



**The School District of
the City of Harrisburg
Harrisburg, Pennsylvania
Dauphin County**

Financial Statements
Year Ended June 30, 2022



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THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

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THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

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INDEPENDENT AUDITOR'S REPORT

To the Receiver
The School District of the City of Harrisburg
Harrisburg, Pennsylvania

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The School District of the City of Harrisburg's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The School District of the City of Harrisburg'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, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions - PSERS on pages 4 through 15 and 52 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited The School District of the City of Harrisburg 's 2021 financial statements, and our report dated September 9, 2022 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023, on our consideration of The School District of the City of Harrisburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The School District of the City of Harrisburg's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
January 23, 2023**

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Management's discussion and analysis ("**MD&A**") of the financial performance of the School District of the City of Harrisburg (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2022. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of eleven schools – five elementary schools, three middle schools, two high schools and an alternative education school for all grades, consisting of approximately 6,100 students. The District is a culturally diverse, urban school district in Dauphin County, Pennsylvania. The City of Harrisburg is home to approximately 50,000 people and the capital of the Commonwealth of Pennsylvania and is considered the metropolitan hub of south-central Pennsylvania. There were 710 employees including 530 professional employees (teachers, nurses and counselors).

The mission of the School District of the City of Harrisburg is to provide a rigorous and relevant education to ALL students in a learning environment that fosters high expectations and data driven and standards aligned instruction provided by committed, highly qualified teachers. The District endeavors to provide a culturally responsive, safe, and positive school environment to enhance, empower and promote the value of lifelong learning for our students. Families and the Harrisburg community are active partners in the educational process.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows resulting in a deficit in total net position at the close of the 2021-2022 fiscal year of \$160,763,385. During the 2021-2022 fiscal year, the District had an increase in total net position of \$37,104,022. The net position of governmental activities increased by \$35,980,576 and the net position of business-type activities increased by \$1,123,446.
- The General Fund reported an increase in fund balance of \$3,360,020, bringing the cumulative balance to \$24,553,229 at the conclusion of the 2021-2022 fiscal year.
- At June 30, 2022, the General Fund fund balance includes \$4,025,778 which is considered nonspendable, \$500,000 committed for athletics and band reserve, \$1,900,000 assigned for enrollment stabilization, and unassigned amounts of \$18,127,451 or 8.10% of the \$223,890,348 2022-2023 General Fund expenditure budget. This approximates guidelines prescribed by the Pennsylvania Department of Education which allows a district to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditures budget.
- Total General Fund revenues and other financing sources were \$5,004,903 or 2.71% less than budgeted amounts and total General Fund expenditures and other financing uses were \$8,374,814 or 4.53% less than budgeted amounts resulting in a net positive variance of \$3,369,911.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 16 and 17 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the three major funds and the one non-major fund.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 18 through 21 of this report.

Proprietary Funds

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses its Internal Service Fund to account for the District's self-funded medical, dental, prescription and vision plans. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on Pages 22 through 24 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of a scholarship fund. The District is responsible for ensuring that the assets reported in this fund is used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 25 and 26 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 27 through 51 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions-PSERS, as well as additional analysis consisting of combining and individual fund financial statements.

The required supplementary information and additional analysis can be found on Pages 52 through 59 of this report.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2021-2022 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$160,763,385. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current assets	\$ 88,100,359	\$ 66,002,327	\$(1,001,073)	\$(2,090,388)	\$ 87,099,286	\$ 63,911,939
Noncurrent assets	<u>157,548,490</u>	<u>161,069,870</u>	<u>199,810</u>	<u>267,942</u>	<u>157,748,300</u>	<u>161,337,812</u>
Total assets	<u>245,648,849</u>	<u>227,072,197</u>	<u>(801,263)</u>	<u>(1,822,446)</u>	<u>244,847,586</u>	<u>225,249,751</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>36,187,621</u>	<u>42,488,716</u>	<u>336,166</u>	<u>406,526</u>	<u>36,523,787</u>	<u>42,895,242</u>
LIABILITIES						
Current liabilities	20,793,890	19,457,386	265,374	252,415	21,059,264	19,709,801
Noncurrent liabilities	<u>377,406,875</u>	<u>418,878,044</u>	<u>1,979,170</u>	<u>2,368,404</u>	<u>379,386,045</u>	<u>421,246,448</u>
Total liabilities	<u>398,200,765</u>	<u>438,335,430</u>	<u>2,244,544</u>	<u>2,620,819</u>	<u>400,445,309</u>	<u>440,956,249</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>41,084,493</u>	<u>24,654,847</u>	<u>604,956</u>	<u>401,304</u>	<u>41,689,449</u>	<u>25,056,151</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	(78,836,208)	(73,876,512)	199,810	267,942	(78,636,398)	(73,608,570)
Restricted	32,147,340	18,329,628	-	-	32,147,340	18,329,628
Unrestricted (deficit)	<u>(110,759,920)</u>	<u>(137,882,480)</u>	<u>(3,514,407)</u>	<u>(4,705,985)</u>	<u>(114,274,327)</u>	<u>(142,588,465)</u>
Total net position (deficit)	<u>\$(157,448,788)</u>	<u>\$(193,429,364)</u>	<u>\$(3,314,597)</u>	<u>\$(4,438,043)</u>	<u>\$(160,763,385)</u>	<u>\$(197,867,407)</u>

The District's total assets as of June 30, 2022 were \$244,847,586 of which \$55,024,133 or 22.47% consisted of unrestricted cash and investments and \$151,555,191 or 61.90% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2022 were \$400,445,309 of which \$229,989,834 or 57.43% consisted of general obligation debt used to acquire and construct capital assets and \$126,003,104 or 31.47% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$114,274,327 at June 30, 2022. The District's unrestricted net position increased by \$28,314,138 during 2021-2022 primarily due to the current year results of operations and the change in the net pension liability and the related deferred outflows and inflows of resources.

A portion of the District's net position reflects its restricted net position which totaled \$32,147,340 as of June 30, 2022. All of the District's restricted net position related to amounts restricted for student activity, capital and debt service expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2022, the District's net investment in capital assets decreased by \$5,027,828 because the capital assets acquired with long-term debt were being depreciated faster than the debt used to acquire the capital assets was being repaid.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The following table presents condensed information for the *Statement of Activities* of the District for 2022 and 2021:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
REVENUES						
Program revenues						
Charges for services	\$ 568,834	\$ 723,831	\$ 63,674	\$ 18,042	\$ 632,508	\$ 741,873
Operating grants and contributions	55,803,598	43,387,540	5,758,978	1,903,262	61,562,576	45,290,802
Capital grants and contributions	1,890,843	-	-	-	1,890,843	-
General revenues						
Property taxes levied for general purposes	47,995,450	48,510,265	-	-	47,995,450	48,510,265
Earned income taxes levied for general purposes	4,712,189	4,140,746	-	-	4,712,189	4,140,746
Other taxes levied for general purposes	7,571,465	6,380,250	-	-	7,571,465	6,380,250
Grants and entitlements not restricted to specific programs	62,078,170	56,564,142	-	-	62,078,170	56,564,142
Investment earnings (loss)	(405,712)	(133,372)	297	18	(405,415)	(133,354)
Total revenues	<u>180,214,837</u>	<u>159,573,402</u>	<u>5,822,949</u>	<u>1,921,322</u>	<u>186,037,786</u>	<u>161,494,724</u>
EXPENSES						
Instruction	90,190,457	90,791,071	-	-	90,190,457	90,791,071
Instructional student support services	10,412,207	10,858,078	-	-	10,412,207	10,858,078
Administrative and financial support services	14,702,969	14,382,725	-	-	14,702,969	14,382,725
Operation and maintenance of plant services	15,059,967	12,656,016	-	-	15,059,967	12,656,016
Pupil transportation	4,293,318	3,329,026	-	-	4,293,318	3,329,026
Student activities	852,628	574,406	-	-	852,628	574,406
Community services	177,875	326,715	-	-	177,875	326,715
Interest and amortization expense related to noncurrent liabilities	8,544,840	8,485,239	-	-	8,544,840	8,485,239
Food service	-	-	4,699,503	2,754,529	4,699,503	2,754,529
Total expenses	<u>144,234,261</u>	<u>141,403,276</u>	<u>4,699,503</u>	<u>2,754,529</u>	<u>148,933,764</u>	<u>144,157,805</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 35,980,576</u>	<u>\$ 18,170,126</u>	<u>\$ 1,123,446</u>	<u>\$ (833,207)</u>	<u>\$ 37,104,022</u>	<u>\$ 17,336,919</u>

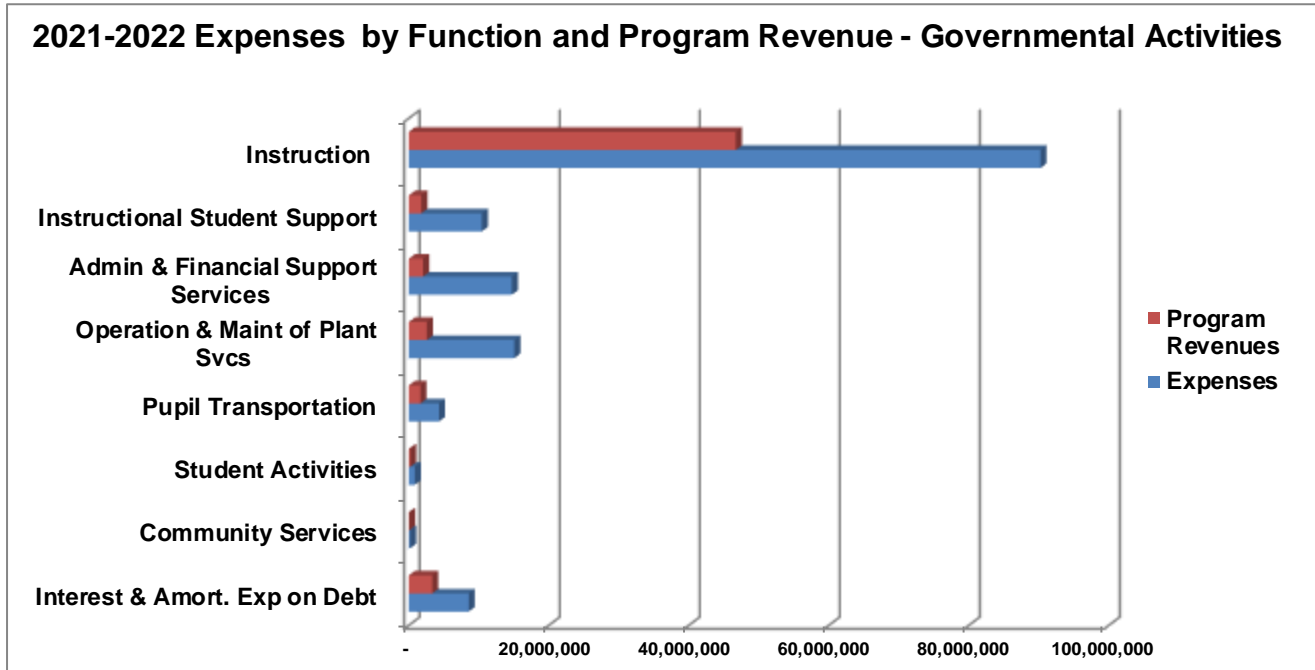
Overall, the District's financial position has been improving, but challenges such as increased medical costs and pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

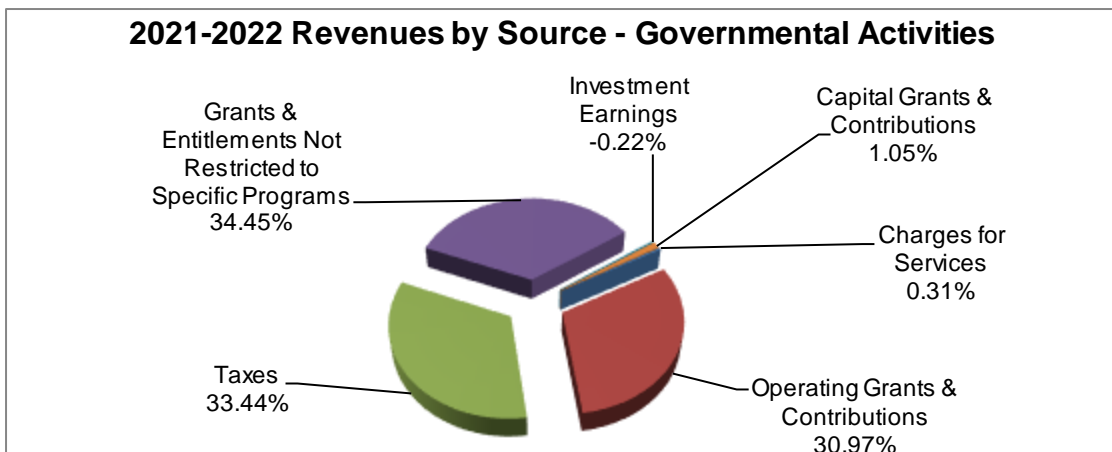
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

GOVERNMENTAL FUNDS

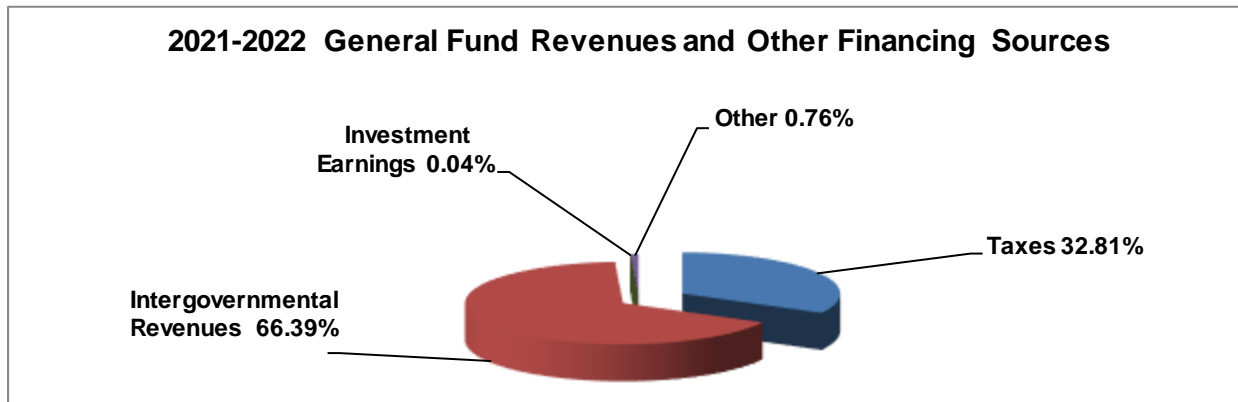
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2022, the District's governmental funds reported a combined fund balance of \$56,793,989 which is an increase of \$17,177,979 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2022 and 2021 and the total 2022 change in governmental fund balances.

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>
General Fund	\$24,553,229	\$21,193,209	\$ 3,360,020
Capital Projects Fund	25,955,632	12,093,391	13,862,241
Debt Service Fund	6,174,231	6,212,055	(37,824)
Student Activities Fund	<u>110,897</u>	<u>117,355</u>	<u>(6,458)</u>
	<u>\$56,793,989</u>	<u>\$39,616,010</u>	<u>\$17,177,979</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2021-2022 fiscal year, the General Fund fund balance was \$24,553,229 representing an increase of \$3,360,020 in relation to the prior year. The decrease in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2021-2022 fiscal year.

The District's reliance upon state and federal subsidies and grants is demonstrated by the graph below that indicates 66.39% of General Fund revenues are derived from intergovernmental revenues.



General Fund Revenues and Other Financing Sources

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$ 59,000,443	\$ 58,337,736	\$ 662,707	1.14
Intergovernmental revenues	119,400,753	99,559,374	19,841,379	19.93
Investment earnings	79,288	40,381	38,907	96.35
Other	<u>1,370,932</u>	<u>1,413,147</u>	<u>(42,215)</u>	<u>(2.99)</u>
	<u>\$179,851,416</u>	<u>\$159,350,638</u>	<u>\$20,500,778</u>	<u>12.87</u>

Net tax revenues increased by \$662,707 or 1.14% primarily due to an increase in the collection of current real estate taxes, amusement taxes, earned income taxes, and occupational taxes.

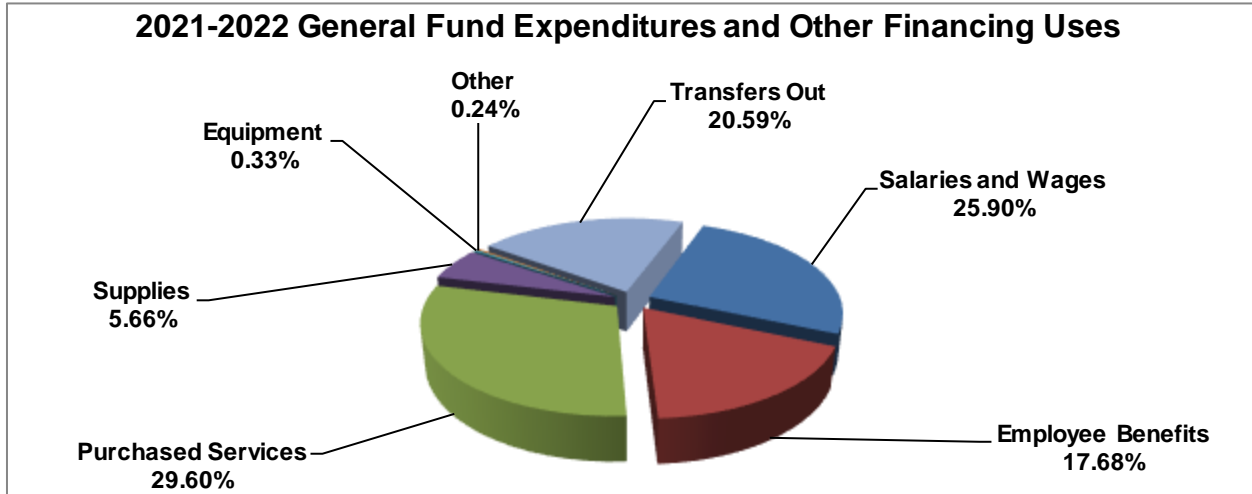
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Intergovernmental revenues increased by \$19,841,379 or 19.93% as a result of increases in COVID relief grant funding (CARES Act and ESSER) an increase in the basic education subsidy as well as the level-up supplement and an increase in the state retirement subsidy the increased commensurate with the increase in the employer retirement contribution rate.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 45,716,833	\$ 43,818,300	\$ 1,898,533	4.33
Employee benefits	31,200,330	30,745,802	454,528	1.48
Purchased services	52,244,888	46,622,560	5,622,328	12.06
Supplies	9,986,674	5,340,927	4,645,747	86.98
Equipment	589,593	220,306	369,287	167.62
Other	410,267	943,775	(533,508)	(56.53)
Transfers out	<u>36,342,811</u>	<u>32,275,369</u>	<u>4,067,442</u>	<u>12.60</u>
	<u>\$176,491,396</u>	<u>\$159,967,039</u>	<u>\$16,524,357</u>	<u>10.33</u>

Salaries and wages increased by \$1,898,533 or 4.33% in 2021-2022 compared to 2020-2021 primarily as a result returning to in person instruction and filling vacancies that occurred during the remote instruction period.

Employee benefit expenditures increased by \$454,528 or 1.48% from the prior year as a result of the return to in person instruction and filling vacancies that occurred during the remote instruction period.

Purchased services increased by \$5,622,328 or 12.06% in 2021-2022 compared to 2020-2021 primarily related services needed to support learning loss, emotional and behavioral needs of students and the return of full transportation services.

Supplies increased by \$4,645,747 or 86.98% in 2021-2022 compared to 2020-2021 due the supplies needed for the return to person instruction.

Other expenditures decreased by \$533,508 or 56.53% in 2021-2022 compared to 2020-2021 due to decreases in legal settlements, prior year refunds, and pass-through funding expenses.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Transfers out increased by \$4,067,442 or 12.60% to replenish the Capital Reserve Fund in order to address future capital needs and to establish an Internal Service Fund to account for the self-insured medical, dental, prescription, and vision insurance plans.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2021-2022, the fund balance in the Capital Projects Fund increased by \$13,862,241 primarily due to transfers from the General Fund for future projects. The remaining fund balance of \$25,955,632 as of June 30, 2022 is restricted for future capital expenditures.

DEBT SERVICE FUND

The Debt Service Fund accounts for the interest and principal payments due on the District's outstanding general obligation debt. Transfers are made during the year from the General Fund to finance debt service payments as they become due.

Pursuant to a loan agreement with the State Public School Building Authority under its Qualified School Construction Bonds program, the District established a Debt Sinking Fund. The District is required to make deposits annually into the Debt Sinking Fund. The deposits and investment earnings on the deposits are available for payment of maturities under the loan agreement.

As of June 30, 2022, the fund balance in the Debt Service Fund was \$6,174,231 and is restricted for future debt service expenditures.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the Receiver for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Total General Fund revenues and other financing sources were \$5,004,903 or 2.71% less than budgeted amounts and total General Fund expenditures and other financing uses were \$8,374,814 or 4.53% less than budgeted amounts resulting in a net positive variance of \$3,369,911. Major budgetary highlights for 2021-2022 were as follows:

- Total local source revenues were \$3,933,612 more than budgeted due to collections for current real estate, earned income, mercantile and delinquent real estate and occupation taxes, and amusement tax exceeding expectations.
- Total state source revenues were \$1,793,622 less than budgeted amounts as a result state and transportation subsidies coming in below budget.
- Total federal source revenues were \$7,144,893 less than budgeted amounts as a result less than anticipated funding received through ESSER II and ARP ESSER grants which is received on a cost reimbursement model in part due to staffing shortages and supply chain delays.
- Total regular programs were \$4,245,211 less than budgeted amounts as a result less than anticipated expenditures for salaries and wages related to unfilled positions and vacancies and lower than expected professional services expenditures.
- Total special programs were \$4,568,799 less than budgeted amounts as a result of lower salary and benefit expenses due to unfilled positions.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

- Total support services were \$6,513,098 less than budgeted amounts primarily related to cost savings for salaries and benefits from unfilled positions, lower than anticipated contracted technical and professional service expenses.
- Transfers out were \$17,260,988 more than budgeted amounts which represents revenues over expenditures and budgeted appropriations to replenish the Capital Reserve Fund and Internal Service Fund for health insurance reserves for the District's self-funded plans.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2021-2022, the net position of the business-type activities and Food Service Fund increased by \$1,123,446. As of June 30, 2022, the business-type activities and Food Service Fund had a deficit in net position of \$(3,314,597). The deficit in net position directly correlates to the Food Service Fund recording its proportion share of the net pension liability in the Pennsylvania State Employees' Retirement System ("**PSERS**").

CAPITAL ASSETS

The District's net investment in capital asset for its governmental and business-type activities as of June 30, 2022 amounted to \$151,555,191 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture and equipment and right-to-use leased equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$3,493,982 or 2.25%. The decrease was the result of current year depreciation expense in excess of capital additions. Major capital additions for 2021-2022 was for roof replacements and HVAC projects.

Current year capital additions were \$3,353,435 and depreciation expense was \$6,847,417.

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$229,989,834 consisting of \$121,750,000 in bonds payable, \$80,765,000 in notes payable and \$8,800,000 in Qualified School Construction Bonds net of deferred credits of \$18,674,834. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$11,281,759 or 4.68% during the current fiscal year.

On November 18, 2021, the District issued general obligation bonds, Series of 2021 in the amount of \$9,995,000, the proceeds from which were used to currently refund all of the District's general obligation bonds Series of 2016 and to pay the cost of issuing the bonds. The District currently refunded the general obligation bonds to reduce future debt service payments by \$785,154.

The District maintains an A- ("stable outlook") rating from Standard and Poor's for its general obligation debt.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is \$364,078,905 which exceeds the District's outstanding general obligation debt as of June 30, 2022.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$126,003,104 as of June 30, 2022. The District's net pension liability decreased by \$31,807,942 or 20.16% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$19,432,847 as of June 30, 2022. The District's OPEB liability increased by \$523,140 or 2.77% during the fiscal year.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Other noncurrent liabilities consist of the District's liabilities for compensated absences and right-to-use leases payable which totaled \$3,960,260 as of June 30, 2022. This liability increased by \$706,158 or 21.70% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- On December 12, 2012, the District was declared to be in a state of moderate distress under the Commonwealth of Pennsylvania's Act 141 of 2012. This designation required the appointment of a Chief Recovery Officer who was charged with developing a financial and academic recovery plan for the District. Subsequently, on June 17, 2019, the District was placed into receivership by the Pennsylvania Department of Education (the "**Receiver**") for a term of three years. The Receiver assumed the powers and duties of the Chief Recovery Officer and responsibility for the governance of the District other than the setting of property taxes, which remains with the School Board. The Receivership was extended in June 2022 for a period of three years. The Receiver has transitioned from outsourced administrative functions provided through an agreement with the Montgomery County Intermediate Unit to a district administrative team. The Amended Recovery Plan is designed to guide the District in efforts designed to stabilize and rebuild the financial and human resources systems of the District, design and implement a K-12 academic plan, design a governance plan, hire key administrative positions, and eventually return the District to local control. The District began hiring key administrative positions directly beginning with the Superintendent in July of 2021, followed by the Chief Financial Officer in January 2022, the Assistant Superintendent in February 2022, the Director of Human Resources in June 2022, and the Chief Academic Officer in October 2022.
 - The District adopted a balanced 2022-2023 budget totaling \$223,890,348 and the real estate tax millage rate increased to 30.7800 mills in 2022-2023 from 29.7800 mills in 2021-2022 or 3.36%.
 - As part of the Elementary and Secondary School Emergency Relief ("**ESSER**") grant program adopted by the federal government to provide COVID-19 relief to public schools, the District will be receiving significant funding through September 2023 as follows: ESSER I \$4.76 million; ESSER II \$24.8 million and ESSER III through the American Rescue Plan \$50.3 million. District administration is developing plans for use of these funds in compliance with federal requirements, and the funds will be included in future budgets.
 - The District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education is expected to increase at a rate that is less than the expected increase in expenditures, as was seen during the 2022-2023 Commonwealth of Pennsylvania budget process. The Commonwealth of Pennsylvania provided for approximately 52% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2021-2022 while local sources of revenue, primarily property taxes, provide approximately 34%.
 - In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to either change their taxing strategies to make up for the shortfall of increases in real estate tax refunds or seek the taxpayers' approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
 - ♦ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (5.10% for the School District of the City of Harrisburg for 2022-2023), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
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THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

- ♦ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.
- ♦ Gaming revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders. (Act 1 permitted gambling in Pennsylvania.)
- In November 2010 and, again, in 2017 legislation was signed into law to implement a series of actuarial and funding changes to the Public School Employees' Retirement System ("**PSERS**"). The 2017 law will not take effect until July of 2019. The law will change the pension plans for all new hires effective July 1, 2019. The new legislation does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. Currently, the employer contribution rate for 2022-2023 is 35.26% which is an increase of 1% from the 2021-2022 employer contribution rate of 34.94%.
- Professional/instructional employees of the District are represented for purposes of collective bargaining by the Harrisburg Education Association ("**HEA**"), which is affiliated with the Pennsylvania State Education Association ("**PSEA**"). This agreement which expired June 30, 2022 was renegotiated in June of 2022, for a new one-year term. The expiration date of the new collective bargaining agreement which is in place between the District and the HEA is June 30, 2023. The District and HEA are currently negotiating a successor agreement.
- Support staff (including custodians, food service workers, paraprofessionals, etc.) are represented for purposes of collective bargaining by the American Federation of State, County and Municipal Employees ("**AFSCME**"). This agreement expired on June 30, 2022 and the successor agreement was approved in August of 2022, covering through June 30, 2025.
- Non-represented employees are covered by compensation plans for all Act 93 employees. The compensation plan for Act 93 employees expired on June 30, 2022. The 1-year successor agreement was approved in June 2022.
- The District is currently in the process of evaluating its buildings and facilities in an effort to prioritize capital improvement needs in conjunction with the development of District-wide capital improvement plan and to best meet the needs of the District's projected future enrollment. The Pennsylvania Economy League presented the District with the 10 year enrollment projections in September 2022 and the 10 year capital plan was provided to District administration in December 2022. The District began the renovation of Steele Elementary School in October 2022 to allow for the 5th grade to return to elementary buildings. The renovation project to reopen Steele Elementary is being funded with the ARP-ESSER grant. The project is expected to be completed in the summer of 2024. The District has also utilized ESSER grants to replace aging HVAC equipment in multiple buildings. The District intends to continue to utilize ESSER grant funds to address allowable capital needs identified in the capital plan.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, School District of the City of Harrisburg, 1601 State Street Harrisburg, PA 17103.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2022 with summarized comparative totals for 2021

	Governmental	Business-type	Totals	
	Activities	Activities	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 42,560,648	\$ 1,947,093	\$ 44,507,741	\$ 23,160,184
Investments	10,516,392	-	10,516,392	8,500,969
Taxes receivable	14,570,739	-	14,570,739	14,023,591
Due from other governments	16,478,004	672,942	17,150,946	17,896,833
Internal balances	3,674,044	(3,674,044)	-	-
Other receivables	225,844	10,720	236,564	220,053
Prepaid expenses	65,000	-	65,000	65,000
Inventories	9,688	42,216	51,904	45,309
Total current assets	88,100,359	(1,001,073)	87,099,286	63,911,939
NONCURRENT ASSETS				
Restricted assets				
Cash held by fiscal agent	85	-	85	230
Investments held by fiscal agent	5,590,131	-	5,590,131	5,628,568
Prepaid bond insurance	602,893	-	602,893	659,841
Capital assets, net	151,355,381	199,810	151,555,191	155,049,173
Total noncurrent assets	157,548,490	199,810	157,748,300	161,337,812
Total assets	245,648,849	(801,263)	244,847,586	225,249,751
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	11,554,835	-	11,554,835	12,918,116
Deferred charges on proportionate share of pension - PSERS	21,119,265	276,553	21,395,818	26,597,397
Deferred charges OPEB - single employer	1,995,435	39,734	2,035,169	2,195,950
Deferred charges on proportionate share of OPEB - PSERS	1,518,086	19,879	1,537,965	1,183,779
Total deferred outflows of resources	36,187,621	336,166	36,523,787	42,895,242
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	9,847,568	146,684	9,994,252	8,613,707
Accrued salaries, payroll withholdings and benefits	7,421,788	118,690	7,540,478	9,760,128
Accrued interest payable	777,459	-	777,459	793,765
Grants received in advance	2,747,075	-	2,747,075	542,201
Total current liabilities	20,793,890	265,374	21,059,264	19,709,801
NONCURRENT LIABILITIES				
Due within one year	12,001,586	-	12,001,586	11,449,750
Due in more than one year	365,405,289	1,979,170	367,384,459	409,796,698
Total noncurrent liabilities	377,406,875	1,979,170	379,386,045	421,246,448
Total liabilities	398,200,765	2,244,544	400,445,309	440,956,249
DEFERRED INFLOWS OF RESOURCES				
Deferred changes on proportionate share of pension - PSERS	34,614,727	453,273	35,068,000	18,337,000
Deferred charges OPEB - single employer	5,477,756	138,693	5,616,449	5,730,151
Deferred changes on proportionate share of OPEB - PSERS	992,010	12,990	1,005,000	989,000
Total deferred inflows of resources	41,084,493	604,956	41,689,449	25,056,151
NET POSITION (DEFICIT)				
Net investment in capital assets	(78,836,208)	199,810	(78,636,398)	(73,608,570)
Restricted	32,147,340	-	32,147,340	18,329,628
Unrestricted (deficit)	(110,759,920)	(3,514,407)	(114,274,327)	(142,588,465)
Total net position (deficit)	\$ (157,448,788)	\$ (3,314,597)	\$ (160,763,385)	\$ (197,867,407)

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF ACTIVITIES

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position (Deficit)</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
							<u>2022</u>	<u>2021</u>
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 90,190,457	\$ 430,369	\$ 46,260,420	\$ -	\$ (43,499,668)	\$ -	\$ (43,499,668)	\$ (54,742,535)
Instructional student support	10,412,207	-	1,764,848	-	(8,647,359)	-	(8,647,359)	(9,466,325)
Administrative and financial support services	14,702,969	-	2,034,445	-	(12,668,524)	-	(12,668,524)	(12,782,791)
Operation and maintenance of plant services	15,059,967	112,310	555,212	1,890,843	(12,501,602)	-	(12,501,602)	(12,161,587)
Pupil transportation	4,293,318	-	1,648,389	-	(2,644,929)	-	(2,644,929)	(1,691,029)
Student activities	852,628	26,155	159,348	-	(667,125)	-	(667,125)	(490,177)
Community services	177,875	-	50,299	-	(127,576)	-	(127,576)	(267,281)
Interest and amortization expense related to noncurrent liabilities	8,544,840	-	3,330,637	-	(5,214,203)	-	(5,214,203)	(5,690,180)
Total governmental activities	<u>144,234,261</u>	<u>568,834</u>	<u>55,803,598</u>	<u>1,890,843</u>	<u>(85,970,986)</u>	<u>-</u>	<u>(85,970,986)</u>	<u>(97,291,905)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	4,699,503	63,674	5,758,978	-	-	1,123,149	1,123,149	(833,225)
Total primary government	<u>\$ 148,933,764</u>	<u>\$ 632,508</u>	<u>\$ 61,562,576</u>	<u>\$ 1,890,843</u>	<u>(85,970,986)</u>	<u>1,123,149</u>	<u>(84,847,837)</u>	<u>(98,125,130)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					47,995,450	-	47,995,450	48,510,265
Earned income taxes levied for general purposes					4,712,189	-	4,712,189	4,140,746
Other taxes levied for general purposes					7,571,465	-	7,571,465	6,380,250
Grants and entitlements not restricted to specific programs					62,078,170	-	62,078,170	56,564,142
Investment earnings (loss)					(405,712)	297	(405,415)	(133,354)
Total general revenues					<u>121,951,562</u>	<u>297</u>	<u>121,951,859</u>	<u>115,462,049</u>
CHANGE IN NET POSITION (DEFICIT)					35,980,576	1,123,446	37,104,022	17,336,919
NET POSITION (DEFICIT)								
Beginning of year					(193,429,364)	(4,438,043)	(197,867,407)	(215,204,326)
End of year					<u>\$ (157,448,788)</u>	<u>\$ (3,314,597)</u>	<u>\$ (160,763,385)</u>	<u>\$ (197,867,407)</u>

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022 with summarized comparative totals for 2021

	Major Funds			Non-Major Funds	Totals	
	General Fund	Capital Projects Fund	Debt Service Fund	Student Activities Fund	2022	2021
ASSETS						
Cash	\$ 24,137,800	\$ 14,211,143	\$ 584,015	\$ 126,274	\$ 39,059,232	\$ 22,975,876
Investments	10,516,392	-	-	-	10,516,392	8,500,969
Restricted assets:						
Cash held by fiscal agent	-	-	85	-	85	230
Investments held by fiscal agent	-	-	5,590,131	-	5,590,131	5,628,568
Taxes receivable	14,570,739	-	-	-	14,570,739	14,023,591
Due from other funds	3,951,090	12,000,000	-	-	15,951,090	15,857,890
Due from other governments	16,478,004	-	-	-	16,478,004	17,492,696
Other receivables	225,844	-	-	-	225,844	216,053
Prepaid expenses	65,000	-	-	-	65,000	65,000
Inventories	9,688	-	-	-	9,688	4,932
Total assets	\$ 69,954,557	\$ 26,211,143	\$ 6,174,231	\$ 126,274	\$ 102,466,205	\$ 84,765,805
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 9,689,225	\$ 148,986	\$ -	\$ 9,357	\$ 9,847,568	\$ 8,490,903
Due to other funds	13,163,085	106,525	-	6,020	13,275,630	15,384,681
Accrued salaries, payroll withholdings and benefits	7,421,788	-	-	-	7,421,788	9,677,789
Grants received in advance	2,747,075	-	-	-	2,747,075	494,929
Total liabilities	33,021,173	255,511	-	15,377	33,292,061	34,048,302
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	12,380,155	-	-	-	12,380,155	11,101,493
FUND BALANCES						
Nonspendable						
Long-term receivables	3,951,090	-	-	-	3,951,090	3,357,890
Prepaid expenses	65,000	-	-	-	65,000	65,000
Inventories	9,688	-	-	-	9,688	4,932
Restricted for						
Capital projects	-	25,955,632	-	-	25,955,632	12,093,391
Debt service	-	-	6,174,231	-	6,174,231	6,212,055
Student activities	-	-	-	110,897	110,897	117,355
Committed to						
Athletics and band reserve	500,000	-	-	-	500,000	500,000
Assigned to						
Healthcare reserve	-	-	-	-	-	1,000,000
Enrollment stabilization	1,900,000	-	-	-	1,900,000	1,500,000
Unassigned	18,127,451	-	-	-	18,127,451	14,765,387
Total fund balances	24,553,229	25,955,632	6,174,231	110,897	56,793,989	39,616,010
Total liabilities, deferred inflows of resources and fund balances	\$ 69,954,557	\$ 26,211,143	\$ 6,174,231	\$ 126,274	\$ 102,466,205	\$ 84,765,805

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2022

TOTAL GOVERNMENTAL FUND BALANCES	\$ 56,793,989
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 in the governmental funds balance sheet.	151,355,381
Prepaid bond insurance reported in the governmental activities is not a financial resource and therefore is not reported in the governmental funds.	602,893
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	11,554,835
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	(16,451,707)
The Internal Service Fund is used by management to charge the cost of health insurance premiums and claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	4,500,000
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds balance sheet.	12,380,155
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(377,406,875)
Accrued interest payable on long-term liabilities is included in the government-wide statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(777,459)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (157,448,788)</u>

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	Major Funds			Non-Major Funds	Totals	
	General	Capital	Debt	Student	2022	2021
	Fund	Projects	Service	Activities		
REVENUES						
Local sources	\$ 60,450,663	\$ 1,060	\$ (486,549)	\$ 33,477	\$ 59,998,651	\$ 59,637,154
State sources	91,419,530	-	-	-	91,419,530	81,597,077
Federal sources	27,981,223	-	-	-	27,981,223	17,962,297
Total revenues	<u>179,851,416</u>	<u>1,060</u>	<u>(486,549)</u>	<u>33,477</u>	<u>179,399,404</u>	<u>159,196,528</u>
EXPENDITURES						
Current						
Instruction	95,487,582	-	-	-	95,487,582	89,522,337
Support services	41,656,967	304,857	161,835	-	42,123,659	36,493,330
Operation of noninstructional services	966,255	-	-	39,935	1,006,190	782,720
Facilities acquisition, construction and improvement services	1,973,667	1,138,819	-	-	3,112,486	1,991,085
Debt service	63,508	-	18,644,909	-	18,708,417	17,334,828
Total expenditures	<u>140,147,979</u>	<u>1,443,676</u>	<u>18,806,744</u>	<u>39,935</u>	<u>160,438,334</u>	<u>146,124,300</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>39,703,437</u>	<u>(1,442,616)</u>	<u>(19,293,293)</u>	<u>(6,458)</u>	<u>18,961,070</u>	<u>13,072,228</u>
OTHER FINANCING SOURCES (USES)						
Refund of prior year receipts	(606)	-	-	-	(606)	(271,468)
Issuance of debt - refunding	-	-	9,995,000	-	9,995,000	47,240,000
Payment of debt - refunding	-	-	(9,772,420)	-	(9,772,420)	(11,959,178)
Payment to bond refunding agent	-	-	-	-	-	(34,622,313)
Bond premiums	-	-	-	-	-	9,452
Bond discounts	-	-	(59,922)	-	(59,922)	(23,383)
Proceeds from right-to-use lease agreement	-	304,857	-	-	304,857	-
Transfers in	-	15,000,000	19,092,811	-	34,092,811	30,025,369
Transfers out	(36,342,811)	-	-	-	(36,342,811)	(32,275,369)
Total other financing sources (uses)	<u>(36,343,417)</u>	<u>15,304,857</u>	<u>19,255,469</u>	<u>-</u>	<u>(1,783,091)</u>	<u>(1,876,890)</u>
NET CHANGE IN FUND BALANCES	<u>3,360,020</u>	<u>13,862,241</u>	<u>(37,824)</u>	<u>(6,458)</u>	<u>17,177,979</u>	<u>11,195,338</u>
FUND BALANCES						
Beginning of year	<u>21,193,209</u>	<u>12,093,391</u>	<u>6,212,055</u>	<u>117,355</u>	<u>39,616,010</u>	<u>28,420,672</u>
End of year	<u>\$ 24,553,229</u>	<u>\$ 25,955,632</u>	<u>\$ 6,174,231</u>	<u>\$110,897</u>	<u>\$ 56,793,989</u>	<u>\$ 39,616,010</u>

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 17,177,979

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 and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 3,353,435	
Depreciation expense	<u>(6,779,285)</u>	(3,425,850)

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

Deferred inflows of resources June 30, 2021	(11,101,493)	
Deferred inflows of resources June 30, 2022	<u>12,380,155</u>	1,278,662

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

Proceeds from issuance of debt - refunding	(9,995,000)	
Proceeds from right-to-use lease payable	(304,857)	
Repayment of bonds and notes payable	19,500,000	
Payment of right-to-use lease payable	134,045	
Payment of bonds payable discount	59,922	
Amortization of discounts, premiums, deferred amounts on refunding and prepaid bond insurance	<u>296,607</u>	9,690,717

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures on governmental funds.

Change in net pension liability and related deferred inflows and outflows	9,711,182	
Current year change in accrued interest payable	16,306	
Current year change in compensated absences	(487,653)	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>(230,767)</u>	<u>9,009,068</u>

The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported within the governmental activities.

2,250,000

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ 35,980,576**

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u> <u>Food Service</u> <u>Fund</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 1,947,093	\$ 3,501,416	\$ 5,448,509	\$ 184,308
Due from other governments	672,942	-	672,942	404,137
Due from other funds	164,501	998,584	1,163,085	2,250,000
Other receivables	10,720	-	10,720	4,000
Inventories	42,216	-	42,216	40,376
Total current assets	<u>2,837,472</u>	<u>4,500,000</u>	<u>7,337,472</u>	<u>2,882,821</u>
NONCURRENT ASSETS				
Capital assets, net	199,810	-	199,810	267,942
Total assets	<u>3,037,282</u>	<u>4,500,000</u>	<u>7,537,282</u>	<u>3,150,763</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on proportionate share of pension - PSERS	276,553	-	276,553	350,284
Deferred charges OPEB - single employer	39,734	-	39,734	40,652
Deferred charges on proportionate share of OPEB - PSERS	19,879	-	19,879	15,590
Total deferred outflows of resources	<u>336,166</u>	<u>-</u>	<u>336,166</u>	<u>406,526</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	146,684	-	146,684	122,804
Accrued salaries and benefits	118,690	-	118,690	82,339
Unearned revenue	-	-	-	47,272
Due to other funds	3,838,545	-	3,838,545	2,723,209
Total current liabilities	<u>4,103,919</u>	<u>-</u>	<u>4,103,919</u>	<u>2,975,624</u>
NONCURRENT LIABILITIES				
Compensated absences	62,057	-	62,057	14,364
Net pension liability - PSERS	1,628,659	-	1,628,659	2,078,348
OPEB liability - single employer	194,161	-	194,161	184,519
Net OPEB liability - PSERS	94,293	-	94,293	91,173
Total noncurrent liabilities	<u>1,979,170</u>	<u>-</u>	<u>1,979,170</u>	<u>2,368,404</u>
Total liabilities	<u>6,083,089</u>	<u>-</u>	<u>6,083,089</u>	<u>5,344,028</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension - PSERS	453,273	-	453,273	241,496
Deferred credits OPEB - single employer	138,693	-	138,693	146,783
Deferred credits on proportionate share of OPEB - PSERS	12,990	-	12,990	13,025
Total deferred inflows of resources	<u>604,956</u>	<u>-</u>	<u>604,956</u>	<u>401,304</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	199,810	-	199,810	267,942
Unrestricted	(3,514,407)	4,500,000	985,593	(2,455,985)
Total net position (deficit)	<u>\$ (3,314,597)</u>	<u>\$ 4,500,000</u>	<u>\$ 1,185,403</u>	<u>\$ (2,188,043)</u>

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>	<u>Totals</u>	
	<u>Food Service</u> <u>Fund</u>		<u>2022</u>	<u>2021</u>
OPERATING REVENUES				
Charges for services	\$ 63,674	\$ -	\$ 63,674	\$ 18,042
OPERATING EXPENSES				
Salaries and wages	581,633	-	581,633	586,024
Employee benefits	282,811	-	282,811	257,380
Purchased property services	69,242	-	69,242	154,515
Other purchased services	3,199,036	-	3,199,036	1,507,232
Supplies	498,649	-	498,649	167,799
Depreciation	68,132	-	68,132	81,579
Total operating expenses	<u>4,699,503</u>	<u>-</u>	<u>4,699,503</u>	<u>2,754,529</u>
Operating loss	<u>(4,635,829)</u>	<u>-</u>	<u>(4,635,829)</u>	<u>(2,736,487)</u>
NONOPERATING REVENUES				
Earnings on investments	297	-	297	18
Contributions and donations from private sources	65,000	-	65,000	-
State sources	303,442	-	303,442	166,054
Federal sources	5,390,536	-	5,390,536	1,737,208
Total nonoperating revenues	<u>5,759,275</u>	<u>-</u>	<u>5,759,275</u>	<u>1,903,280</u>
Change in net position before transfers	1,123,446	-	1,123,446	(833,207)
TRANSFERS				
Transfers in	-	2,250,000	2,250,000	2,250,000
CHANGE IN NET POSITION (DEFICIT)	1,123,446	2,250,000	3,373,446	1,416,793
NET POSITION (DEFICIT)				
Beginning of year	<u>(4,438,043)</u>	<u>2,250,000</u>	<u>(2,188,043)</u>	<u>(3,604,836)</u>
End of year	<u>\$ (3,314,597)</u>	<u>\$ 4,500,000</u>	<u>\$ 1,185,403</u>	<u>\$ (2,188,043)</u>

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>		<u>Totals</u>	
	<u>Food Service Fund</u>	<u>Internal Service Fund</u>	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 9,682	\$ -	\$ 9,682	\$ 57,557
Cash payments to employees for services	(943,315)	-	(943,315)	(1,068,501)
Cash payments to supplies for goods and services	(2,471,202)	-	(2,471,202)	(456,025)
Net cash used for operating activities	(3,404,835)	-	(3,404,835)	(1,466,969)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Contributions and donations from private sources	65,000	-	65,000	-
State sources	293,222	-	293,222	163,259
Federal sources	4,809,101	-	4,809,101	1,397,608
Transfers in	-	3,501,416	3,501,416	-
Net cash provided by noncapital financing activities	5,167,323	3,501,416	8,668,739	1,560,867
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	(37,336)
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	297	-	297	18
Net increase in cash	1,762,785	3,501,416	5,264,201	56,580
CASH				
Beginning of year	184,308	-	184,308	127,728
End of year	\$ 1,947,093	\$ 3,501,416	\$ 5,448,509	\$ 184,308
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	\$ (4,635,829)	\$ -	\$ (4,635,829)	\$ (2,736,487)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	68,132	-	68,132	81,579
Donated commodities used	322,850	-	322,850	115,842
(Increase) decrease in				
Inventories	(1,840)	-	(1,840)	(326)
Other receivables	(6,720)	-	(6,720)	(1,480)
Due from other funds	(164,501)	-	(164,501)	-
Deferred outflows of resources	70,360	-	70,360	120,617
Increase (decrease) in				
Accounts payable	23,880	-	23,880	5,074
Accrued salaries and benefits	36,351	-	36,351	35,823
Due to other funds	1,115,336	-	1,115,336	1,252,931
Unearned revenue	(47,272)	-	(47,272)	40,995
Compensated absences	47,693	-	47,693	1,241
Net pension liability - PSERS	(449,689)	-	(449,689)	(314,980)
Net OPEB liability - single employer and PSERS	12,762	-	12,762	(52,082)
Deferred inflows of resources	203,652	-	203,652	(15,716)
Net cash used for operating activities	\$ (3,404,835)	\$ -	\$ (3,404,835)	\$ (1,466,969)
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 322,850	\$ -	\$ 322,850	\$ 115,842

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF NET POSITION - FIDUCIARY FUND

June 30, 2022 with summarized comparative totals for 2021

	Private-Purpose Trust	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ <u>100,340</u>	\$ <u>108,112</u>
LIABILITIES		
Accounts payable	<u>11,843</u>	<u>15,050</u>
NET POSITION		
Net position held in trust for scholarships	\$ <u>88,497</u>	\$ <u>93,062</u>

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2022 with summarized comparative totals for 2021

	Private-Purpose Trust Fund	
	<u>2022</u>	<u>2021</u>
ADDITIONS		
Local contributions	\$ 281	\$ 290
DEDUCTIONS		
Scholarships/awards and fees paid	<u>4,846</u>	<u>4,100</u>
CHANGE IN NET POSITION	(4,565)	(3,810)
NET POSITION		
Beginning of year	<u>93,062</u>	<u>96,872</u>
End of year	<u>\$ 88,497</u>	<u>\$ 93,062</u>

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District of the City of Harrisburg (the "***District***") operates five elementary schools, three middle schools, two high schools and an alternative education school for all grades to provide education and related services to the residents of City of Harrisburg. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member board form of government (the "***School Board***").

On December 12, 2012, the District was declared to be in a state of moderate distress under the Commonwealth of Pennsylvania's Act 141 of 2012. This designation required the appointment of a Chief Recovery Officer who was charged with developing a financial and academic recovery plan for the District. Subsequently, on June 17, 2019, the District was placed into receivership (the "***Receiver***") for a term of three years. The Receiver assumed the powers and duties of the Chief Recovery Officer and responsibility for the governance of the District other than the setting of property taxes, which remains with the School Board.

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

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. 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 as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

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

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term principal, interest and other related costs.

The Student Activities Fund accounts for funds held on behalf of the students of the District.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources is reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary fund:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Internal Service Fund is used to account for the District's self-funded medical, dental, prescription and vision plans.

This fund distinguishes 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 proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost and external investment pools which are recorded at amortized cost, both of which approximate fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

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Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 – January 15	- Penalty period, 10% of gross levy
January 15	- Lien date

The County Board of Assessments determines assessed valuations of property, and the taxes are billed and collected by the Treasurer of the City of Harrisburg. The tax on real estate for public school purposes for fiscal 2021-2022 was 29.78 mills (\$29.78 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers who have a primary residence within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- October 31
Installment Three	- December 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

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

All inventories are valued at the lower of cost (first-in, first-out method) or market.

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Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$4,000 and an estimated life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 20-50 years and furniture and equipment – 5-20 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2022.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

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Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the Receiver. Committed amounts cannot be used for any other purpose unless the Receiver removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Superintendent or Chief Financial Officer or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The District strives to maintain a General Fund unassigned fund balance of not less than 5% and not more than 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

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Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2021, the District adopted the provisions of GASB Statement No.87 "*Leases*"; GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*"; GASB Statement No. 91, "*Conduit Debt Obligations*", and GASB Statement No. 92, "*Omnibus 2020*".

The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. As a result of the implementation of Statement No. 87, the District recognized its right-to-use lease assets and corresponding liabilities for its operating leases for the year ended June 30, 2022.

The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs include all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles. The implementation of GASB Statement No. 89 had no impact on the financial statements of the District for the year ended June 30, 2022.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 had no impact on the District's financial statements for the year ended June 30, 2022.

GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 had no impact on the District's financial statements for the year ended June 30, 2022.

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New Accounting Pronouncements

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects Fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the Receiver.

After the legal adoption of the budget, the Receiver is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The Receiver may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the Receiver. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(3) DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2022, the carrying amount of the District's deposits was \$44,608,166 and the bank balance was \$49,074,908. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$750,085 was covered by federal depository insurance, and \$6,938,214 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"), Pennsylvania Local Government Investment Trust ("**PLGIT**") and the Pennsylvania Treasurer's Program for Local Governments ("**INVEST**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2022, PSDLAF, PLGIT and INVEST were rated as AAA by a nationally recognized statistical rating agency.

Investments

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
U.S. Treasury strips	\$ 5,590,131	\$ -	\$ -	\$5,590,131	\$ -
PSDLAF collateralized investment pools	<u>10,516,392</u>	<u>10,516,392</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$16,106,523</u>	<u>\$10,516,392</u>	<u>\$ -</u>	<u>\$5,590,131</u>	<u>\$ -</u>

PSDLAF collateralized investment pools are fully collateralized by U.S. government agency and treasury obligations and certificates of deposit. PSDLAF collateralized investment pools and U.S. Treasury strips were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral that is in the possession of an outside party. The District had no investments subject to custodial credit risk as of June 30, 2022.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

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Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal or state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

Restricted Deposits and Investments

The District maintains restricted cash and investment balances held by fiscal agents, which are restricted for the repayment of Qualified School Construction Bonds (**See Note 7**). The total carrying amounts and related bank balances of these cash and investment accounts are \$5,590,216 as of June 30, 2022, which are invested in U.S. Treasury securities.

(4) CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 13,614	\$ -	\$ -	\$ 13,614
Construction in progress	<u>-</u>	<u>437,940</u>	<u>-</u>	<u>437,940</u>
Total capital assets not being depreciated	<u>13,614</u>	<u>437,940</u>	<u>-</u>	<u>451,554</u>
Capital assets being depreciated				
Buildings and improvements	243,597,035	2,115,777	-	245,712,812
Furniture and equipment	19,665,136	494,861	-	20,159,997
Right-to-use leased equipment	<u>474,481</u>	<u>304,857</u>	<u>-</u>	<u>779,338</u>
Total capital assets being depreciated	<u>263,736,652</u>	<u>2,915,495</u>	<u>-</u>	<u>266,652,147</u>
Less accumulated depreciation for				
Buildings and improvements	(91,766,989)	(5,608,157)	-	(97,375,146)
Furniture and equipment	(17,118,115)	(1,025,422)	-	(18,143,537)
Right-to-use leased equipment	<u>(83,931)</u>	<u>(145,706)</u>	<u>-</u>	<u>(229,637)</u>
Total accumulated depreciation	<u>(108,969,035)</u>	<u>(6,779,285)</u>	<u>-</u>	<u>(115,748,320)</u>
Total capital assets being depreciated, net	<u>154,767,617</u>	<u>(3,863,790)</u>	<u>-</u>	<u>150,903,827</u>
Governmental activities, net	<u>\$ 154,781,231</u>	<u>\$(3,425,850)</u>	<u>\$ -</u>	<u>\$ 151,355,381</u>
Business-type activities				
Machinery and equipment	\$ 2,113,797	\$ -	\$ -	\$ 2,113,797
Less accumulated depreciation	<u>(1,845,855)</u>	<u>(68,132)</u>	<u>-</u>	<u>(1,913,987)</u>
Business-type activities, net	<u>\$ 267,942</u>	<u>\$(68,132)</u>	<u>\$ -</u>	<u>\$ 199,810</u>

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

Governmental activities	
Instruction	\$1,587,804
Instructional student support	413,101
Administrative and financial support services	1,146,811
Operation and maintenance of plant services	3,504,146
Student activities	<u>127,423</u>
Total depreciation expense – governmental activities	<u>\$6,779,285</u>
Business-type activities	
Food service	<u>\$ 68,132</u>

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June 30, 2022

As of June 30, 2022, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2022 are as follows:

<u>Description</u>	<u>Project Amount</u>	<u>Completed Through June 30, 2022</u>	<u>Remaining Commitments</u>
Athletic field upgrade	\$ 562,478	\$ 14,265	\$ 548,213
Stadium track replacement	1,455,555	134,721	1,320,834
Foose Elementary School roof renovation	<u>363,244</u>	<u>288,954</u>	<u>74,290</u>
	<u>\$2,381,277</u>	<u>\$437,940</u>	<u>\$1,943,337</u>

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 106,525	Capital Projects Fund	\$ 106,525
General Fund	6,020	Student Activities Fund	6,020
Capital Projects Fund	12,000,000	General Fund	12,000,000
Internal Service Fund	998,584	General Fund	998,584
Food Service Fund	164,501	General Fund	164,501
General Fund	<u>3,838,545</u>	Food Service Fund	<u>3,838,545</u>
	<u>\$17,114,175</u>		<u>\$17,114,175</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$15,000,000	General Fund	\$15,000,000
Internal Service Fund	2,250,000	General Fund	2,250,000
Debt Service Fund	<u>19,092,811</u>	General Fund	<u>19,092,811</u>
	<u>\$36,342,811</u>		<u>\$36,342,811</u>

Transfers from the General Fund represent transfers to subsidize costs associated with the acquisition of capital assets and debt service requirements.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2022:

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$130,270,000	\$ 9,995,000	\$18,515,000	\$121,750,000	\$ 9,340,000
Notes payable	81,750,000	-	985,000	80,765,000	795,000
Qualified school construction bonds	8,800,000	-	-	8,800,000	-
Bond premiums	20,602,982	-	1,731,025	18,871,957	1,731,025
Bond discounts	<u>(151,389)</u>	<u>(59,922)</u>	<u>(14,188)</u>	<u>(197,123)</u>	<u>(16,268)</u>
Total general obligation debt	<u>241,271,593</u>	<u>9,935,078</u>	<u>21,216,837</u>	<u>229,989,834</u>	<u>11,849,757</u>

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

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Other noncurrent liabilities					
Right-to-use leases payable	397,439	304,857	134,045	568,251	151,829
Compensated absences	2,842,299	487,653	-	3,329,952	-
Net pension liability - PSERS	155,732,698	-	31,358,253	124,374,445	-
Net OPEB liability – PSERS	6,831,700	369,122	-	7,200,822	-
OPEB liability	<u>11,802,315</u>	<u>141,256</u>	<u>-</u>	<u>11,943,571</u>	<u>-</u>
Total other noncurrent liabilities	<u>177,606,451</u>	<u>1,302,888</u>	<u>31,492,298</u>	<u>147,417,041</u>	<u>151,829</u>
Total governmental activities	<u>418,878,044</u>	<u>11,237,966</u>	<u>52,709,135</u>	<u>377,406,875</u>	<u>12,001,586</u>
Business-type activities					
Compensated absences	14,364	47,693	-	62,057	-
Net pension liability - PSERS	2,078,348	-	449,689	1,628,659	-
Net OPEB liability – PSERS	91,173	3,120	-	94,293	-
OPEB liability	<u>184,519</u>	<u>9,642</u>	<u>-</u>	<u>194,161</u>	<u>-</u>
Total business-type activities	<u>2,368,404</u>	<u>60,455</u>	<u>449,689</u>	<u>1,979,170</u>	<u>-</u>
Total noncurrent liabilities	<u>\$421,246,448</u>	<u>\$11,298,421</u>	<u>\$53,158,824</u>	<u>\$379,386,045</u>	<u>\$12,001,586</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service Fund.

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted resources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

Qualified School Construction Bonds

The District participates in the Qualified School Construction Bonds ("**QSCB**") program sponsored by the State Public School Building Authority ("**SPSBA**"). The SPSBA was formed by the Commonwealth of Pennsylvania for the purpose of financing the construction and improvement of public school facilities under the jurisdiction of the Pennsylvania Department of Education. The QSCB program was created by the American Recovery and Reinvestment Act ("**ARRA**") and allows schools to borrow at nominal or zero percent to fund new construction, renovation and rehabilitation of schools as well as the purchase of land and equipment. The SPSBA issues the bonds through the QSCB program and provides loans to schools for qualified projects. Under the QSCB program the SPSBA receives direct interest subsidy payments from the United States Treasury which are then transferred to the borrowers as a reimbursement of the interest portion of their loan repayments. On October 6, 2010, the District borrowed \$9,194,000 from the SPSBA under the QSCB program. The District is required to deposit \$574,313 annually into a sinking fund through the maturity date of September 1, 2027. Sinking fund deposits are included as restricted assets held by fiscal agent in the accompanying financial statements.

General obligation debt outstanding as of June 30, 2022 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2014B-1	2.015% - 4.079%	\$6,740,000	12/01/2023	\$ 6,175,000
Series of 2014B-2	2.00% - 5.00%	\$20,895,000	12/01/2034	11,155,000
Series of 2016	2.00% - 3.125%	9,995,000	11/15/2033	75,000
Series of 2016A	2.00% - 5.00%	\$125,735,000	12/01/2033	94,350,000
Series of 2021	0.35% - 2.00%	\$9,995,000	09/15/2033	<u>9,995,000</u>
Total general obligation bonds				<u>121,750,000</u>

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

General obligation notes

Series of 2017A	1.43% - 3.12%	\$9,675,000	11/15/2024	4,400,000
Series of 2017B	3.00% - 5.00%	29,560,000	11/15/2027	29,190,000
Series of 2020A	0.48% - 2.00%	\$9,995,000	12/01/2033	9,935,000
Series of 2020B	0.50% - 2.00%	\$2,170,000	12/01/2034	2,165,000
Series of 2020C	2.729% - 2.829%	\$35,075,000	12/01/2036	<u>35,075,000</u>

Total general obligation notes

80,765,000

Qualified school construction bonds

Series of 2010	5.00%	\$9,194,000	09/15/2027	<u>8,800,000</u>
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Total general obligation debt

\$211,315,000

Series of 2021 General Obligation Bonds

On November 18, 2021, the District issued \$9,995,000 of general obligation notes, Series of 2021, the proceeds from which were used to currently refund a portion of the District's general obligation bonds Series of 2016 and to pay the cost of issuing the bonds. The District currently refunded the general obligation bonds to reduce future debt service payments by \$785,154.

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Debt Sinking Fund</u>	<u>Total</u>
2023	\$ 10,135,000	\$ 8,513,670	\$ 547,313	\$ 19,195,983
2024	10,525,000	8,049,218	547,313	19,121,531
2025	11,005,000	7,569,352	547,313	19,121,665
2026	11,600,000	7,043,000	547,313	19,190,313
2027	12,325,000	6,458,553	547,313	19,330,866
2028-2032	82,825,000	20,249,525	(8,619,687)	94,454,838
2033-2037	<u>72,900,000</u>	<u>4,384,807</u>	<u>-</u>	<u>77,284,807</u>
	<u>\$211,315,000</u>	<u>\$62,268,125</u>	<u>\$(5,883,122)</u>	<u>\$267,700,003</u>

In-Substance Defeasance

The District has advance refunded a portion of its general obligation bonds by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and earnings from the investments are sufficient to fully service the advance refunded debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. As of June 30, 2022, the amount of defeased outstanding debt was as follows:

<u>Description</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Series 2014B-2	12/01/2026	\$ 9,635,000
Series of 2016A	12/01/2026	<u>16,755,000</u>
		<u>\$26,390,000</u>

(8) RIGHT-TO USE LEASES PAYABLE

The District entered into a long-term lease agreement as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$304,857. As of June 30, 2022, the carrying amount of the lease liability is \$261,103. The lease has a discount rate of 3.60%. The copiers estimated useful lives were 5 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2022 is \$254,047, net of accumulated amortization of \$50,810, and is included with noncurrent assets on the statement of net position (deficit).

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

The District entered into a long-term lease agreement as lessee for the use of a telephone system. An initial lease liability was recorded in the amount of \$457,360. As of June 30, 2022, the carrying amount of the lease liability is \$300,922. The lease has a discount rate of 4.29%. The telephone system estimated useful life was 5 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2022, is \$289,661, net of accumulated amortization of \$167,699, and is included with noncurrent assets on the statement of net position (deficit).

The District entered into a long-term lease agreement as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$17,121. As of June 30, 2022, the carrying amount of the lease liability is \$6,226. The lease has a discount rate of 2.46%. The postage machines estimated useful life was 5 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2022 is \$5,992, net of accumulated amortization of \$11,129, and is included with noncurrent assets on the statement of net position (deficit).

Year ending June 30,

2023	\$172,369
2024	171,457
2025	168,723
2024	83,887
2025	16,730
Less: amount representing interest	<u>(44,915)</u>
Present value of minimum lease payments	<u>\$568,251</u>

(9) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("**OPEB**") include a single-employer defined benefit plan that provides medical, prescription drug, dental and vision insurance to all retirees and their spouses. The Receiver has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2020:

Active participants	819
Vested former participants	-
Retired participants	<u>53</u>
Total	<u>872</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the Receiver.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, and by rolling forward the liabilities from the July 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$12,137,732, all of which is unfunded. As of June 30, 2022, the OPEB liability of \$11,943,571 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$194,161 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

The District's change in its OPEB liability for the year ended June 30, 2022 was as follows:

Balance as of July 1, 2021	<u>\$11,986,834</u>
Changes for the year	
Service cost	1,126,895
Interest on total OPEB liability	235,547
Difference between expected and Actual experience	-
Changes in assumptions	(381,014)
Benefit payments	<u>(830,530)</u>
Net changes	<u>150,898</u>
Balance as of June 30, 2022	<u>\$12,137,732</u>

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$977,097. At June 30, 2022, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ -	\$4,218,860
Changes in assumptions	1,256,049	1,397,589
Contributions subsequent to the measurement date	<u>779,120</u>	<u>-</u>
	<u>\$2,035,169</u>	<u>\$5,616,449</u>

\$779,120 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2023	\$ (385,345)
2024	(385,345)
2025	(385,345)
2026	(385,345)
2027	(385,345)
Thereafter	<u>(2,433,675)</u>
	<u>\$ (4,360,400)</u>

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

The following presents the OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$10,597,868</u>	<u>\$12,137,732</u>	<u>\$14,020,754</u>

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 2.28%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (1.28%) or 1 percentage point higher (3.28%) than the current rate:

	<u>1% Decrease</u> <u>1.28%</u>	<u>Current Discount Rate</u> <u>2.28%</u>	<u>1% Increase</u> <u>3.28%</u>
OPEB Liability	<u>\$13,061,540</u>	<u>\$12,137,732</u>	<u>\$11,273,107</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2022, was determined by rolling forward the OPEB Liability as of July 1, 2020 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 2.28% - Standard and Poor’s 20-year municipal bond rate. The discount rate changed from 1.86% to 2.28%.
- Salary growth - effective average of 6.25%, comprised of inflation of 2.50%, 1.00% for real wage growth and 0.00 to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 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.
- Mortality rates were based on the Buck Modified 2016 projection scale to reflect mortality improvement.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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 PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of- pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the PSERS' health options program or employer-sponsored health insurance program.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Benefits Provided

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$355,965 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$7,295,115 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. As of June 30, 2022, the District's proportion was 0.3078 percent, which was a decrease of 0.0126 percent from its proportion measured as of June 30, 2021. As of June 30, 2022, the OPEB liability of \$7,200,822 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$94,293 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position (deficit), and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2022, the District recognized OPEB expense of \$392,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 68,000	\$ -
Changes in assumptions	777,000	97,000
Net difference between projected and actual investment earnings	14,000	-
Changes in proportions	323,000	908,000
Contributions subsequent to the measurement date	<u>355,965</u>	<u>-</u>
	<u>\$1,537,965</u>	<u>\$1,005,000</u>

\$355,965 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Year ended June 30,

2023	\$ 74,000
2024	72,000
2025	3,000
2026	(51,000)
2027	20,000
Thereafter	<u>59,000</u>
	<u>\$177,000</u>

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.18% - Standard & Poor's 20-year municipal bond rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality Improvement scale.

Investments consist primarily of short term assets designed to protect the principal of the OPEB 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 health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.80%	0.10%
US Core Fixed Income	17.50%	0.70%
Non-US Developed Fixed	<u>2.70%</u>	(0.30%)
	<u>100.00%</u>	

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

Discount Rate

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

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2021, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$7,294,287</u>	<u>\$7,295,115</u>	<u>\$7,295,768</u>

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

The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.18%</u>	<u>2.18%</u>	<u>3.18%</u>
District's proportionate share of the net OPEB liability	<u>\$8,372,055</u>	<u>\$7,295,115</u>	<u>\$6,408,094</u>

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on PSERS's website at www.psers.pa.gov.

(10) PENSION PLAN

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

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public 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.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% 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. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions

Active members who joined the system prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Members who joined the system on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employees who become an active member of PSERS on or after July 1, 2019, are enrolled in a hybrid plan that has a defined benefit and defined contribution component. Members who joined PSERS after June 30, 2019, automatically contribute at the Membership Class T-G rate of 8.25% (base rate), including a 2.75% defined contribution component of the member's qualifying compensation. All new hires after June 30, 2019, who elect T-H membership, contribute at 7.50% (base rate), including a 3.00% defined contribution component of the member's qualifying compensation. Membership Class T-G and T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-G contribution rate to fluctuate between 5.50% and 8.50% and Membership Class T-H contribution rate to fluctuate between 4.50% and 7.50%. All new members can also elect a DC membership and contribute at 7.50% (base rate) to a defined contribution plan that has no defined benefit component.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$15,190,818 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$126,003,104 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.3069 percent, which was a decrease of 0.0332 percent from its proportion measured as of June 30, 2021. As of June 30, 2022, the net pension liability of \$124,374,445 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$1,628,659 of the net pension liability is recorded as a liability in the proprietary fund statement of net position (deficit), and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2022, the District recognized pension expense of \$5,264,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 93,000	\$ 1,655,000
Changes in assumptions	6,112,000	-
Net difference between projected and actual investment earnings	-	20,057,000
Changes in proportions	-	13,356,000
Contributions subsequent to the measurement date	<u>15,190,818</u>	<u>-</u>
	<u>\$21,395,818</u>	<u>\$35,068,000</u>

\$15,190,818 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2023	\$(11,886,000)
2024	(6,423,000)
2025	(4,075,000)
2026	<u>(6,479,000)</u>
	<u>\$(28,863,000)</u>

Actuarial Assumptions

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

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial valuation 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.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	27.0 %	5.2%
Private equity	12.0 %	7.3%
Fixed income	35.0 %	1.8%
Commodities	10.0 %	2.0%
Absolute return	8.0 %	3.1%
Infrastructure/MLPs	8.0 %	5.1%
Real estate	10.0 %	4.7%
Cash	3.0 %	0.1%
Leverage	<u>(13.0)%</u>	0.1%
	<u>100.00 %</u>	

The above 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, 2021.

Discount Rate

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

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

The following represents 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:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$165,383,675</u>	<u>\$126,003,104</u>	<u>\$ 92,783,647</u>

Pension Plan Fiduciary Net Position

Detailed information about the PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the system's website at www.psers.state.pa.us.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(11) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Dauphin County Technical School

The District and six other Dauphin County school districts participate in the Dauphin County Technical School (the "**DCTS**"). The DCTS provides vocational-technical training and education to students of the participating school districts. The DCTS is controlled by a joint Board comprised of representative school board members of the participating school districts. District oversight of the DCTS operations is the responsibility of the joint board. The District's share of operating costs for the DCTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2021-2022 was \$3,446,038.

In addition, the District has entered into an agreement with the DCTS to make a contribution totaling \$2,239,416 in six equal installments of \$373,236 as a contribution to retire future debt service maturities related to the 2015 Guaranteed School Lease Revenue Bonds of the DCTS, commencing on July 31, 2017.

The DCTS prepares financial statements that are available to the public from their administrative offices located at 6001 Locust Lane Harrisburg, PA 17109.

Harrisburg Area Community College

The District and 21 other school districts sponsor the Harrisburg Area Community College (the "**HACC**"). The HACC provides higher education programs to the residents of south central Pennsylvania. Sponsoring school districts pay a share of the HACC's operating and capital costs and in return residents of each of the sponsoring school districts pay a reduced cost to participate in HACC higher education programs. The District's share of operating and capital costs for 2021-2022 was \$377,719.

The HACC prepares financial statements that are available to the public from their administrative offices located at One HACC Drive Harrisburg, PA 17110.

Capital Area Intermediate Unit

The District and 6 school districts from Cumberland County, 2 school districts from York County, 8 school districts from Dauphin County and 3 school districts from Perry County are members of the Capital Area Intermediate Unit (the "**CAIU**"). The CAIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the CAIU, but the participating districts have no ongoing fiduciary interest or responsibility to the CAIU. The CAIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services. During 2021-2022, the District contracted with the CAIU for special education services which totaled \$2,539,548 of which \$489,525 was payable as of June 30, 2022.

(12) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(13) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs, including workers compensation and employee health accident insurance. For insured programs, there were no significant reductions in insurance coverages during the 2020-2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District administers a self-insurance program to provide health insurance and related expenses for eligible employees, spouses and their dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District self-insured plan has a maximum aggregate liability of \$150,000 per individual and a maximum aggregate benefit per policy term of \$1,000,000. Amounts in excess of \$150,000 are covered through a separate stop-loss policy. The District has recorded a liability for claims incurred through June 30, 2022.

(14) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 87 "Leases", the District made a prior period adjustment to record net position for an equipment lease asset and associated lease liability. See Note 8.

These prior period adjustments and its effect on net position at July 1, 2021 was an increase in net capital assets of \$390,550 and an increase in lease liabilities of \$397,439.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 23, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Local sources	\$ 56,576,556	\$ 56,517,051	\$ 60,450,663	\$ 3,933,612
State sources	93,213,152	93,213,152	91,419,530	(1,793,622)
Federal sources	35,061,611	35,126,116	27,981,223	(7,144,893)
Total revenues	<u>184,851,319</u>	<u>184,856,319</u>	<u>179,851,416</u>	<u>(5,004,903)</u>
EXPENDITURES				
Instruction				
Regular programs	63,753,117	64,909,583	60,664,372	4,245,211
Special programs	31,371,327	31,721,292	27,152,493	4,568,799
Vocational education	4,178,305	4,178,305	3,819,274	359,031
Other instructional programs	4,765,627	4,091,540	2,933,524	1,158,016
Nonpublic schools	469,268	665,075	391,179	273,896
Higher education programs	600,000	600,000	377,719	222,281
Pre-kindergarten	105,036	105,036	149,021	(43,985)
Total instruction	<u>105,242,680</u>	<u>106,270,831</u>	<u>95,487,582</u>	<u>10,783,249</u>
Support services				
Pupil personnel services	5,267,046	5,492,567	4,595,738	896,829
Instructional staff services	6,118,321	6,644,168	4,568,725	2,075,443
Administrative services	8,327,028	8,447,011	8,216,473	230,538
Pupil health	3,283,364	3,413,364	1,864,731	1,548,633
Business services	1,320,396	1,320,396	1,251,946	68,450
Operation and maintenance of plant services	10,641,325	12,686,986	11,571,822	1,115,164
Student transportation services	4,689,783	4,770,783	4,311,894	458,889
Support services - central	4,244,065	5,353,790	5,110,658	243,132
Other support services	41,000	41,000	164,980	(123,980)
Total support services	<u>43,932,328</u>	<u>48,170,065</u>	<u>41,656,967</u>	<u>6,513,098</u>
Operation of noninstructional services				
Student activities	817,939	862,964	759,022	103,942
Community services	814,528	644,834	207,233	437,601
Total operation of noninstructional services	<u>1,632,467</u>	<u>1,507,798</u>	<u>966,255</u>	<u>541,543</u>
Facilities acquisition, construction and improvement services				
	2,500,000	2,520,000	1,973,667	546,333
Debt service				
	100,000	100,000	63,508	36,492
Total expenditures	<u>153,407,475</u>	<u>158,568,694</u>	<u>140,147,979</u>	<u>18,420,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,443,844</u>	<u>26,287,625</u>	<u>39,703,437</u>	<u>13,415,812</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	-	(606)	(606)
Transfers out	(19,081,823)	(19,081,823)	(36,342,811)	(17,260,988)
Special items	(10,689,648)	(8,401,038)	-	8,401,038
Budgetary reserve	(1,672,373)	1,185,345	-	(1,185,345)
Total other financing sources (uses)	<u>(31,443,844)</u>	<u>(26,297,516)</u>	<u>(36,343,417)</u>	<u>(10,045,901)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (9,891)</u>	<u>3,360,020</u>	<u>\$ 3,369,911</u>
FUND BALANCE				
Beginning of year			21,193,209	
End of year			<u>\$ 24,553,229</u>	

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS

Year ended June 30

	Measurement Date							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.3069%	0.3205%	0.3401%	0.3720%	0.3624%	0.3242%	0.3310%	0.3012%
District's proportionate share of the net pension liability	\$ 126,003,104	\$ 157,811,046	\$ 159,107,650	\$ 178,578,470	\$ 178,984,000	\$ 160,663,000	\$ 143,374,000	\$ 119,217,000
District's covered-employee payroll	\$ 43,635,593	\$ 44,970,406	\$ 46,897,727	\$ 50,090,156	\$ 48,245,680	\$ 41,987,489	\$ 42,585,657	\$ 38,440,676
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	288.76%	350.92%	339.27%	356.51%	370.98%	382.64%	336.67%	310.13%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 14,584,869	\$ 14,974,987	\$ 15,230,481	\$ 15,785,180	\$ 14,479,743	\$ 10,646,636	\$ 8,786,412	\$ 6,000,157
Contributions in relation to the contractually required contribution	<u>\$ 14,584,869</u>	<u>\$ 14,974,987</u>	<u>\$ 15,230,481</u>	<u>\$ 15,785,180</u>	<u>\$ 14,479,743</u>	<u>\$ 10,646,636</u>	<u>\$ 8,786,412</u>	<u>\$ 6,000,157</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 43,635,593	\$ 44,970,406	\$ 46,897,727	\$ 50,090,156	\$ 48,582,522	\$ 41,202,152	\$ 40,081,124	\$ 38,440,676
Contributions as a percentage of covered-employee payroll	33.42%	33.30%	32.48%	31.51%	29.80%	25.84%	21.92%	15.61%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY					
Service cost	\$ 1,126,895	\$ 1,034,335	\$ 1,048,330	\$ 1,107,995	\$ 1,101,775
Interest on total OPEB liability	235,547	488,547	429,342	505,489	389,351
Differences between projected and actual experience	-	(3,911,885)	-	(1,212,139)	-
Changes of assumptions	(381,014)	1,267,984	(402,939)	(1,018,070)	263,210
Benefit payments	<u>(830,530)</u>	<u>(868,251)</u>	<u>(998,766)</u>	<u>(1,145,419)</u>	<u>(1,367,805)</u>
Net change in total OPEB liability	150,898	(1,989,270)	75,967	(1,762,144)	386,531
Total OPEB liability, beginning	<u>11,986,834</u>	<u>13,976,104</u>	<u>13,900,137</u>	<u>15,662,281</u>	<u>15,275,750</u>
Total OPEB liability, ending	<u>\$ 12,137,732</u>	<u>\$ 11,986,834</u>	<u>\$ 13,976,104</u>	<u>\$ 13,900,137</u>	<u>\$ 15,662,281</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 41,439,240	\$ 41,439,240	\$ 47,188,967	\$ 47,188,967	\$ 42,444,772
Net OPEB liability as a % of covered payroll	29.29%	28.93%	29.62%	29.46%	36.90%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.3078%	0.3204%	0.3401%	0.3720%	0.3624%
District's proportionate share of the net OPEB liability	\$ 7,295,115	\$ 6,922,873	\$ 7,233,390	\$ 7,756,010	\$ 7,383,581
District's covered-employee payroll	\$ 43,635,593	\$ 44,970,406	\$ 46,897,727	\$ 50,090,156	\$ 48,245,680
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 358,171	\$ 377,184	\$ 389,656	\$ 415,613	\$ 400,662
Contributions in relation to the contractually required contribution	<u>\$ 358,171</u>	<u>\$ 377,184</u>	<u>\$ 389,656</u>	<u>\$ 415,613</u>	<u>\$ 400,662</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 43,635,593	\$ 44,970,406	\$ 46,897,727	\$ 50,090,156	\$ 48,245,680
Contributions as a percentage of covered-employee payroll	0.82%	0.84%	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2022

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 14,117,723	\$ 93,420	\$ 14,211,143
Due from other funds	<u>12,000,000</u>	<u>-</u>	<u>12,000,000</u>
Total assets	<u>\$ 26,117,723</u>	<u>\$ 93,420</u>	<u>\$ 26,211,143</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 148,986	\$ -	\$ 148,986
Due to other funds	<u>106,525</u>	<u>-</u>	<u>106,525</u>
Total liabilities	<u>255,511</u>	<u>-</u>	<u>255,511</u>
FUND BALANCES			
Restricted for Capital projects	<u>25,862,212</u>	<u>93,420</u>	<u>25,955,632</u>
Total fund balances	<u>25,862,212</u>	<u>93,420</u>	<u>25,955,632</u>
Total liabilities and fund balances	<u>\$ 26,117,723</u>	<u>\$ 93,420</u>	<u>\$ 26,211,143</u>

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

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

Year ended June 30, 2022

	Capital Reserve Fund	Capital Projects Fund	Total
REVENUES			
Local sources	\$ 813	\$ 247	\$ 1,060
EXPENDITURES			
Support services	-	304,857	304,857
Facilities acquisition, construction and improvement services	1,138,819	-	1,138,819
Total expenditures	<u>1,138,819</u>	<u>304,857</u>	<u>1,443,676</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,138,006)</u>	<u>(304,610)</u>	<u>(1,442,616)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from extended term financing	-	304,857	304,857
Transfers in	15,000,000	-	15,000,000
Total other financing sources (uses)	<u>15,000,000</u>	<u>304,857</u>	<u>15,304,857</u>
NET CHANGE IN FUND BALANCES	13,861,994	247	13,862,241
FUND BALANCES			
Beginning of year	<u>12,000,218</u>	<u>93,173</u>	<u>12,093,391</u>
End of year	<u>\$ 25,862,212</u>	<u>\$ 93,420</u>	<u>\$ 25,955,632</u>

SINGLE AUDIT

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2022	Passed Through to Subrecipients
Passed-Through the Pennsylvania Department of Education											
Title I - Grants to Local Educational Agencies	I	84.010	013-200184	07/01/19 - 09/30/21	\$ 6,062,476	\$ 2,247,419	\$ 2,247,419	\$ -	\$ -	\$ -	\$ -
Title I - Grants to Local Educational Agencies	I	84.010	013-210184	07/01/20 - 09/30/22	6,993,643	4,757,429	2,418,063	2,339,366	2,339,366	-	-
Title I - Grants to Local Educational Agencies	I	84.010	013-220184	07/01/21 - 09/30/22	6,923,463	3,974,551	-	5,499,084	5,499,084	1,524,533	-
Title I - Grants to LEAs - Program Improvement - Set Aside	I	84.010	042-190184	08/28/19 - 09/30/20	1,098,422	114,505	101,027	13,478	13,478	-	-
Title I - Grants to LEAs - Program Improvement - Set Aside	I	84.010	042-200184	12/23/20 - 09/30/21	1,028,236	-	587,574	440,662	440,662	1,028,236	-
Title I - Grants to LEAs - Program Improvement - Set Aside	I	84.010	042-210184	12/23/21 - 09/30/22	1,134,746	515,794	-	561,167	561,167	45,373	-
Total ALN #84.010						11,609,698	5,354,083	8,853,757	8,853,757	2,598,142	-
Title I - Grants to LEAs - School Improvement Grant	I	84.377	142-190184	12/05/19 - 09/30/22	1,345,800	821,234	516,398	304,836	304,836	-	-
Title II - Improving Teacher Quality	I	84.367	020-210184	07/01/20 - 09/30/21	627,435	427,843	329,170	98,673	98,673	-	-
Title II - Improving Teacher Quality	I	84.367	020-220184	07/01/21 - 09/30/22	586,274	382,901	-	571,464	571,464	188,563	-
Total ALN #84.367						810,744	329,170	670,137	670,137	188,563	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-210184	07/01/20 - 09/30/21	223,559	5,906	18,147	153,821	153,821	166,062	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-220184	07/01/21 - 09/30/22	233,466	98,813	-	80,032	80,032	(18,781)	-
Total ALN #84.365						104,719	18,147	233,853	233,853	147,281	-
Title IV - Student Support and Academic Achievement	I	84.424	144-210184	07/01/20 - 09/30/21	440,215	338,627	306,805	31,822	31,822	-	-
Title IV - Student Support and Academic Achievement	I	84.424	144-220184	07/01/21 - 09/30/22	506,538	216,960	-	488,097	488,097	271,137	-
Total ALN #84.424						555,587	306,805	519,919	519,919	271,137	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Subrecipients</u>
CARES Act aTSI GEER	I	84.425C	254-200184	03/13/20 - 09/30/22	156,081	139,651	84,260	50,315	50,315	(5,076)	-
COVID-19 -SECIM	I	84.425C	252-200184	03/13/20 - 09/30/22	57,115	24,048	16,663	24,021	24,021	16,636	-
CARES Act - ESSER Fund Local I	I	84.425D	200-200184	03/13/20 - 09/30/21	4,767,579	4,265,729	4,105,338	10,526	10,526	(149,865)	-
CARES Act - ESSER Fund Local II	I	84.425D	200-210184	03/13/20 - 09/30/23	24,873,106	6,362,888	428,561	13,087,823	13,087,823	7,153,496	-
ARP ESSER	I	84.425U	223-210184	03/13/20 - 09/30/24	50,311,096	3,658,989	-	1,537,435	1,537,435	(2,121,554)	-
ARP ESSER Homeless Children & Youth	I	84.425U	181-212178	07/01/21 - 09/30/24	272,709	20,978	-	-	-	(20,978)	-
ARP ESSER 7%	I	84.425U	225-210184	03/13/20 - 09/30/24	2,793,073	152,349	-	402,848	402,848	250,499	-
ARP ESSER 7%	I	84.425U	225-210184	03/13/20 - 09/30/24	558,615	30,470	-	-	-	(30,470)	-
ARP ESSER 7%	I	84.425U	225-210184	03/13/20 - 09/30/24	558,615	30,470	-	-	-	(30,470)	-
ARP ESSER 2.5%	I	84.425U	224-210184	03/13/20 - 09/30/24	143,604	7,833	-	-	-	(7,833)	-
Passed Through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 School Health and Safety	I	84.425D	2020-ES-01 34989	03/13/20 - 09/30/22	242,653	231,927	231,927	-	-	-	-
Total ALN #84.425						14,925,332	4,866,749	15,112,968	15,112,968	5,054,385	-
Passed Through the Capital Area I.U. #15											
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/20 - 06/30/21	1,279,757	669,856	669,856	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/21 - 06/30/22	1,202,817	832,542	-	1,202,817	1,202,817	370,275	-
Total ALN #84.027						1,502,398	669,856	1,202,817	1,202,817	370,275	-
I.D.E.A. - Part B, Section 619 - Preschool	I	84.173	N/A	07/01/21 - 06/30/22	5,126	5,126	-	5,126	5,126	-	-
Passed-Through the Pennsylvania State System of Higher Education											
Gaining Early Awareness and Readiness for Undergraduate Programs	I	84.334	GEARUP 2018-HBG-01	09/25/20 - 09/24/21	676,899	57,705	35,388	22,317	22,317	-	-
Total U.S. Department of Education						30,392,543	12,096,596	26,925,730	26,925,730	8,629,783	-
U.S. Department of Health and Social Services											
Passed-Through the Pennsylvania Department of Education											
Temporary Assistance for Needy Families	I	93.558	FC#4100081175	07/01/20 - 06/30/21	126,000	43,918	43,918	-	-	-	-
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	I	93.079	U87PS004151	07/01/15 - 06/30/19	N/A	-	(7,332)	-	-	(7,332)	-

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Subrecipients</u>
Refugee and Entrant Assistance - Discretionary Grants	I	93.576	FC#4100081655	10/01/19 - 09/30/20	50,118	10,022	10,022	-	-	-	-
Refugee and Entrant Assistance - Discretionary Grants	I	93.576	FC#4100081655	10/01/20 - 09/30/21	50,118	18,035	-	18,035	18,035	-	-
Total ALN #93.576						28,057	10,022	18,035	18,035	-	-
Refugee and Entrant Assistance - Discretionary Grants - Refugee School Impact Program Grant	I	93.566	2201PARSSS	03/01/22 - 02/28/23	48,395	-	-	14,370	14,370	14,370	-
Refugee and Entrant Assistance - Discretionary Grants - Afgahn Refugee School Impact Program Grant	I	93.566	2021PARSSS	03/01/22 - 02/28/23	16,110	-	-	8,734	8,734	8,734	-
Total ALN #93.566						-	-	23,104	23,104	23,104	-
<u>Passed-Through the Pennsylvania Department of Public Welfare</u>											
Medical Assistance Program Reimbursement for Administration	I	93.778	N/A	07/01/20 - 06/30/21	N/A	20,664	(338,641)	-	-	(359,305)	-
Total U.S. Department of Health and Social Services						92,639	(292,033)	41,139	41,139	(343,533)	-
<u>U.S. Department of Defense</u>											
<u>Passed through the United States Navy</u>											
Junior Reserve Officers Training Corps	I	12.000	N/A	07/01/20 - 06/30/21	43,145	15,210	13,710	-	-	(1,500)	-
Junior Reserve Officers Training Corps	I	12.000	N/A	07/01/21 - 06/30/22	76,401	59,657	-	76,401	76,401	16,744	-
Total ALN #12.000						74,867	13,710	76,401	76,401	15,244	-
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
State Matching Share	S	N/A	N/A	07/01/20 - 06/30/21	N/A	9,966	9,966	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/21 - 06/30/22	N/A	118,755	-	138,941	138,941	20,186	-
Total State Matching						128,721	9,966	138,941	138,941	20,186	-
Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	88,082	88,082	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	1,018,156	-	1,183,717	1,183,717	165,561	-
Total ALN #10.553						1,106,238	88,082	1,183,717	1,183,717	165,561	-
Child Nutrition Discretionary Grants	I	10.579	FC#4100082843	07/01/19 - 06/30/20	30,503	30,503	30,503	-	-	-	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
Child and Adult Care Program	I	10.558	N/A	07/01/20 - 06/30/21	N/A	103,566	103,566	-	-	-	-
Child and Adult Care Program	I	10.558	N/A	07/01/21 - 06/30/22	N/A	35,796	-	35,796	35,796	-	-
Total ALN #10.558						<u>139,362</u>	<u>103,566</u>	<u>35,796</u>	<u>35,796</u>	<u>-</u>	<u>-</u>
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/20 - 06/30/21	N/A	12,641	12,641	-	-	-	-
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/21 - 06/30/22	N/A	130,326	-	147,448	147,448	17,122	-
Total ALN #10.582						<u>142,967</u>	<u>12,641</u>	<u>147,448</u>	<u>147,448</u>	<u>17,122</u>	<u>-</u>
P-EBT Local Admin Funds	I	10.649	N/A	07/01/21 - 06/30/22	N/A	5,814	-	5,814	5,814	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	159,379	159,379	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	2,588,403	-	3,058,477	3,058,477	470,074	-
National School Lunch Program - Supply Chain Assistance	I	10.555	N/A	07/01/20 - 06/30/22	N/A	131,532	-	131,532	131,532	-	-
National School Lunch Program - SNP Emergency Operating Costs	I	10.555	N/A	07/01/20 - 06/30/22	N/A	504,902	-	504,902	504,902	-	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	315,579	(7,272)	322,851	322,851	-	-
Total ALN #10.555						<u>3,699,795</u>	<u>152,107</u>	<u>4,017,762</u>	<u>4,017,762</u>	<u>470,074</u>	<u>-</u>
Total U.S. Department of Agriculture						<u>5,253,400</u>	<u>396,865</u>	<u>5,529,478</u>	<u>5,529,478</u>	<u>672,943</u>	<u>-</u>
Total Federal Awards and Certain State Grants						<u>\$ 35,813,449</u>	<u>\$12,215,138</u>	<u>\$ 32,572,748</u>	<u>\$ 32,572,748</u>	<u>\$ 8,974,437</u>	<u>\$ -</u>
Total Federal Awards						\$ 35,684,728	\$12,205,172	\$ 32,433,807	\$ 32,433,807	\$ 8,954,251	\$ -
Total State Awards						128,721	9,966	138,941	138,941	20,186	-
Total Federal Awards and Certain State Grants						<u>\$ 35,813,449</u>	<u>\$12,215,138</u>	<u>\$ 32,572,748</u>	<u>\$ 32,572,748</u>	<u>\$ 8,974,437</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						<u>\$ 1,507,524</u>	<u>\$ 669,856</u>	<u>\$ 1,207,943</u>	<u>\$ 1,207,943</u>	<u>\$ 370,275</u>	<u>\$ -</u>
Child Nutrition Cluster (ALN's #10.553, #10.555 and #10.582)						<u>\$ 4,949,000</u>	<u>\$ 252,830</u>	<u>\$ 5,348,927</u>	<u>\$ 5,348,927</u>	<u>\$ 652,757</u>	<u>\$ -</u>

Source Codes

- D - Direct Funding
- I - Indirect Funding
- S - State Share

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2022

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under ALN #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2021-2022 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2022 was \$536,477.

(5) QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM

The District participates in the Qualified School Construction Bonds ("**QSCB**") program sponsored by the State Public School Building Authority ("**SPSBA**"). In conjunction with the QSCB Program, the District receives subsidy reimbursements for a portion of the interest payments made under its loan agreements with the SPSBA. Reimbursements are federal source revenues but are not considered federal financial assistance. The amount of QSCB subsidy payments recognized for the year ended June 30, 2022 was \$401,477.

(6) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2022

Finding 2021-01

Internal Control over Financial Reporting Material Weakness in Internal Control

Condition: District management in the business office did not possess the expertise necessary to prepare the financial statements and related notes in conformity with generally accepted accounting principles.

Criteria: An integral component of an entity's internal control over financial reporting is the ability to prepare financial statements and the related notes to the financial statements.

Cause and Effect: District management in the business office did not have the requisite expertise to produce financial statement and related notes in conformity with generally accepted accounting principles. As a result, this created a condition that may adversely affect the District's ability to initiate, record, process or report financial information reliably in accordance with generally accepted accounting principles such that there is more than a reasonable possibility that a material misstatement within the District's financial statements will not be prevented or detected.

Recommendation: The District should employ qualified staff within the business office with prerequisite expertise to prepare and understand financial statements in conformity with generally accepted accounting principles.

Current Status: As part of the Receiver's restructuring resolution that included an initiative for the reorganization of the District's leadership team, the District hired a Chief Financial Officer, a Director of Finance and an accountant with the prerequisite expertise. This finding is no longer applicable.

Finding 2021-02

Internal Control Over Financial Reporting Material Weakness in Internal Control

Condition: Our audit procedures identified material misstatements such that we concluded that the District was unable to present its accounting records in accordance with generally accepted accounting principles. As a result, we proposed and management recorded journal entries to correct the misstatements that had a material effect on the District's accounting records.

Criteria: Statement on auditing Standards No. 115 "*Communicating Internal Control Related Matters Identified in an Audit*" ("**SAS 115**") focuses on how the auditor communicates matters related to internal controls to the client. One area SAS 115 emphasizes is internal control over financial reporting.

Cause and Effect: During the year, the Business Office experienced turnover in key finance positions. This could lead to errors and/or fraud not being detected and corrected on a timely basis.

Recommendation: We recommend that procedures and controls are implanted in order to prepare timely and accurate financial information in accordance with generally accepted accounting principles.

Current Status: As part of the Receiver's restructuring resolution that included an initiative for the reorganization of the District's leadership team, the District hired a Chief Financial Officer, a Director of Finance and an accountant with the prerequisite expertise. This finding is no longer applicable.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2022

Finding 2021-03

Cash Disbursement and Procurement Procedures Significant Deficiency in Internal Control

Condition: As part of our audit procedures we performed tests of controls to determine whether the internal control activities related to cash disbursements were operating effectively. We selected 90 transactions for the fiscal year under audit and noted the following exceptions as part of our procedures.

Exception Type	# of Exceptions	Exception Rate
i. Purchase order was created after invoice date	21	23.33%
Total sample size	90	

The District is not consistently using the purchase requisition date on the purchase orders and purchase orders are being created after the invoice date.

Criteria: An integral component of an entity's internal control is the proper review, verification, authorization and approval of invoices and purchases orders and proper recording.

Cause and Effect: Business office personnel do not have a full understanding of the policies and procedures in place for cash disbursements coupled with a lack of oversight resulted in the purchasing and cash disbursement process being circumvented.

Recommendation: Purchasing and cash disbursement policies and procedures should be reviewed with all business office personnel to ensure compliance.

Current Status: The District has developed a Direct Payment process to allow for the processing of vendor payments for items that do not require a purchase order such as utility payments, tuition payments, legal services, taxes and insurance payments. Testing of items that require a purchase order resulted in no purchase order occurring after the invoice date. This finding is no longer applicable.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2022

Finding SA 2021-01

Federal agency: U.S. Department of Education

Pass-through entity: Pennsylvania Department of Education

Title I Grants to LEAs – Grants to Local Educational Agencies – ALN #84.010

Title I Grants to LEAs – School Improvement Grant – ALN #84.377

Noncompliance and Material Weakness in Internal Control

Condition: The District did not obtain appropriate documentation to support time and effort charges to Federal programs in a timely fashion.

Criteria: In accordance with the OMB Uniform Grant Guidance, documentation for time and effort reporting must reflect the distribution of activities performed by employees paid with Federal funds.

Cause and Effect: The District did not have sufficient internal controls in place to ensure that appropriate documentation is maintained to support time and effort charges to Federal programs through adequate payroll records and semi-annual certifications.

Recommendation: The District should develop procedures for documenting time and effort in writing and implement controls to ensure that adequate payroll records and semi-annual certifications are being properly maintained.

Current Status: Review of the time and effort certifications for the 2021-2022 school year showed no deficiencies in the completion of the forms. This finding is no longer applicable.



**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 Receiver
The School District of the City of Harrisburg
Harrisburg, 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 the School District of the City of Harrisburg, Harrisburg, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District of the City of Harrisburg's basic financial statements, and have issued our report thereon dated January 23, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District of the City of Harrisburg's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District of the City of Harrisburg's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of Harrisburg'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The School District of the City of Harrisburg'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 determination of financial statement amounts. 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*.

The School District of City of Harrisburg's Response to Findings

The School District of City of Harrisburg's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District of City of Harrisburg's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

BBD, LLP

**Philadelphia, Pennsylvania
January 23, 2023**



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

**To the Receiver
The School District of the City of Harrisburg
Harrisburg, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The School District of the City of Harrisburg'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 The School District of the City of Harrisburg's major federal programs for the year ended June 30, 2022. The School District of the City of Harrisburg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The School District of the City of Harrisburg 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, 2022.

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 The School District of the City of Harrisburg 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 The School District of the City of Harrisburg'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 City of Harrisburg School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The School District of the City of Harrisburg'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 City of Harrisburg 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 The School District of the City of Harrisburg's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The School District of the City of Harrisburg's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The School District of the City of Harrisburg's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

BBD, LLP

**Philadelphia, Pennsylvania
January 23, 2023**

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of The School District of the City of Harrisburg were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the School District of the City of Harrisburg are reported in the 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.
3. No instances of noncompliance material to the financial statements of the School District of the City of Harrisburg, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weakness in internal control over the major federal award programs was reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the School District of the City of Harrisburg expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Title I – Grants to Local Educational Agencies – Assistance Listing #84.010
 - Title I – Grants to LEAs School Improvement Grant – Assistance Listing #84.377
 - Child Nutrition Cluster
 - Breakfast Program – Assistance Listing #10.553
 - National School Lunch Program – Assistance Listing #10.555
 - Education Stabilization Fund – Assistance Listing #84.425
8. The threshold used for distinguishing between Type A and B programs was \$973,014.
9. The School District of the City of Harrisburg did not qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None