total primary government	<u>\$ 138,819,342</u>	<u>\$ 2,159,923</u>	<u>\$ 29,857,344</u>	<u>\$ 957,934</u>	<u>(105,791,424)</u>	<u>(52,717)</u>	<u>(105,844,141)</u>
General revenues:							
Taxes:							
Property taxes, net					88,549,314	-	88,549,314
Earned income taxes					9,694,410	-	9,694,410
Other taxes levied for general purposes					1,449,824	-	1,449,824
Grants, subsidies, and contributions, not restricted					18,738,730	-	18,738,730
Net investment earnings					4,945,039	90,893	5,035,932
Miscellaneous income					<u>509,057</u>	<u>-</u>	<u>509,057</u>
Total general revenues					<u>123,886,374</u>	<u>90,893</u>	<u>123,977,267</u>
Change in net deficit					18,094,950	38,176	18,133,126
Net deficit- July 1, 2023 (restated)					<u>(77,636,449)</u>	<u>(972,909)</u>	<u>(78,609,358)</u>
Net deficit - June 30, 2024					<u>\$ (59,541,499)</u>	<u>\$ (934,733)</u>	<u>\$ (60,476,232)</u>

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

HEMPFIELD SCHOOL DISTRICT**Balance Sheet****Governmental Funds****June 30, 2024**

	General Fund	Capital Reserve Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 26,728,150	\$ -	\$ -	\$ 4,970,146	\$ 31,698,296
Cash and cash equiv., restricted	77,497	22,772,819	1	-	22,850,317
Investments	12,595,105	-	-	-	12,595,105
Investments, restricted	-	-	30,158,628	-	30,158,628
Taxes receivable, net	2,607,692	-	-	-	2,607,692
Due from other funds	8,739	-	-	-	8,739
Due from other governments	7,279,843	-	-	-	7,279,843
Other receivables	59,691	15,327	-	-	75,018
Prepaid items	137,594	-	-	-	137,594
Lease Receivable	916,496	-	-	-	916,496
Total assets	\$ 50,410,807	\$ 22,788,146	\$ 30,158,629	\$ 4,970,146	\$ 108,327,728
Liabilities, deferred inflows of resources, and fund balance					
Liabilities					
Due to other funds	\$ 1,025,802	\$ -	\$ -	\$ -	\$ 1,025,802
Due to other governments	85,688	-	-	-	85,688
Accounts payable	2,539,632	1,465,949	-	-	4,005,581
Payroll accruals and withholding	14,714,680	-	-	-	14,714,680
Unearned revenues	461,314	-	-	-	461,314
Other current liabilities	41,663	-	-	-	41,663
Total liabilities	18,868,779	1,465,949	-	-	20,334,728
Deferred inflows of resources					
Leases	916,496	-	-	-	916,496
Unavailable property taxes	345,539	-	-	-	345,539
Total deferred inflows of resources	1,262,035	-	-	-	1,262,035
Fund balance					
Nonspendable	137,594	-	-	-	137,594
Restricted	77,497	21,322,197	30,158,629	-	51,558,323
Committed	3,000,000	-	-	4,970,146	7,970,146
Assigned	17,037,149	-	-	-	17,037,149
Unassigned	10,027,753	-	-	-	10,027,753
Total fund balance	30,279,993	21,322,197	30,158,629	4,970,146	86,730,965
Total liabilities, deferred inflows of resources, and fund balance	\$ 50,410,807	\$ 22,788,146	\$ 30,158,629	\$ 4,970,146	\$ 108,327,728

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

HEMPFIELD SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position (Deficit)
June 30, 2024

Total fund balances - governmental funds	\$ 86,730,965
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Amounts reported for governmental activities in the statement of net position (deficit) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$225,354,656, and the accumulated depreciation is \$109,488,799.	115,865,857
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Internal service fund is used by management to charge the costs of health, dental and vision insurance for employees to funds. The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position.	2,041,056
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Property taxes receivable will be collected next year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	345,539
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Deferred outflows and inflows of resources for pension and OPEB are applicable to future periods, and, therefore, are not reported in the governmental funds.	18,658,362
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The gain or loss on refunded bonds is deferred over the life of the bonds in the statement of net position.	(48,999)
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Long-term liabilities, including bonds, notes, and capital leases payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	\$ (88,820,000)	
Unamortized bond premiums	(6,331,587)	
Extended term financing	(370,774)	
Lease liability	(474,393)	
Accrued interest on long-term liabilities	(802,506)	
Net pension liability	(166,583,928)	
Net OPEB liability	(14,333,516)	
Accrued retirement bonuses	(3,046,494)	
Compensated absences	(2,371,081)	(283,134,279)

Total net deficit - governmental activities	\$ <u>(59,541,499)</u>
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The accompanying notes are an integral part of the financial statements.

HEMPFIELD SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	General Fund	Capital Reserve Fund	Capital Projects Fund	Debt Service Fund	Totals
Revenues					
Local sources	\$106,802,117	\$ 928,286	\$ 572,065	\$ 246,964	\$108,549,432
State sources	39,081,402	-	-	-	39,081,402
Federal sources	4,739,003	-	-	-	4,739,003
Total revenues	<u>150,622,522</u>	<u>928,286</u>	<u>572,065</u>	<u>246,964</u>	<u>152,369,837</u>
Expenditures					
Current					
Instruction	91,124,446	-	-	-	91,124,446
Support services	36,507,835	55,851	26,932	402,612	36,993,230
Noninstructional services	2,343,488	-	-	-	2,343,488
Capital outlay	70,630	2,500,083	3,236,285	-	5,806,998
Debt service	722,733	-	-	9,390,737	10,113,470
Total expenditures	<u>130,769,132</u>	<u>2,555,934</u>	<u>3,263,217</u>	<u>9,793,349</u>	<u>146,381,632</u>
Excess (deficiency) of revenues over expenditures	<u>19,853,390</u>	<u>(1,627,648)</u>	<u>(2,691,152)</u>	<u>(9,546,385)</u>	<u>5,988,205</u>
Other financing sources (uses)					
Proceeds from bonds	478,437	-	-	27,710,000	28,188,437
Premiums on bonds	-	-	-	2,284,946	2,284,946
Transfers in	-	10,808,404	29,592,333	9,390,737	49,791,474
Transfers out	(20,199,141)	-	-	(29,592,333)	(49,791,474)
Total other financing sources (uses)	<u>(19,720,704)</u>	<u>10,808,404</u>	<u>29,592,333</u>	<u>9,793,350</u>	<u>30,473,383</u>
Change in fund balances	132,686	9,180,756	26,901,181	246,965	36,461,588
Fund balance - July 1, 2023 (restated)	<u>30,147,307</u>	<u>12,141,441</u>	<u>3,257,448</u>	<u>4,723,181</u>	<u>50,269,377</u>
Fund balance - June 30, 2024	<u>\$ 30,279,993</u>	<u>\$ 21,322,197</u>	<u>\$ 30,158,629</u>	<u>\$ 4,970,146</u>	<u>\$ 86,730,965</u>

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

HEMPFIELD SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2024

Total net change in fund balances - governmental funds \$ 36,461,588

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation and amortization expense	\$ (5,932,636)	
Capital outlays	<u>3,834,254</u>	(2,098,382)

Net book value of capital disposals is recorded as a loss on the statement of activities.		(3,479)
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Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds.		7,878
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The issuance of long-term obligations provides current financial resources to governmental funds, but increases long-term debt in the statement of activities.		
General obligation bonds	(27,710,000)	
Premiums on bonds	<u>(2,284,946)</u>	(29,994,946)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bonds payable	6,935,000	
Extended-term financing arrangements	175,056	
Right-to-use lease assets	<u>508,627</u>	7,618,683

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
Net change in accrued interest on bonds	(162,804)	
Amortization of deferred charges on bonds	(4,968)	
Amortization of premiums on bonds	<u>917,282</u>	749,510

(Continued)

HEMPFIELD SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2024

(Continued)

In the statement of activities, certain operating expenses (e.g., retirement bonuses) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

32,480

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, the liability for compensated absences decreased by this amount.

72,279

Governmental funds report School District pension and OPEB contributions as expenditures. However in the governmental activities, the cost of benefits earned is reported as an expense.

Pensions

5,353,520

OPEB

143,693

5,497,213

The internal service fund, which is used by management to charge the costs of services to individual funds, is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The change in net position of the internal service fund is allocated among the governmental activities.

(247,874)

Change in fund balance of governmental activities

\$ 18,094,950

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

HEMPFIELD SCHOOL DISTRICT
Statement of Net Position (Deficit)
Proprietary Funds
June 30, 2024

	Enterprise Fund	
	Food Service Fund	Internal Service Fund
Assets		
Current assets		
Cash and cash equivalents	\$ 1,967,212	\$ 2,360,186
Investments	8	-
Due from other funds	-	1,025,802
Other receivables	8,667	327,245
Inventories	55,839	-
Total current assets	<u>2,031,726</u>	<u>3,713,233</u>
Noncurrent assets		
Capital assets, net	<u>521,527</u>	-
Total assets	<u>2,553,253</u>	<u>3,713,233</u>
Deferred outflows of resources		
Pension	523,326	-
OPEB - PSERS	20,426	-
OPEB - School plan	25,458	-
Total deferred outflows of resources	<u>569,210</u>	<u>-</u>

(Continued)

HEMPFIELD SCHOOL DISTRICT
Statement of Net Position (Deficit)
Proprietary Funds
June 30, 2024

(Continued)

	Enterprise Fund	
	Food Service Fund	Internal Service Fund
Liabilities		
Current liabilities		
Due to other funds	8,739	-
Accounts payable	4,761	-
Claims payable	-	1,672,177
Current portion of long-term debt	15,659	-
Unearned revenues	8,868	-
Deposits	97,331	-
Total current liabilities	<u>135,358</u>	<u>1,672,177</u>
Noncurrent liabilities		
Subscriptions payable	6,963	-
Compensated absences	12,961	-
Net pension liability	3,398,760	-
Separately financed specific pension liabilities	912	-
Net OPEB liability - PSERS	138,300	-
Separately financed specific OPEB liabilities	28	-
OPEB liability - School plan	154,193	-
Total noncurrent liabilities	<u>3,712,117</u>	<u>-</u>
Total liabilities	<u>3,847,475</u>	<u>1,672,177</u>
Deferred inflows of resources		
Pension	94,600	-
OPEB - PSERS	31,640	-
OPEB - School plan	83,481	-
Total deferred inflows of resources	<u>209,721</u>	<u>-</u>
Net position (deficit)		
Net investment in capital assets	507,905	-
Unrestricted	<u>(1,442,638)</u>	<u>2,041,056</u>
Total net position (deficit)	<u>\$ (934,733)</u>	<u>\$ 2,041,056</u>

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

HEMPFIELD SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	Enterprise Fund	
	Food Service Fund	Internal Service Fund
Operating revenues		
Food service revenue	\$ 795,138	\$ -
Premiums - employer	-	12,259,547
Premiums - employee	-	1,182,598
Miscellaneous	-	75,674
Total operating revenues	<u>795,138</u>	<u>13,517,819</u>
Operating expenses		
Salaries	1,148,439	-
Employee benefits	592,342	-
Medical claims	-	12,119,498
Purchased property service	68,398	-
Other purchased services	5,676	1,093,291
Supplies	2,535,135	-
Depreciation	115,745	-
Amortization	6,387	-
Other operating expenditures	55	620,783
Total operating expenses	<u>4,472,177</u>	<u>13,833,572</u>
Operating income (loss)	<u>(3,677,039)</u>	<u>(315,753)</u>
Nonoperating revenues		
Earnings on investments	90,893	67,879
State sources	693,224	-
Federal sources	2,931,098	-
Total nonoperating revenues	<u>3,715,215</u>	<u>67,879</u>
Change in net position (deficit)	38,176	(247,874)
Net position (deficit) - July 1, 2023	<u>(972,909)</u>	<u>2,288,930</u>
Net position (deficit) - June 30, 2024	<u>\$ (934,733)</u>	<u>\$ 2,041,056</u>

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

HEMPFIELD SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Enterprise Fund <u>Food Service Fund</u>	Internal Service Fund
Cash flows from operating activities		
Cash received from users	\$ 792,139	\$ -
Cash received from interfund services provided	-	13,085,791
Cash received from rebates, reimbursements and other	-	1,583,443
Cash payments to employees for services	(1,154,178)	-
Cash payments for employee benefits	(503,371)	(12,938,643)
Cash payments for interfund services used	(218,041)	-
Cash payments to suppliers for goods and services	(2,301,531)	(1,093,291)
Cash payments for other operating expenses	<u>(55)</u>	<u>(620,783)</u>
Net cash provided by operating activities	<u>(3,385,037)</u>	<u>16,517</u>
Cash flows from capital and related financing activities		
Principal payments on subscriptions payable	<u>(7,281)</u>	<u>-</u>
Cash flows from noncapital financing activities		
State sources	693,224	-
Federal sources	<u>2,608,626</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>3,301,850</u>	<u>-</u>
Cash flows from investing activities		
Earnings on investments	90,893	67,879
Decrease to investment pools	<u>10,146</u>	<u>-</u>
Net cash provided by investing activities	<u>101,039</u>	<u>67,879</u>
Net increase in cash and cash equivalents	10,571	84,396
Cash and cash equivalents - July 1, 2023	<u>1,956,641</u>	<u>2,275,790</u>
Cash and cash equivalents - June 30, 2024	<u>\$ 1,967,212</u>	<u>\$ 2,360,186</u>

(Continued)

HEMPFIELD SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Enterprise Fund	(Continued)
	Food Service Fund	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (3,677,039)	\$ (315,753)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	115,745	-
Amortization	6,387	-
Value of donated commodities used	322,472	-
Pension changes other than periodic costs	(125,725)	-
OPEB changes other than periodic costs	(3,345)	-
(Increase) decrease in accounts receivable	(5,668)	335,658
(Increase) decrease in inventories	(3,691)	-
Increase (decrease) in accounts payable	(13,705)	352,966
Increase (decrease) in accrued salaries benefits	(10,230)	-
Increase (decrease) in advances from other funds	4,492	(356,354)
Increase (decrease) in unearned revenue	5,270	-
Total adjustments	292,002	332,270
Cash provided by operating activities	<u>\$ (3,385,037)</u>	<u>\$ 16,517</u>
Schedule of noncash investing, capital, and financing activities		
During the year ended June 30, 2024, the School District received the following in USDA donated commodities.	<u>\$ 325,074</u>	<u>\$ -</u>
During the year ended June 30, 2024, the School District capitalized right-to-use subscription assets.	<u>\$ 20,903</u>	<u>\$ -</u>

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

HEMPFIELD SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2024

	Custodial Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 184,978
Liabilities	
Current liabilities	
Accounts payable	4,165
Net position	
Restricted for student groups	\$ 180,813

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

HEMPFIELD SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2024

	Custodial Fund
Additions	
Interest	\$ 1,430
Student activity revenues	<u>267,706</u>
Total additions	<u>269,136</u>
Deductions	
Student activity expenses	<u>291,745</u>
Change in net position	(22,609)
Net position - July 1, 2023	<u>203,422</u>
Net position - June 30, 2024	<u>\$ 180,813</u>

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

Note 1 – Summary of Significant Accounting Policies

Hempfield School District (the School District), located in Lancaster County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in West Hempfield Township, East Hempfield Township, Mountville Borough, and East Petersburg Borough. These include regular, advanced academic, and vocational education programs, and special education programs for gifted and handicapped children. The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operations and management of the School District are carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The School District is comprised of seven elementary schools, two middle schools, and one high school, serving approximately 7,000 students.

The accounting policies of Hempfield School District conform with accounting principles generally accepted in the United States of America as applicable 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:

Reporting Entity

Consistent with the guidance contained in Statement No. 14 of the GASB, The Financial Reporting Entity, as amended, the criteria used by the School District to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the School District reviews the applicability of the following criteria:

The School District is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if School District officials appoint a voting majority of the organization's governing body and the School 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 burdens on, the School District as defined below.

Impose its Will - If the School 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 - If the School 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.

3. Organizations that are fiscally dependent on the School District and have a financial benefit or burden as defined above. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without the approval of the School District.

Based on the foregoing criteria, no additional entities are included in the accompanying general-purpose financial statements.

Joint Ventures

Lancaster County Career and Technology Center

The School District is one of sixteen member school districts of the Lancaster County Career and Technology Centers (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member school districts. LCCTC is controlled and governed by the area Career and Technology Center Board for Lancaster County, which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of LCCTC. LCCTC is not reported as part of the School District's reporting entity. The School District's share of annual operating costs for LCCTC fluctuates, based on the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2024, was approximately \$1,520,000.

LCCTC also invoices the School District for materials handling and logistics services. Payments to LCCTC for these services were \$13,260 for the year ended June 30, 2024.

Complete general-purpose financial statements for LCCTC can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

Lancaster County Career and Technology Center Authority

The School District is also a member of the Lancaster County Career and Technology Center Authority (Authority). In 1968, the Authority entered into an agreement with the member school districts and the Career and Technology Center Board to acquire land and construct buildings to provide the facilities for the operation of LCCTC. In 1995, the Authority entered into an additional agreement with the same parties to provide funding for the upgrading and modernization of LCCTC facilities. In 1998, the Authority entered into an additional agreement with the member school districts and the Authority Board to advance refund the Authority's 1995 bonds. The School District has an ongoing financial responsibility to the Authority for a portion of the debt obligation relating to these improvements as more fully described in Note 15. The School District's lease payment to the Authority for the year ended June 30, 2024, was \$155,356 which was reported in the School District's general fund. Related subsidies from the Commonwealth of Pennsylvania passed through to LCCTC were \$52,101.

Complete general-purpose financial statements for the Authority can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

Lancaster-Lebanon Joint Authority

The School District is a member of the Lancaster-Lebanon Joint Authority (Authority). The Authority was incorporated on February 14, 1980, under the Municipality Authorities Act of 1945, Act of May 2, 1945, P.L. 382, as amended by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Authority to acquire, hold, construct, improve, maintain, operate, own, and/or lease projects for public school purposes and the purposes of the Lancaster-Lebanon Intermediate Unit No. 13. The Authority is not reported as part of the School District's reporting entity. The School District did not have any financial transactions with the Authority during the year ended June 30, 2024.

Complete general-purpose financial statements for the Authority can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Lancaster-Lebanon Intermediate Unit

The Lancaster-Lebanon Intermediate Unit (LLIU) Board of Directors consists of 22 members from the IU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member school districts' Boards of Directors. Hempfield School District is responsible for appointing one of these members. The LLIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. The School District contracts with LLIU for educational, technology, and other administrative services for the School District. The amount paid for these services in the year ended June 30, 2024 was approximately \$6,200,000. At June 30, 2024, outstanding payables to LLIU were \$240,055.

The School District provides transportation services to other LEAs through LLIU. The School District invoiced LLIU during the year ended June 30, 2024, for transportation and other services in the amount of \$98,000. School District personnel are contracted to LLIU for extended school-year programs. Reimbursements for salary and benefits were approximately \$149,000 for the year ended June 30, 2024. Other recoverable expenses billed to LLIU during the year ended June 30, 2024 were \$1,880. At June 30, 2024, outstanding receivables from LLIU totaled \$9,029.

Complete financial information for LLIU can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

Lancaster County Tax Collection Bureau (Bureau)

The School District participates with 17 other school districts and the municipalities represented by those school districts for the collection of earned income taxes. Each public school district appoints one member to serve on the joint operating committee and 17 members are appointed by the participating municipalities. The Bureau's operating expenditures are deducted from the distributions which are made quarterly. The School District's portion of the operating expenditures for the year ended June 30, 2024, was \$130,000.

Financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

Hempfield Area Recreation Commission (Commission)

The School District participates with 4 municipalities to provide recreational facilities and opportunities for the residents of the School District and participating municipalities. The School District appoints 2 of 12 members of the Board of Directors. The School District paid \$2,150 to the Commission for facilities rentals during the year ended June 30, 2024.

Basis of Presentation - Fund Accounting

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, liabilities, deferred outflows and inflows of resources, fund equity, revenues, and expenditures/expenses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent.

Basis of Presentation - Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

The government-wide statement of activities presents direct expenses and program revenues for each function or program of the School District's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds. Internal service funds are combined, and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

The School District reports the following major governmental funds:

General Fund

The general fund is the principal operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

Capital Reserve Fund

This fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Projects Fund

This fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, related to bond-funded construction projects.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, and for the payment of future variable interest debt payments.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows and inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The School District reports the following proprietary funds:

Food Service Fund

This major proprietary fund accounts for the revenues, food purchases, and other costs and expenses of providing meals to students during the school year.

Internal Service Fund

This fund is used to account for employee contributions, stop-loss receipts, and hospitalization costs which are services provided to the School District employees as benefits.

Fiduciary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included in the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Student Activity Fund

The School District reports a custodial fund, which is used to account for assets held by the School District as a custodian for others. This fund accounts for the receipts and disbursements of monies related to student-led activities.

Basis of Accounting

The basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary, and fiduciary fund financial statements measure and report all assets, liabilities, deferred outflows, and inflows of resources, revenues, expenses, gains, and losses using the economic resources measurement focus and 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. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available.

The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the School District is considered to be 60 days after fiscal year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if

HEMPFIELD SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

measurable, except debt service, other post-employment benefits, pensions, and compensated absences payments which are recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year-end: property taxes; tuition; grants and entitlements; student fees; and, interest on investments. Current property taxes measurable at June 30, 2024, which are not intended to finance fiscal 2024 operations, have been recorded as deferred inflows of resources. Delinquent property taxes that are measurable and available (received within 60 days) are recognized as revenue at year-end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on an accrual basis when the exchange takes place.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenues (earned income taxes) are recognized when received, as the amounts are not reasonably estimable before receipt.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the School District's food service fund are charges to students and staff for food. Operating expenses include the costs of providing food.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits and money market accounts. They are carried at cost plus accrued interest, which approximates fair value.

Investments

The School District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. The securities of 2a7-like investment pools are valued at amortized cost, which approximates the fair value of the pool.

Taxes Receivable and Deferred Tax Revenues

The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other taxes receivable is recorded as deferred inflows of resources. All taxes receivable are considered to be fully collectible (Note 6).

Inventories

Inventories in the food service fund are valued at actual cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2024, and also include the value of commodities donated by the federal government. Any unused commodities donated by the federal government were reported as deferred revenue until used.

Capital Assets and Depreciation

The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The School District generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlay occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting the current replacement cost back to the estimated year of acquisition. Estimated useful lives, in years, for depreciable assets, are generally as follows:

School buildings	30 - 40 Years
Building improvements	20 - 40 Years
Land improvements	15 - 20 Years
Furniture, fixtures, and equipment	3 - 20 Years
Vehicles	8 - 10 Years

Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and the proprietary fund financial statements, 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 expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Compensated Absences and Retirement Bonuses

The School District accrues unused vacation, sick leave, and personal days as a liability. Upon termination or retirement, the employee will be paid for these accumulated absences in accordance with School District policy. The School District also accrues retirement bonuses to be paid out at retirement in accordance with School District policy.

For governmental funds, that portion of unpaid compensated absences and retirement bonuses that are expected to be paid using expendable, available resources are reported as expenditures in the fund from which the individual earning the leave or bonus is paid, and a corresponding liability is reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences and retirement bonuses using the rates in effect at the balance sheet date. The School District has accrued the employer's share of social security and Medicare taxes on those balances not expected to be transferred to a tax-sheltered annuity (TSA) account.

Pension Plan

Substantially all full-time and qualifying part-time employees of the School District participate in a cost-sharing multiple-employer defined benefit and defined contribution pension plan. The School District recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in governmental funds. (That is, if contributions from governmental funds are required but not made, the difference would not be reported as an expenditure until payable with expendable, available financial resources.)

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

Other Post-employment Benefits (OPEB)

Single-Employer Defined Benefit OPEB Plan

The School District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total 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 OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The single-employer OPEB plan is unfunded.

Cost-Sharing Multiple-Employer Defined Benefit Plan

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows are reported on the government-wide statement of net position for pension, OPEB, and deferred charges on refunded bonds.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include pension, OPEB, deferred charges on refunded bonds, leases, and unavailable revenue. Unavailable revenue is reported only on the governmental funds' balance sheet and represents receivables that will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and leases receivable. The deferred inflow for leases is related to the leases receivable and is amortized to lease revenue in a systematic and rational manner over the term of the lease. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. Encumbrances outstanding at year end are included with committed or assigned fund balances, as appropriate, because they do not constitute expenditures or liabilities. As of June 30, 2024, the School District had no encumbrances.

Interfund Activity

Exchange transactions between governmental funds are eliminated on the government-wide statements. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Classification

Fund balance for governmental funds is classified into five different categories: nonspendable; restricted; committed; assigned; and, unassigned.

Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Committed fund balance includes amounts that can be used only for the specific purposes determined by formal action of the School Board. Commitments may be changed only by the School District taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Finance Committee and the Chief Financial & Operations Officer. In governmental funds other than the general fund, the assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in other classifications. Unassigned amounts are available for any purpose.

The School District typically pays expenditures from a fund's unrestricted resources when both restricted and unrestricted fund balances are available. The School District will elect to use restricted resources based on specific circumstances when considered necessary. The School District considers restricted, committed, and assigned amounts to have been spent when an expenditure is incurred and such an election has been made.

The School District has formally adopted a minimum fund balance policy for the general fund. The policy states that the School District will strive to maintain an unassigned general fund balance of not less than five percent and not more than eight percent of the budgeted expenditures for that fiscal year.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates used in the preparation of these financial statements include depreciation, compensated absences, retirement bonus accrual, expense allocations, pension-related items, and other post-employment benefits. Actual results could differ from those estimates.

Pending Changes in Accounting Principles

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. Certain requirements were effective upon issuance. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for the year ended June 30, 2024.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment to GASB Statement No. 62*. The provisions of this statement are effective for the year ending June 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This standard updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement 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 noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash 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. A liability for leave that has been used but not yet paid or

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

settled should be measured at the amount of the cash payment or noncash settlement to be made. The provisions of this statement are effective for the year ending June 30, 2025.

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

Note 2 – Correction of an Error

Beginning fund balance in the general fund and beginning net position in the governmental activities were restated for a correction of an error. The schedule of lease payments was calculated in error for escalations in the underlying rental payments. In addition, deferred inflows of resources were recalculated as prescribed under GASB Statement No. 87. The effects of these corrections are presented below:

	<u>General Fund</u> <u>Fund Balance</u>	<u>Governmental</u> <u>Activities</u> <u>Net Deficit</u>
Beginning Balance		
As previously stated, June 30, 2023	\$ 30,164,391	\$ (76,844,078)
Restatement		
Leases receivable	156,072	156,072
Deferred inflows of resources	<u>(173,156)</u>	<u>(948,443)</u>
Beginning balance, restated, July 1, 2023	<u>\$ 30,147,307</u>	<u>\$ (77,636,449)</u>

Note 3 – Restricted Assets

Certain of the School District's cash and investments are restricted for the following purposes:

Cash and cash equivalents	
General Fund	
Scholarships	\$ 77,497
Capital Reserve Fund	22,772,819
Capital Projects Fund	
Series of 2023 Construction Fund	<u>1</u>
	<u>22,850,317</u>
Investments	
Capital Projects fund	
Series of 2023 Construction Fund	15,264,485
Series of 2024 Construction Fund	<u>14,894,143</u>
	<u>30,158,628</u>
	<u>\$ 53,008,945</u>

Note 4 – Cash and Deposits

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest its monies as follows:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
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of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Certain other high-quality bank and corporate instruments.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

The deposit and investment policy of the School District adheres to state statutes. There were no deposit or investment transactions during the year that violated either the state statutes or the policy of the School District.

Cash and Cash Equivalents - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District has a written policy for custodial credit risk. The public school code requires that all deposits of the School District, which are not insured, are collateralized by the depository institution. As of June 30, 2024, \$69,690,155 of the School District's bank balance of \$69,940,155 is exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the School District's name	<u>\$ 69,690,155</u>
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Note 5 – Investments

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2024:

	<u>Maturities</u>	<u>Fair Value (Level 1)</u>
Money market mutual funds		
Pennsylvania Local Government Investment Trust		
PLGIT-Class		\$ 2
PLGIT/Reserve-Class		7
Pennsylvania School District Liquid Asset Fund		
MAX Series		17,250,318
U.S. Treasuries	8/8/2024	10,073,050
Other fixed income		
Pennsylvania School District Liquid Asset Fund		
Term Series	10/9/2024	5,000,000
Total		<u>\$ 32,323,377</u>

Money Market Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds held by the School District are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the School District are deemed to be actively traded.

Pennsylvania Local Government Investment Trust (PLGIT)

The Pennsylvania Local Government Investment Trust (PLGIT) is a 2a7-like pool. The amortized cost, which approximates the fair value of the pool, is determined by the pool's share price. The School District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP, an independently elected public official.

The School District's investments in the PLGIT account are subject to a one-day holding period. The School District is limited to two withdrawals per calendar month from the PLGIT/Reserve-Class account.

Pennsylvania School District Liquid Asset Fund

The Pennsylvania School District Liquid Asset Fund (PSDLAF) is a common law trust organized and existing under the laws of the Commonwealth of Pennsylvania, in accordance with the provisions of the Pennsylvania Intergovernmental Cooperation Act and Section 521 of the Pennsylvania Public School Code of 1949, as amended. The amortized cost, which approximates the fair value of the pool, is determined by the pool's share price. The School 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.

The School District has an investment in a qualified investment pool with PSDLAF. Except for direct deposits from the Commonwealth, investments in the PSDLAF MAX Series account are subject to a 14-day minimum holding period, and to a penalty for early withdrawal. This requirement has been waived by the trust since 2005.

MAX Series

The MAX Series invests in short term money market instruments and seeks to maintain a constant net asset value of \$1.00 per share.

Term Series

Term Series invests in fixed term instruments with maturities of up to one year. The School District's Term Series consists of collateralized certificate of deposit pools. Fixed Term Series are invested and registered in the name of the School District. Security is held in custody by a third party custodian. Certificates of deposit used for Term Series carry FDIC insurance, and excess is collateralized in accordance with law and held by a third party custodian.

Interest Rate Risk

The School District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the School District's investments mature in less than one year.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Credit Risk

The School District has an investment policy that would limit its investment choices to certain credit ratings. The School District's investment in PLGIT and PSDLAF Max Series are rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The School District places no limit on the amount they may invest in any one issuer. On June 30, 2024, the School District does not have any concentrations of credit risk in its investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investments subject to custodial credit risk at June 30, 2024.

Note 6 – Real Estate Taxes

Based upon assessments provided by the County, the School District bills and collects its own property taxes. The School District tax rate for the year ended June 30, 2024, was 17.6893 mills as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2024, is as follows:

July 1, 2023 - tax levy date
Through August 31, 2023 - 2% discount period
Through October 31, 2023 - face payment period
Beginning November 1, 2023 - 10% penalty period
Beginning January 1, 2024 - lien date (Lancaster County Tax Claim Bureau)

Note 7 – Taxes Receivable and Deferred Taxes

The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. All taxes are determined to be collectible.

	Taxes Receivable	Revenue Recognized	Deferred Taxes
Interim tax	\$ 44,725	\$ 44,725	\$ -
Earned income tax	1,765,377	1,765,377	-
Real estate transfer tax	221,510	221,510	-
Delinquent real estate tax	576,080	230,541	345,539
Total	<u>\$ 2,607,692</u>	<u>\$ 2,262,153</u>	<u>\$ 345,539</u>

A portion of the receivable amount which was measurable and available within 60 days was recognized as revenue and the balance was deferred in the fund financial statements. Unavailable delinquent real estate taxes reported as a deferred inflow of resources in the governmental funds were \$345,339 at June 30, 2024.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Note 8 – Interfund Accounts

Individual fund receivable and payable balances at June 30, 2024, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General fund	\$ 8,739	\$ 1,025,802
Proprietary funds		
Food service fund	-	8,739
Internal service fund	1,025,802	-
Total	<u>\$ 1,034,541</u>	<u>\$ 1,034,541</u>

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

Interfund transfers for the year ended June 30, 2024, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds		
General fund	\$ -	\$ 20,199,141
Capital reserve fund	10,808,404	-
Capital projects fund	29,592,333	
Debt service fund	9,390,737	29,592,333
Total	<u>\$ 49,791,474</u>	<u>\$ 49,791,474</u>

Transfers are made from the general fund to the debt service fund to provide resources for the payment of principal and interest on general obligation bonds. Transfers from the general fund to the capital reserve fund were made to fund future capital improvements. Transfers from the debt service fund to the capital projects fund resulted from bond proceeds on debt issuances.

Note 9 – Due from/to Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2024, the following amounts are due from other governmental units:

	<u>Governmental Funds</u>
Federal (through state)	\$ 1,883,058
State	4,621,336
Local	775,449
Total	<u>\$ 7,279,843</u>

Amounts due to other governments on June 30, 2024 primarily represent payables to LLIU and other school districts for expenses, in the amount of \$85,688.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Note 10 – Lessor Land Use Cell Tower Agreements

The School District has entered into agreements with Verizon Wireless for the use of land for the installation and maintenance of cellular towers. The terms of this agreement include annual rental payments of \$24,000 payable monthly commencing at the time building permits are secured. The initial lease term extends for five years and will automatically renew for four additional five-year terms. Rent increases by 15% of the annual rental for the previous term. This lease commenced on March 1, 2015, with a term of 10 years, with two options to renew for additional five-year terms. The lease receivable is discounted to a net present value using a 2.49% interest rate.

For the year ended June 30, 2024, the School District received \$31,162 in lease revenue, and \$24,038 in interest revenue.

Future payments due to the School District under non-cancelable agreements are as follows:

Year ending June 30,	Principal	Interest
2025	\$ 39,013	\$ 22,397
2026	42,109	21,371
2027	43,170	20,310
2028	44,257	19,223
2029	45,372	18,108
2030-2034	292,546	70,083
2035-2039	389,128	27,896
2040-2041	20,901	87
	<u>\$ 916,496</u>	<u>\$ 199,475</u>

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Note 11 – Changes in Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2024, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Non-depreciable assets				
Land	\$ 4,687,257	\$ -	\$ -	\$ 4,687,257
Construction in progress	3,399,808	3,646,869	667,391	6,379,286
	<u>8,087,065</u>	<u>3,646,869</u>	<u>667,391</u>	<u>11,066,543</u>
Depreciable assets				
Buildings and improvements	189,866,219	528,697	-	190,394,916
Machinery and equipment	23,038,117	256,879	1,512,667	21,782,329
Vehicles	1,085,556	69,200	34,794	1,119,962
Right-to-use lease assets	1,026,405	478,437	513,936	990,906
	<u>215,016,297</u>	<u>1,333,213</u>	<u>2,061,397</u>	<u>214,288,113</u>
Less accumulated depreciation				
Buildings and improvements	89,648,860	4,457,195	-	94,106,055
Machinery and equipment	14,813,928	893,692	1,512,667	14,194,953
Vehicles	637,846	80,135	31,315	686,666
Right-to-use lease assets	513,447	501,614	513,936	501,125
	<u>105,614,081</u>	<u>5,932,636</u>	<u>2,057,918</u>	<u>109,488,799</u>
Net capital assets being depreciated	<u>109,402,216</u>	<u>(4,599,423)</u>	<u>3,479</u>	<u>104,799,314</u>
Capital assets, net	<u>\$ 117,489,281</u>	<u>\$ (952,554)</u>	<u>\$ 670,870</u>	<u>\$ 115,865,857</u>

Capital asset activity for business-type activities for the year ended June 30, 2024, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities				
Depreciable assets				
Machinery and equipment	\$ 1,873,869	\$ -	\$ -	\$ 1,873,869
Right-to-use subscription assets	-	20,903	-	20,903
	<u>1,873,869</u>	<u>20,903</u>	<u>-</u>	<u>1,894,772</u>
Less accumulated depreciation				
Machinery and equipment	1,251,113	115,745	-	1,366,858
Right-to-use subscription assets	-	6,387	-	6,387
	<u>1,251,113</u>	<u>122,132</u>	<u>-</u>	<u>1,373,245</u>
Capital assets, net	<u>\$ 622,756</u>	<u>\$ (101,229)</u>	<u>\$ -</u>	<u>\$ 521,527</u>

HEMPFIELD SCHOOL DISTRICT**Notes to Financial Statements****June 30, 2024**

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 4,279,935
Instructional student support	411,805
Administrative and financial support services	218,214
Operation and maintenance of plant services	93,446
Unallocated depreciation expense	929,236
	<u>\$ 5,932,636</u>
Business-type activities	
Food service	<u>\$ 122,132</u>

Note 12 – Accrued Salaries and Benefits

At June 30, 2024, the School District accrued \$6,491,204 of payroll, which is payable during July and August 2024, for those employees who have a ten-month contract but are paid over twelve months, and to non-salaried employees for services through June 30, 2024 and paid in July 2024. The School District also accrues related benefits on payroll earned as of June 30, 2024 but is not yet due. It is the School District's policy to record the health insurance on the summer payroll during the months of coverage.

Accrued salaries and benefits as of June 30, 2024, are as follows:

Accrued salaries	\$ 6,491,204
Accrued benefits	
Retirement	7,283,764
Social security	479,395
Payroll deductions and withholdings payable	460,317
Total	<u>\$ 14,714,680</u>

Note 13 – Unearned Revenues

Unearned revenues consist of the following as of June 30, 2024:

	Governmental Activities	Business-Type Activities
Summer school	\$ 60,175	\$ -
1:1 Initiative	109,767	-
Federal grants	247,345	-
Unused donated commodities	-	8,868
Other unearned revenue	44,027	-
Total	<u>\$ 461,314</u>	<u>\$ 8,868</u>

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Note 14 – Long-Term Debt

Changes in the School District's long-term obligations during the fiscal year ended June 30, 2024, were as follows:

	Beginning	Additions	Reductions	Ending	Current Portion
Governmental activities					
General obligation bonds	\$ 68,045,000	\$ 27,710,000	\$ 6,935,000	\$ 88,820,000	\$ 5,870,000
Bond premium, net	4,963,923	2,284,946	917,282	6,331,587	-
General obligation bonds, net	<u>73,008,923</u>	<u>29,994,946</u>	<u>7,852,282</u>	<u>95,151,587</u>	<u>5,870,000</u>
Extended-term financing	545,830	-	175,056	370,774	181,863
Lease obligations	504,583	478,437	508,627	474,393	315,386
Compensated absences	2,443,360	-	72,279	2,371,081	705,542
Accrued retirement bonuses	3,078,974	-	32,480	3,046,494	-
Pension liability	167,612,340	-	1,073,100	166,539,240	-
Sp Fin Sp Pension liab	-	44,688	-	44,688	-
Net OPEB liability - PSERS	6,949,180	-	172,480	6,776,700	-
Sp Fin Sp OPEB liab	-	1,372	-	1,372	-
OPEB liability - school	<u>7,042,617</u>	<u>512,827</u>	<u>-</u>	<u>7,555,444</u>	<u>-</u>
Total governmental activities	<u>261,185,807</u>	<u>31,032,270</u>	<u>9,886,304</u>	<u>282,331,773</u>	<u>7,072,791</u>
Business-type activities					
SBITA liability	-	20,903	7,281	13,622	6,659
Compensated absences	32,191	-	10,230	21,961	9,000
Pension liability	3,420,660	-	21,900	3,398,760	-
Sp Fin Sp Pension liab	-	912	-	912	-
Net OPEB liability - PSERS	141,820	-	3,520	138,300	-
Sp Fin Sp OPEB Liab	-	28	-	28	-
OPEB liability - school	<u>143,727</u>	<u>10,466</u>	<u>-</u>	<u>154,193</u>	<u>-</u>
Total business-type activities	<u>3,738,398</u>	<u>32,309</u>	<u>42,931</u>	<u>3,727,776</u>	<u>15,659</u>
Total government	<u>\$ 264,924,205</u>	<u>\$ 31,064,579</u>	<u>\$ 9,929,235</u>	<u>\$ 286,059,549</u>	<u>\$ 7,088,450</u>

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Note 15 – General Obligation Bonds

The School District had the following general obligation bonds outstanding at June 30, 2024:

Issue	Maturity Date	Interest Rates	Outstanding at June 30, 2024
Series A of 2019 bonds	August 1, 2025	2.00% - 4.00%	\$ 6,035,000
Series AA of 2019 bonds	August 1, 2031	1.72% - 4.00%	2,005,000
Series A of 2020 bonds	October 15, 2031	1.50% - 4.00%	23,435,000
Series AA of 2020 bonds	October 15, 2036	1.50% - 4.00%	10,000,000
Series of 2021 bonds	January 15, 2030	0.35% - 4.00%	8,005,000
Series A of 2021 bonds	September 1, 2031	1.00%	3,075,000
Series of 2022 bonds	April 15, 2032	1.00% - 4.00%	8,560,000
Series of 2023 bonds	April 15, 2037	1.00% - 4.00%	14,275,000
Series of 2024 bonds	April 15, 2037	1.00% - 4.00%	13,430,000
			<u>\$ 88,820,000</u>

As of June 30, 2024, the annual debt service requirements of all general obligation bonds outstanding to maturity are as follows:

<u>General Obligation Bonds</u>			
Year ending June 30,	Principal	Interest	Totals
2025	\$ 5,870,000	\$ 3,283,500	\$ 9,153,500
2026	6,115,000	3,154,126	9,269,126
2027	6,360,000	2,960,625	9,320,625
2028	6,575,000	2,742,976	9,317,976
2029	6,785,000	2,529,463	9,314,463
2030-2034	35,060,000	9,051,113	44,111,113
2035-2037	<u>22,055,000</u>	<u>2,051,750</u>	<u>24,106,750</u>
	<u>\$ 88,820,000</u>	<u>\$ 25,773,553</u>	<u>\$ 114,593,553</u>

Debt service payments on general obligation bonds are made by the debt service fund and funded by transfers from the general fund.

Note 16 – LCCTC Guaranteed Lease Revenue Bonds

On June 30, 2020, LCCTC refinanced the Guaranteed Lease Revenue Note, Series of 2017 (\$3,075,000) and Guaranteed Lease Revenue Bonds, Series of 2014 (\$8,255,000), and issued Guaranteed Lease Revenue Bonds, Series of 2020, totaling \$11,145,000. These bonds were issued to provide funds for renovations and additions and various other ongoing and proposed capital projects on LCCTC facilities. The School District, along with the other member districts, has covenanted to pay lease rentals in amounts sufficient to service this debt, in proportions based on real estate market values. The aggregate amount outstanding on June 30, 2024 was \$8,910,000. The School District has no obligation for the debt beyond the resources provided under the lease rental agreement. During the year ended June 30, 2024 the School District's proportionate share of the debt service was \$155,356.

HEMPFIELD SCHOOL DISTRICT**Notes to Financial Statements****June 30, 2024**

The School District's estimated lease rental obligations for future minimum rental payments related to the issued debt are as follows:

Year ending June 30,	Future Minimum Rental Payments
2025	\$ 156,103
2026	157,578
2027	156,935
2028	155,592
2029	155,895
Thereafter	1,251,573
	<u>\$ 2,033,676</u>

Note 17 – Extended Term Financing Arrangements

The School District acquired copiers and printers under a lease-purchase agreement in July 2021. The term of the agreement is for five (5) years and requires monthly payments of \$16,071 through June 22, 2026. Interest rates are fixed at 3.82%. In addition to the stated monthly payment, a service/maintenance payment of \$7,149 is due and payable monthly. The title of the equipment passed to the School District upon commencement of the agreement. The School District may terminate the lease purchase early by exercising the fair purchase price which represents the fair value of the use of the equipment and the amount required to exercise the option to purchase the equipment. Rental payments do not exceed a reasonable amount to place the School District under a practical economic compulsion to renew the agreement or to exercise its option to purchase the equipment.

Annual debt service requirements through the end of the term are as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 315,386	\$ 38,503
2026	159,007	15,726
	<u>\$ 474,393</u>	<u>\$ 54,229</u>

Debt service payments on extended-term financing arrangements are made by the general fund.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Note 18 – Lease Liabilities

Lease agreements are summarized as follows:

Description	Inception Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2024
2,300 iPads	7/15/2021	3 Years	\$ 171,270	2.75%	\$ 513,936	\$ -
2,270 iPads	7/15/2022	3 years	162,624	4.96%	512,469	170,689
2,075 iPads	7/15/2023	3 years	174,733	9.89%	478,437	303,704
Total lease agreements						<u>\$ 474,393</u>

The School District's lease agreements for iPads allow the option to purchase all of the equipment at fair market value at the end of the rental term, renew the agreement for one year with the rental cost determined at the time of renewal, or return equipment to the lessor. The School District does not anticipate exercising renewing for an additional term. Interest rates are fixed at the amounts presented above.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 315,386	\$ 38,503
2026	159,007	15,726
	<u>\$ 474,393</u>	<u>\$ 54,229</u>

Payments on lease obligations are made by the general fund.

Note 19 – Compensated Absences

A summary of the amount recorded as a liability in the governmental activities and business-type activities for compensated absences is as follows as of June 30, 2024:

	Governmental Activities	Business-type Activities
Accumulated sick leave	\$ 1,547,180	\$ 16,530
Accumulated vacation leave	489,915	3,870
Accumulated personal days	165,489	-
Employer Social Security and Medicare on leave amounts above	168,497	1,561
	<u>\$ 2,371,081</u>	<u>\$ 21,961</u>

Note 20 – Accrued Retirement Bonuses

Upon voluntary retirement, a professional employee with qualifying years of service according to either the collective bargaining agreement or Act 93 agreement will receive a lump sum retirement bonus to be transferred into a Tax Sheltered Annuity account. The accrual for estimated retirement benefits was \$3,046,494 at June 30, 2024, and is reported in the governmental activities.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Note 21 – Fund Balance Classifications

Nonspendable fund balance represents the component of fund balance that is not in spendable form (such as inventory and prepaid items) or is required to be legally or contractually maintained intact. At June 30, 2024, the School District has the following nonspendable fund balance:

General Fund	Prepaid Items	\$ 137,594
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Restricted fund balance represents fund balances that can only be used for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers. As of June 30, 2024, the School District has included the following as restricted fund balances:

General Fund	Restricted by donors for scholarships.	\$ 77,497
Capital Reserve Fund	Restricted under Municipal Code P.L. 145, Act of April 30, 1943, for future capital improvements and other costs, as permitted.	\$ 21,322,197
Capital Projects Fund	Restricted under the bond indenture for specified capital construction.	\$ 30,158,629

Committed fund balances represent fund balances that can be used only for specific purposes determined by formal action of the government's highest level of decision-making authority. As of June 30, 2024, the School District has included the following as committed fund balances:

General Fund	Committed by the School Board to offset costs for future pension contribution rate increases.	\$ 3,000,000
Debt Service Fund	Committed by the School Board for future debt service costs	\$ 4,970,146

Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2024, the School District has the following as assigned fund balances:

General Fund	Future capital expenditures	\$ 17,037,149
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Note 22 – Risk Management

Hospitalization

The School District participates in the insurance consortium with the Lancaster-Lebanon Intermediate Unit #13 to provide for medical care for eligible employees and their dependents. The School District remits funds to third-party administrators. The third-party administrators, upon receiving funds from the School District, process, and pay the claims. The School District was limited in liability to \$250,000 per individual and approximately \$14,500,000 in the aggregate for hospitalization claims for the year ended June 30, 2024.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
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A liability for claims incurred prior to June 30, 2024, and subsequently paid is recorded in the amount of \$1,672,177 in the internal service fund. For the year ended June 30, 2023, the liability for claims incurred prior to June 30, 2023, and subsequently paid was \$1,319,211.

Changes in the School District's claims liability amount in fiscal years 2024, 2023, and 2022 are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2023-2024	\$ 1,319,211	\$ 13,291,609	\$ 12,938,643	\$ 1,672,177
2022-2023	820,657	12,573,972	12,075,418	1,319,211
2021-2022	1,144,422	12,006,747	12,330,512	820,657

Workers' Compensation

The School District participates in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the Fund) which is a cooperative voluntary trust arrangement for nineteen member school districts and the Lancaster-Lebanon Intermediate Unit. This agreement states that the School District pays an annual premium to the Fund to seek prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and provide self-insurance and reinsurance thereof.

The members of the Fund intend that the Fund will utilize funds contributed by the members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2024, the School District is not aware of any additional assessments relating to the Fund.

Other Risks

The School District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The School District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2024, and the three previous fiscal years, no settlements exceeded insurance coverage.

Note 23 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The School District contributes to a governmental cost-sharing multi-employer defined benefit pension plan administered by PSERS. PSERS provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS 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.

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 introduces benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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

Benefits are generally equal to 1.00% to 2.50%, 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 the 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 2.00% or 2.50%, 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 the normal retirement age may apply for disability benefits.

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

Contributions

The contribution policy is set by the Code and requires contributions by active members, participating employers, and the Commonwealth of Pennsylvania. The contribution rates based on qualified member compensation for virtually all members are presented below:

HEMPFIELD SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% *	N/A	Prior to 7/1/21 - 7.50% After 7/1/21 - 8.00%
T-F	On or after July 1, 2011	10.30% *	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% *	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% *	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%

* base rate with shared risk provision

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

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2024, was 33.09% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$19,431,006 and \$375,666 for the governmental activities and business-type activities, respectively, for the year ended June 30, 2024.

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

At June 30, 2024, the School District reported a liability of \$169,938,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2022 to June 30, 2023. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2024, the School District's proportion was 0.3820 percent, which was an decrease of 0.0088 percent from its proportion measured as of June 30, 2023.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

For the year ended June 30, 2024, the School District recognized pension expense of \$14,201,000. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 38,000	\$ 2,327,000
Changes in assumptions	2,536,000	-
Net difference between projected and actual investment earnings	4,809,000	-
Changes in proportions	-	2,403,000
Contributions subsequent to the measurement date	19,806,672	-
	<u>\$ 27,189,672</u>	<u>\$ 4,730,000</u>

An amount of \$19,806,672 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will increase (decrease) pension expense as follows:

Year Ended June 30,	Amount
2025	\$ 540,000
2026	(4,298,000)
2027	4,807,000
2028	1,604,000
	<u>\$ 2,653,000</u>

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2023, was determined by rolling forward PSERS' total pension liability as of the June 30, 2022 to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2022
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, including 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, 2022 and June 30, 2023.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:

HEMPFIELD SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

The 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	30.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	7.5%	2.3%
Infrastructure/MLPs	10.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	4.0%	3.5%
Cash	3.0%	0.5%
Leverage	-10.5%	0.5%
	<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, 2023.

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.

HEMPFIELD SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

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

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
School district's proportionate share of the net pension liability	\$ 220,286,000	\$ 169,938,000	\$ 127,459,000

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 PSERS' website at www.psers.pa.gov.

Note 24 – Other Post-employment Benefits (OPEB)

Single-Employer Defined Benefit OPEB Plan

General Information about the OPEB Plan

Plan Description

The School District maintains a single-employer defined benefit OPEB plan to provide post-employment health care benefits. The Board of School Directors is authorized to establish and amend the financing requirements and benefits, subject to collective bargaining for certain classes of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue stand-alone financial statements.

Benefits Provided

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

Employees Covered by Benefit Terms

At July 1, 2022, the following employees were covered by the benefit terms:

Active participants	755
Vested former participant	12
Retired participants	<u>75</u>
	<u>842</u>

Total OPEB Liability

The School District's total OPEB liability of \$7,709,637 was measured as of July 1, 2023, and was determined by rolling forward the total OPEB liability as of July 1, 2022 to July 1, 2023.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

- Discount Rate: 4.06%, Based on the S&P municipal bond 20-year high-grade rate index on July 1, 2022. The discount rate was updated from 4.06% to 4.13% in rolling forward the total OPEB liability from July 1, 2022 to July 1, 2023.
- Long-Term Expected Rate of Return: N/A, the plan is unfunded.
- Actuarial Cost Method: Entry age normal, level percent of pay. An assumption for salary increases is used only for spreading contributions over future pay under the entry-age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase that varies by age from 2.75% to 0%.
- Healthcare Cost Trend: 5.50% in 2020 through 2023. Rates gradually decrease from 5.40% in 2024 to 4.00% 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: RP-2014 mortality tables for males and females adjusted for mortality improvement using the Buck Modified 2016 projection scale.
- Percent of Eligible Retirees Electing Coverage: 90% of administrators, 70% of professional staff, and 25% of support staff are assumed to elect coverage.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period ended July 1, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	\$ 7,186,344
Changes for the year	
Service cost	441,917
Interest	302,552
Changes of assumptions	104,153
Benefit payments	(325,329)
Net change	523,293
Balance at July 1, 2023	<u>\$ 7,709,637</u>

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

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

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

	1% Decrease 3.13%	Discount Rate 4.13%	1% Increase 5.13%
Total OPEB Liability	\$ 8,331,676	\$ 7,709,637	\$ 7,124,556

Sensitivity to the Total OPEB Liability to the Healthcare Cost Trend Rates

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

	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB Liability	\$ 6,809,735	\$ 7,709,637	\$ 8,772,053

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

For the year ended June 30, 2024, the School District recognized OPEB expense of \$415,842. At June 30, 2024, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,880,640
Changes in assumptions	946,638	2,293,409
Contributions subsequent to the measurement date	326,245	-
	<u>\$ 1,272,883</u>	<u>\$ 4,174,049</u>

An amount of \$326,245 reported as deferred outflows of resources related to OPEB resulting from the School District's benefit payments after the measurement date of the single-employer plan will be recognized as a reduction in the total OPEB liability, in the year ended June 30, 2025. Amounts reported as deferred outflows and deferred inflows of resources will be recognized as a decrease to OPEB expense as follows:

Fiscal Year Ending June 30,	Amount
2025	\$ (328,627)
2026	(328,627)
2027	(328,627)
2028	(328,622)
2029	(358,176)
Thereafter	(1,554,732)
	<u>\$ (3,227,411)</u>

Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan**General Information about the Health Insurance Premium Assistance Program*****Health Insurance Premium Assistance Program***

The Pennsylvania Public School Employees' Retirement System (System) provides Premium Assistance which, is a governmental cost-sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program 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.

Pension Plan Description

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

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.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2024 was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$383,345 for the year ended June 30, 2024.

HEMPFIELD SCHOOL DISTRICT
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June 30, 2024

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

At June 30, 2024, the School District reported a liability of \$7,818,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the School District's proportion was 0.3822 percent, which was a decrease of 0.0030 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the School District recognized OPEB expense of \$143,000 related to this plan. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 45,000	\$ 69,000
Changes in assumptions	597,000	1,309,000
Net difference between projected and actual investment earnings	16,000	-
Changes in proportions	-	204,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	383,345	-
	<u>\$ 1,041,345</u>	<u>\$ 1,582,000</u>

\$383,345 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2024	\$ (191,000)
2025	(212,000)
2026	(240,000)
2027	(257,000)
2028	(24,000)
	<u>\$ (924,000)</u>

Actuarial Assumptions

The total OPEB Liability as of June 30, 2023, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2022 to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.13% - 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 actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021 determined the employer contribution rate for the fiscal year 2023.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	1.2%

The above table was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13%. 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 the 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-

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

term funding policy, 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 4.09% which represents the S&P 20-year municipal bond rate at June 30, 2023, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2023, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2023, 92,677 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2023, 522 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2023, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
System net OPEB liability	\$ 6,914,000	\$ 6,915,000	\$ 6,915,000

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2023, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200.

The following presents the System net OPEB liability for June 30, 2023, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
School District's proportionate share of the net OPEB liability	\$ 7,818,000	\$ 6,915,000	\$ 6,159,000

OPEB Plan Fiduciary Net Position

Detailed information about PSERS OPEB plan's fiduciary net position is available in the separately issued PSERS comprehensive annual financial report which is available on the System's website at www.psers.pa.gov.

Note 25 – Contingencies and Commitments

Grant Revenue

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

Purchase Commitments

On May 14, 2024, the School Board approved the purchase of 1:1 devices under a three-year lease agreement executed in July 2024. The annual cost under the lease is \$212,909, and a total cost of \$638,727.

**Required
Supplementary Information**

HEMPFIELD SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Local sources				
Taxes				
Real estate taxes	\$ 87,199,272	\$ 87,199,272	\$ 86,968,816	\$ (230,456)
Interim taxes	400,000	400,000	602,805	202,805
Public utility realty tax	85,934	85,934	82,602	(3,332)
Payments in lieu of taxes	40,000	40,000	40,000	-
Earned income taxes	9,447,600	9,447,600	9,694,410	246,810
Real estate transfer taxes	1,300,000	1,300,000	1,449,824	149,824
Delinquent taxes	600,000	600,000	847,213	247,213
Investment earnings	1,200,000	1,200,000	3,114,968	1,914,968
Admissions and fees	239,200	239,200	193,062	(46,138)
Intermediary sources	2,020,272	2,020,272	2,252,643	232,371
Other local revenues	905,397	905,397	1,555,774	650,377
State sources	37,204,066	37,204,066	39,081,402	1,877,336
Federal sources	2,222,989	2,222,989	4,739,003	2,516,014
Total revenues	<u>142,864,730</u>	<u>142,864,730</u>	<u>150,622,522</u>	<u>7,757,792</u>
Expenditures				
Current				
Instructional services				
Regular programs	60,319,589	60,324,701	60,762,450	(437,749)
Special programs	26,394,111	26,294,220	27,043,738	(749,518)
Vocational education programs	1,518,442	1,518,442	1,739,159	(220,717)
Other instructional programs	918,895	918,895	1,526,726	(607,831)
Nonpublic school programs	-	-	52,373	(52,373)
Support services				
Students	5,441,618	5,541,618	5,605,564	(63,946)
Instructional staff	3,043,103	3,046,307	2,696,412	349,895
Administration	6,318,011	6,321,386	6,188,213	133,173
Pupil health	1,421,663	1,421,663	1,177,821	243,842
Business	673,284	672,784	674,667	(1,883)
Operations and maintenance	10,381,587	10,381,587	8,975,651	1,405,936
Student transportation services	5,943,762	5,943,487	6,074,286	(130,799)
Central	5,296,222	5,285,197	5,052,922	232,275
Other	65,000	65,000	62,299	2,701
Noninstructional services				
Student activities	1,780,473	1,780,473	2,291,892	(511,419)
Community services	-	-	19,898	(19,898)
Scholarships and awards	-	-	31,698	(31,698)
Facilities acquisition, construction	-	-	70,630	(70,630)
Debt service	-	-	722,733	(722,733)
Total expenditures	<u>129,515,760</u>	<u>129,515,760</u>	<u>130,769,132</u>	<u>(1,253,372)</u>

(Continued)

HEMPFIELD SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	(Continued) Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)	
Excess of revenues over expenditures	<u>13,348,970</u>	<u>13,348,970</u>	<u>19,853,390</u>	<u>6,504,420</u>
Other financing sources (uses)				
Proceeds from extended term-financing	-	-	478,437	478,437
Fund transfers out	<u>(14,074,550)</u>	<u>(14,074,550)</u>	<u>(20,199,141)</u>	<u>(6,124,591)</u>
Total other financing sources (uses)	<u>(14,074,550)</u>	<u>(14,074,550)</u>	<u>(19,720,704)</u>	<u>(5,646,154)</u>
Net change in fund balances	(725,580)	(725,580)	132,686	858,266
Fund balance - July 1, 2023 (restated)	<u>28,780,900</u>	<u>28,780,900</u>	<u>30,147,307</u>	<u>1,366,407</u>
Fund balance - June 30, 2024	<u>\$ 28,055,320</u>	<u>\$ 28,055,320</u>	<u>\$ 30,279,993</u>	<u>\$ 2,224,673</u>

See accompanying notes to required supplementary information

HEMPFIELD SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Pension Liability
Public School Employees' Retirement System
Last 10 Fiscal Years

Year ending June 30 ¹	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability
2024	0.3820%	\$ 169,938,000	\$ 58,298,951	291.49%	61.85%
2023	0.3908%	\$ 171,033,000	\$ 55,394,330	308.76%	61.34%
2022	0.3904%	\$ 160,285,000	\$ 55,394,330	289.35%	63.67%
2021	0.3920%	\$ 193,017,000	\$ 55,120,975	350.17%	54.32%
2020	0.3966%	\$ 185,540,000	\$ 54,597,579	339.83%	55.66%
2019	0.3976%	\$ 190,868,000	\$ 53,544,116	356.47%	54.00%
2018	0.4006%	\$ 197,850,000	\$ 53,334,038	370.96%	51.84%
2017	0.4004%	\$ 198,433,163	\$ 51,858,123	382.65%	50.14%
2016	0.3936%	\$ 170,488,892	\$ 50,638,050	336.68%	54.36%
2015	0.3876%	\$ 153,414,859	\$ 49,455,772	310.21%	57.24%

See notes to required supplementary information.

Notes:

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

HEMPFIELD SCHOOL DISTRICT
Schedule of Employer Contributions
Public School Employees' Retirement System
Last 10 Fiscal Years

Year ending June 30	(A) Contractually required contributions	(B) School District contributions recognized by the OPEB plan	Difference (A - B)	School District's covered payroll	Contributions recognized by the OPEB plan as a percentage of covered payroll
2024	\$ 19,806,672	\$ 19,806,672	\$ -	\$ 59,857,462	33.09%
2023	\$ 20,130,827	\$ 20,130,827	\$ -	\$ 58,673,352	34.31%
2022	\$ 19,340,633	\$ 19,340,633	\$ -	\$ 56,900,951	33.99%
2021	\$ 18,647,000	\$ 18,647,000	\$ -	\$ 55,389,340	33.69%
2020	\$ 18,466,000	\$ 18,466,000	\$ -	\$ 55,120,975	33.45%
2019	\$ 17,909,000	\$ 17,909,000	\$ -	\$ 54,597,479	32.60%
2018	\$ 15,323,000	\$ 15,323,000	\$ -	\$ 53,544,116	31.74%
2017	\$ 15,569,002	\$ 15,569,002	\$ -	\$ 53,334,038	29.20%
2016	\$ 13,097,515	\$ 13,097,515	\$ -	\$ 51,858,123	25.00%
2015	\$ 10,146,779	\$ 10,146,779	\$ -	\$ 50,638,050	20.50%

See notes to required supplementary information.

HEMPFIELD SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net OPEB Liability
PSERS Health Insurance Premium Assistance Plan
Last 10 Fiscal Years¹

Year ending June 30 ²	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	School District's covered payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability
2024	0.3822%	\$ 6,915,000	\$ 56,646,168	12.21%	7.22%
2023	0.3852%	\$ 7,091,000	\$ 58,673,352	12.09%	6.86%
2022	0.3908%	\$ 9,261,000	\$ 55,394,330	16.72%	5.30%
2021	0.3928%	\$ 8,487,000	\$ 55,120,975	15.40%	5.69%
2020	0.3966%	\$ 8,435,000	\$ 54,597,479	15.45%	5.56%
2019	0.3976%	\$ 8,290,000	\$ 53,544,116	15.48%	5.56%
2018	0.4006%	\$ 8,161,000	\$ 53,334,038	15.30%	5.73%
2017	0.4004%	\$ 8,625,000	\$ 51,858,123	16.63%	5.47%

See notes to required supplementary information.

Notes:

1. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

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

HEMPFIELD SCHOOL DISTRICT
Schedule of Employer Contributions
PSERS Health Insurance Premium Assistance Plan
Last 10 Fiscal Years

Year ending June 30	(A) Contractually required contributions	(B) School District contributions recognized by the OPEB plan	Difference (A - B)	School District's covered payroll	Contributions recognized by the OPEB plan as a percentage of covered payroll
2024	\$ 383,345	\$ 383,345	\$ -	\$ 59,857,462	0.64%
2023	\$ 440,050	\$ 440,050	\$ -	\$ 58,673,352	0.75%
2022	\$ 455,208	\$ 455,208	\$ -	\$ 56,900,951	0.80%
2021	\$ 455,000	\$ 455,000	\$ -	\$ 55,389,340	0.82%
2020	\$ 462,000	\$ 462,000	\$ -	\$ 55,120,975	0.84%
2019	\$ 453,000	\$ 453,000	\$ -	\$ 54,597,479	0.83%
2018	\$ 444,000	\$ 444,000	\$ -	\$ 53,544,116	0.83%
2017	\$ 443,000	\$ 443,000	\$ -	\$ 53,334,038	0.83%
2016	\$ 439,000	\$ 439,000	\$ -	\$ 51,858,123	0.85%
2015	\$ 453,000	\$ 453,000	\$ -	\$ 50,638,050	0.89%

See notes to required supplementary information.

HEMPFIELD SCHOOL DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios
Single-Employer Defined Benefit OPEB Plan
Last 10 Fiscal Years¹

	2024	2023	2022	2021	2020	2019	2018
Total OEPB liability - beginning of year	\$ 7,186,344	\$ 10,219,801	\$ 9,994,000	\$ 9,132,000	\$ 8,874,000	\$ 8,978,000	\$ 8,317,000
Service cost	441,917	751,416	755,440	608,000	612,000	554,000	535,000
Interest	302,552	244,887	195,812	320,000	277,000	292,000	215,000
Changes of benefit terms	-	-	-	(20,000)	-	-	-
Differences between expected and actual experience	-	(1,505,553)	-	(726,000)	-	(284,000)	-
Changes of assumptions	104,153	(2,098,583)	(315,867)	1,099,000	(263,000)	(309,000)	325,000
Benefit payments	(325,329)	(425,624)	(409,584)	(419,000)	(368,000)	(357,000)	(414,000)
Net change in total pension liability	<u>523,293</u>	<u>(3,033,457)</u>	<u>225,801</u>	<u>862,000</u>	<u>258,000</u>	<u>(104,000)</u>	<u>661,000</u>
Total OPEB liability - end of year	<u>\$ 7,709,637</u>	<u>\$ 7,186,344</u>	<u>\$ 10,219,801</u>	<u>\$ 9,994,000</u>	<u>\$ 9,132,000</u>	<u>\$ 8,874,000</u>	<u>\$ 8,978,000</u>
Covered payroll	<u>\$ 50,342,718</u>	<u>\$ 50,342,718</u>	<u>\$ 51,409,815</u>	<u>\$ 51,409,815</u>	<u>\$ 48,851,760</u>	<u>\$ 48,851,760</u>	<u>\$ 46,928,908</u>
Total OPEB liability as a percentage of covered payroll	<u>15.31%</u>	<u>14.27%</u>	<u>19.88%</u>	<u>19.44%</u>	<u>18.69%</u>	<u>18.17%</u>	<u>19.13%</u>

See notes to required supplementary information.

Notes:

1. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

Note 1 – Budgetary Information

Hempfield School District follows the following procedures in establishing the budgetary data reflected in the general-purpose financial statements:

1. Under Act I requirements, management submits to the School Board a preliminary budget for adoption 90 days prior to the primary election, and then a final budget for adoption on or before June 30, for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
2. Public meetings are conducted to obtain taxpayer comments for both the preliminary and final budget adoption process. The proposed budgets are made available to the public 20 days before each adoption date and are advertised 10 days before each adoption date.
3. Prior to June 30, the budget is legally enacted through the passage of a resolution.
4. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund or revisions that alter the total revenues and expenditures of any fund, must be approved by the Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
5. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.
6. Unused appropriations lapse at the end of each fiscal year.
7. The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

Excess of expenditures over appropriations

For the year ended June 30, 2024, expenditures exceed appropriations in the general fund by \$1,253,372. These over-expenditures were funded by greater than anticipated revenues for federal programs and extended-term financing for the commencement of leases in that fund.

Note 2 – Pension Information: PSERS

Changes of benefit terms

With the passage of Act 5, Class T-E and T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes of assumptions

June 30, 2021	The investment rate of return was adjusted from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%.
	Salary growth changed from an effective average of 5.00% (including inflation at 2.75%) to an effective average of 4.50% (including inflation at 2.50%).

HEMPFIELD SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2024

Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

June 30, 2016 The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.

Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) to 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.

Note 3 – OPEB Information: PSERS Premium Assistance Plan

Changes of benefit terms

None.

Changes of assumptions

June 30, 2023 The discount rate increased from 4.09% to 4.13%.

June 30, 2022 The discount rate increased from 2.18% to 4.09%.

June 30, 2021 The discount rate decreased from 2.66% to 2.18%.

Salary growth changed from an effective average of 5.00% (including inflation at 2.75%) to an effective average of 4.50% (including inflation at 2.50%).

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.

June 30, 2020 The discount rate decreased from 2.79% to 2.66%.

June 30, 2019 The discount rate decreased from 2.98% to 2.79%.

June 30, 2018 The discount rate decreased from 3.13% to 2.98%.

June 30, 2017 The discount rate increased from 2.71% to 3.13%.

June 30, 2016 Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) to 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.

Note 4 – Single-Employer Defined Benefit OPEB Plan

No assets are accumulated in a trust that meets the criteria included in GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, to pay related benefits.

Changes in benefit terms

Measurement period ended June 30, 2020:

The Director of Finance now pays the full premium for coverage. The current Superintendent and other top cabinet officials now pay a portion of premiums based on years of School District service. Life insurance is no longer based on salary for support staff.

Changes of assumptions

June 30, 2023	The discount rate increased from 4.06% to 4.13%.
June 30, 2022	The discount rate increased from 2.28% to 4.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS assumptions.
June 30, 2021	The discount rate increased from 1.86% to 2.28%.
June 30, 2020	The discount rate decreased from 3.36% to 1.86%.
June 30, 2019	The discount rate increased from 2.98% to 3.36%.
June 30, 2018	The discount rate decreased from 3.13% to 2.98%. Percent of eligible retirees electing coverage in the plan was reduced from 100% to 90% for administrators and 35% to 25% for support staff.
June 30, 2017	The discount rate increased from 2.49% to 3.13%. Assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS assumptions.

Single Audit

HEMPFIELD SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor Pass-through Grantor Project Title	Source Code	Federal Assistance Listing (AL) Number	Pass- through Grantor Number	Grant Period	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/23	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/24	Pass Through to Sub- recipients
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through the Pennsylvania Department of Education											
School Breakfast Program	I	10.553	365	07/01/23-06/30/24	N/A	\$ 564,910	\$ -	\$ 564,910	\$ 564,910	\$ -	\$ -
Total AL # 10.553						564,910	-	564,910	564,910	-	-
National School Lunch Program	I	10.555	362	07/01/23-06/30/24	N/A	1,872,230	-	1,872,230	1,872,230	-	-
National School Lunch Program - Supply Chain Assistance	I	10.555	356	07/01/23-06/30/24	N/A	165,723	-	165,723	165,723	-	-
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program - Donated Commodities	I	10.555	2-06-36-310	07/01/23-06/30/24	N/A	325,074	(6,266)	322,472	322,472	(8,868)	-
Total AL # 10.555						2,363,027	(6,266)	2,360,425	2,360,425	(8,868)	-
Total Child Nutrition Cluster						2,927,937	(6,266)	2,925,335	2,925,335	(8,868)	-
Passed through the Pennsylvania Department of Education											
COVID-19 Pandemic EBT Administrative Costs	I	10.649	358	07/01/23-06/30/24	5,763	5,763	-	5,763	5,763	-	-
Total Department of Agriculture						2,933,700	(6,266)	2,931,098	2,931,098	(8,868)	-
U.S. Department of Education											
Passed through the Pennsylvania Department of Education											
Title I Grants to Local Educational Agencies	I	84.010	013-230189	08/15/22-09/30/23	1,161,808	246,600	172,468	74,132	74,132	-	-
Title I Grants to Local Educational Agencies	I	84.010	013-240189	08/15/23-09/30/24	995,947	853,009	-	995,947	995,947	142,938	-
Total AL # 84.010						1,099,609	172,468	1,070,079	1,070,079	142,938	-
English Language Acquisition State Grants	I	84.365	010-230189	08/15/22-09/30/23	78,741	4,480	4,480	-	-	-	-
English Language Acquisition State Grants	I	84.365	010-240189	08/15/23-09/30/24	69,053	68,541	-	66,463	66,463	(2,078)	-
Total AL # 84.365						73,021	4,480	66,463	66,463	(2,078)	-
Improving Teacher Quality State Grants	I	84.367	020-230189	08/15/22-09/30/23	161,292	24,335	16,504	7,831	7,831	-	-
Improving Teacher Quality State Grants	I	84.367	020-240189	08/15/23-09/30/24	150,446	117,922	-	133,402	133,402	15,480	-
Total AL # 84.367						142,257	16,504	141,233	141,233	15,480	-
Student Support and Academic Enrich. Program	I	84.424	144-230189	08/15/22-09/30/23	98,496	44,880	44,880	-	-	-	-
Student Support and Academic Enrich. Program	I	84.424	144-240189	08/15/23-09/30/24	90,953	90,953	-	87,792	87,792	(3,161)	-
Total AL # 84.424						135,833	44,880	87,792	87,792	(3,161)	-
COVID-19 Education Stabilization Fund ESSER II	I	84.425D	200-210189	03/13/20-09/30/23	3,016,124	1,052,136	62,474	809,598	809,598	(180,064)	-
COVID-19 Education Stabilization Fund ARP ESSER III	I	84.425U	223-210189	03/13/20-09/30/24	6,100,747	2,883,989	2,271,562	2,308,104	2,308,104	1,695,677	-
COVID-19 Education Stabilization Fund ARP - ESSER 7%	I	84.425U	225-210189	03/13/20-09/30/24	474,165	336,227	157,357	145,788	145,788	(33,082)	-
Total AL # 84.425						4,272,352	2,491,393	3,263,490	3,263,490	1,482,531	-

(Continued)

HEMPFIELD SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor Pass-through Grantor Project Title	Source Code	Federal Assistance Listing (AL) Number	Pass- through Grantor Number	Grant Period	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/23	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/24	(Continued) Pass Through to Sub- recipients
Special Education Cluster											
Passed through Lancaster-Lebanon IU 13											
Special Education Grants to States	I	84.027	062-24-0013	07/01/23-09/30/24	1,794,798	1,794,798	-	1,794,798	1,794,798	-	-
COVID-19 Special Education Grants to States ARP	I	84.027	062-22-0013	07/01/21-09/30/23	365,155	235,616	-	235,616	235,616	-	-
Total AL # 84.027						2,030,414	-	2,030,414	2,030,414	-	-
Special Education Preschool	I	84.173	131-23-0013	07/01/23-06/30/24	7,749	7,749	-	7,749	7,749	-	-
Total Special Education Cluster						2,038,163	-	2,038,163	2,038,163	-	-
Total U.S. Department of Education						7,761,235	2,729,725	6,667,220	6,667,220	1,635,710	-
Total Federal Financial Assistance						\$ 10,694,935	\$ 2,723,459	\$ 9,598,318	\$ 9,598,318	\$ 1,626,842	\$ -

See accompanying notes to the Schedule of Expenditures of Federal Awards.

HEMPFIELD SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
June 30, 2024

Note 1 – Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Negative amounts (if any) 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.

Noncash Assistance

The School District receives donated commodities passed through the Pennsylvania Department of Agriculture under the Child Nutrition Cluster. Amounts are reported under the accrual basis of accounting and expenditures are recognized when consumed. Inventories for donated commodities are deferred. Total noncash assistance on the accrual basis for the year ending June 30, 2024 was \$322,472.

Note 2 – De Minimis Cost Rate

The School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Only direct program costs are included in program expenditures.

Note 3 – Source Code

The source code "I" indicates funds received indirectly.

Note 4 – Reconciliation with PDE Subsidy Confirmation

The following summary reconciles amounts reported as received on the Schedule to the Pennsylvania Department of Education's Confirmation of Subsidy Payments:

Amount Received Per Schedule	\$10,694,935
Add: State Funding on Confirmation	456,360
Less: Passed through IUs	(2,038,163)
Less: Donated Commodities	(325,074)
Per PDE Subsidy Confirmation	<u>\$ 8,788,058</u>

HEMPFIELD SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
June 30, 2024

None.



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

To the Board of School Directors
Hempfield School District
Landisville, 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 Hempfield School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Hempfield School District's basic financial statements, and have issued our report thereon dated February 24, 2025.

Report on Internal Control over Financial Reporting

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

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

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

*Members of the American and Pennsylvania
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Hempfield School District
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*

Report on Compliance and Other Matters

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

Purpose of This Report

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

M. J. Patsy & Associates, LLC

Carnegie, Pennsylvania
February 24, 2025



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

To the Board of School Directors
Hempfield School District
Landisville, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hempfield School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hempfield School District's major federal programs for the year ended June 30, 2024. Hempfield School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hempfield School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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.

Myers, Patsy & Associates, LLC

Carnegie, Pennsylvania
February 24, 2025

HEMPFIELD SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2024

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified, prepared in accordance with generally accepted accounting principles
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Major Programs:	
<u>Name of Federal Program or Cluster</u>	<u>AL Number(s)</u>
Child Nutrition Cluster	10.553, 10.555
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Did the auditee qualify as a low-risk auditee?	Yes

HEMPFIELD SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2024

Section 2 - Findings - Financial Statements Audit

None.

Section 3 - Findings and Questioned Costs - Major Federal Awards Programs Audit

None.

APPENDIX F
BOND AMORTIZATION SCHEDULE