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

Financial Statements
Year Ended June 30, 2023

bbd

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SINGLE AUDIT

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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing* Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 51 through 56 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 2022 financial statements, and our report dated January 23, 2023 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, 2022, 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 are the responsibility of management and were derived from and relate 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 22, 2024, 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 22, 2024

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, 2023. 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 6,250 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. During 2022-2023, there were 720 employees including 469 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 2022-2023 fiscal year of $112,660,430. During the 2022-2023 fiscal year, the District had an increase in total net position of $48,102,955. The net position of governmental activities increased by $47,606,477 and the net position of business-type activities increased by $496,478.

- The General Fund reported an increase in fund balance of $43,303, bringing the cumulative balance to $24,596,532 at the conclusion of the 2022-2023 fiscal year.

- At June 30, 2023, the General Fund fund balance includes $2,319,491 which is considered nonspendable, $500,000 committed for athletics and band reserve, $3,953,325 assigned for enrollment stabilization, and unassigned amounts of $17,823,716 or 8.00% of the $222,829,733 2023-2024 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 $23,372,836 or 10.28% less than budgeted amounts and total General Fund expenditures and other financing uses were $23,416,139 or 10.30% less than budgeted amounts resulting in a net positive variance of $43,303.

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.

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.

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 four 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 50 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 51 through 58 of this report.

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 2022-2023 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $112,660,430. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current assets	$ 119,395,754	$ 88,100,359	$ (850,828)	$(1,001,073)	$ 118,544,926	$ 87,099,286
Noncurrent assets	169,269,856	157,548,490	174,888	199,810	169,444,744	157,748,300
Total assets	288,665,610	245,648,849	(675,940)	(801,263)	287,989,670	244,847,586
DEFERRED OUTFLOWS OF RESOURCES	32,319,141	36,187,621	270,275	336,166	32,589,416	36,523,787
LIABILITIES						
Current liabilities	41,199,246	20,793,890	310,060	265,374	41,509,306	21,059,264
Noncurrent liabilities	368,128,809	377,406,875	1,748,162	1,979,170	369,876,971	379,386,045
Total liabilities	409,328,055	398,200,765	2,058,222	2,244,544	411,386,277	400,445,309
DEFERRED INFLOWS OF RESOURCES	21,499,007	41,084,493	354,232	604,956	21,853,239	41,689,449
NET POSITION (DEFICIT)						
Net investment in capital assets	(45,500,345)	(78,836,208)	174,888	199,810	(45,325,457)	(78,636,398)
Restricted	42,607,113	32,147,340	-	-	42,607,113	32,147,340
Unrestricted (deficit)	(106,949,079)	(110,759,920)	(2,993,007)	(3,514,407)	(109,942,086)	(114,274,327)
Total net position (deficit)	$(109,842,311)	$(157,448,788)	$(2,818,119)	$(3,314,597)	$(112,660,430)	$(160,763,385)

The District's total assets as of June 30, 2023 were $287,989,670 of which $83,954,686 or 29.15% consisted of unrestricted cash and investments and $162,943,379 or 56.58% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2023 were $411,386,277 of which $218,140,077 or 53.03% consisted of general obligation debt used to acquire and construct capital assets and $134,798,845 or 32.77% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of $109,942,086 at June 30, 2023. The District's unrestricted net position increased by $4,332,241 during 2022-2023 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 $42,607,113 as of June 30, 2023. All of the District's restricted net position related to amounts restricted for student activity, capital and debt service expenditures.

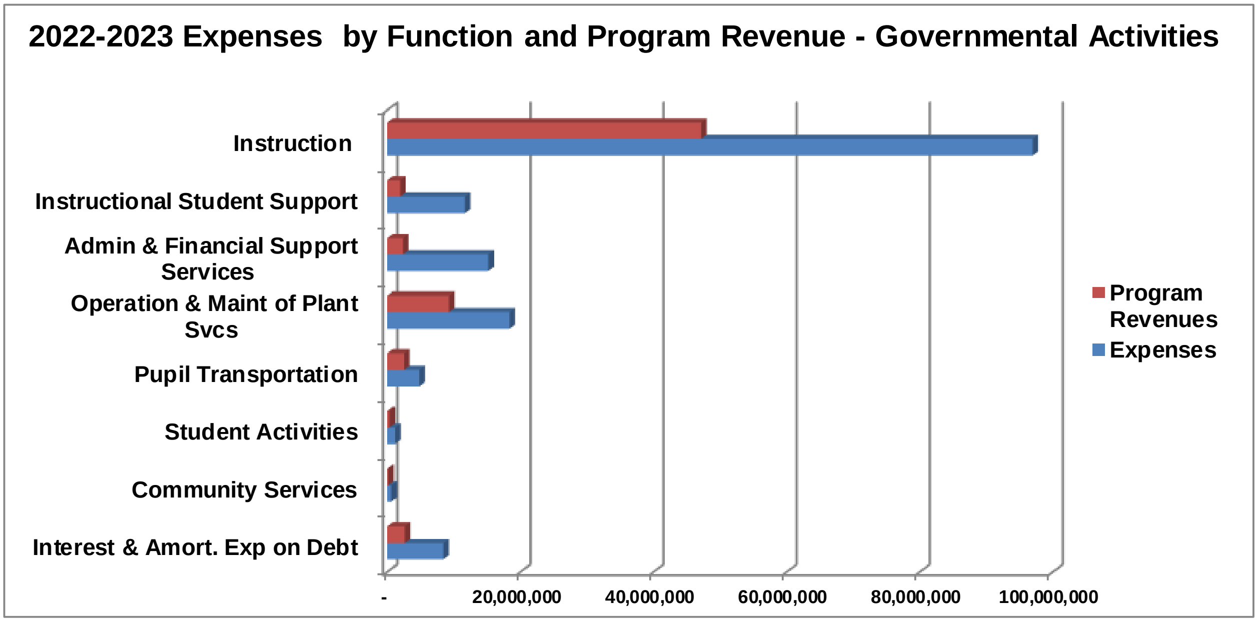
Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are 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, 2023, the District's net investment in capital assets increased by $33,310,941 because the long-term debt used to acquire capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with other sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the District for 2023 and 2022:

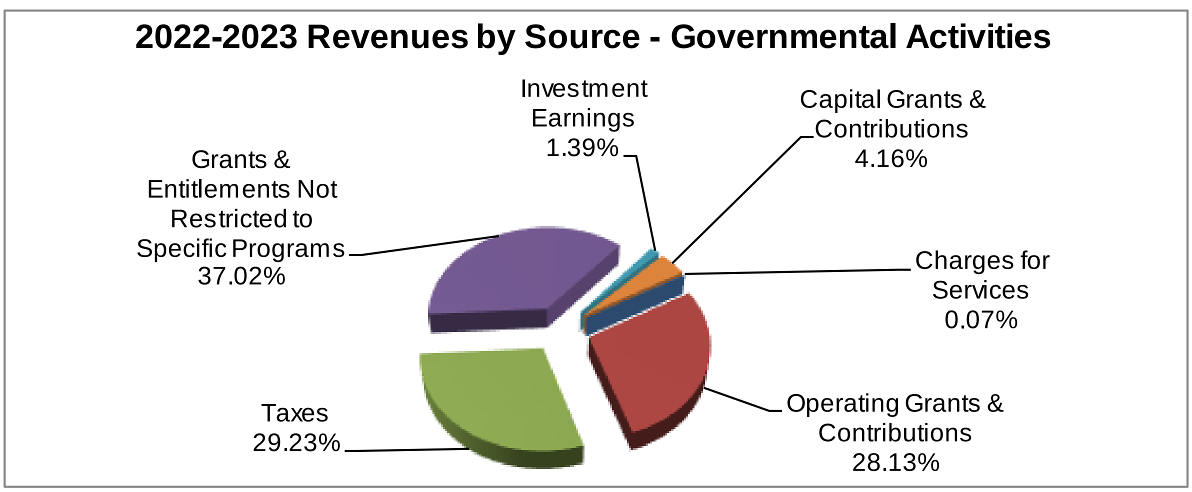
	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues						
Charges for services	$ 144,472	$ 568,834	$ 324,339	$ 63,674	$ 468,811	$ 632,508
Operating grants and contributions	57,580,483	55,803,598	5,447,490	5,758,978	63,027,973	61,562,576
Capital grants and contributions	8,505,591	1,890,843	-	-	8,505,591	1,890,843
General revenues						
Property taxes levied for general purposes	47,969,459	47,995,450	-	-	47,969,459	47,995,450
Earned income taxes levied for general purposes	5,382,050	4,712,189	-	-	5,382,050	4,712,189
Other taxes levied for general purposes	6,479,657	7,571,465	-	-	6,479,657	7,571,465
Grants and entitlements not restricted to specific programs	75,792,308	62,078,170	-	-	75,792,308	62,078,170
Investment earnings (loss)	2,855,186	(405,712)	82,061	297	2,937,247	(405,415)
Total revenues	204,709,206	180,214,837	5,853,890	5,822,949	210,563,096	186,037,786
EXPENSES						
Instruction	96,941,873	90,190,457	-	-	96,941,873	90,190,457
Instructional student support services	11,623,996	10,412,207	-	-	11,623,996	10,412,207
Administrative and financial support services	15,180,407	14,702,969	-	-	15,180,407	14,702,969
Operation and maintenance of plant services	18,361,920	15,059,967	-	-	18,361,920	15,059,967
Pupil transportation	4,831,039	4,293,318	-	-	4,831,039	4,293,318
Student activities	1,145,263	852,628	-	-	1,145,263	852,628
Community services	610,438	177,875	-	-	610,438	177,875
Interest and amortization expense related to noncurrent liabilities	8,407,793	8,544,840	-	-	8,407,793	8,544,840
Food service	-	-	5,357,412	4,699,503	5,357,412	4,699,503
Total expenses	157,102,729	144,234,261	5,357,412	4,699,503	162,460,141	148,933,764
CHANGE IN NET POSITION (DEFICIT)	$ 47,606,477	$ 35,980,576	$ 496,478	$1,123,446	$ 48,102,955	$ 37,104,022

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 *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.



GOVERNMENTAL FUNDS

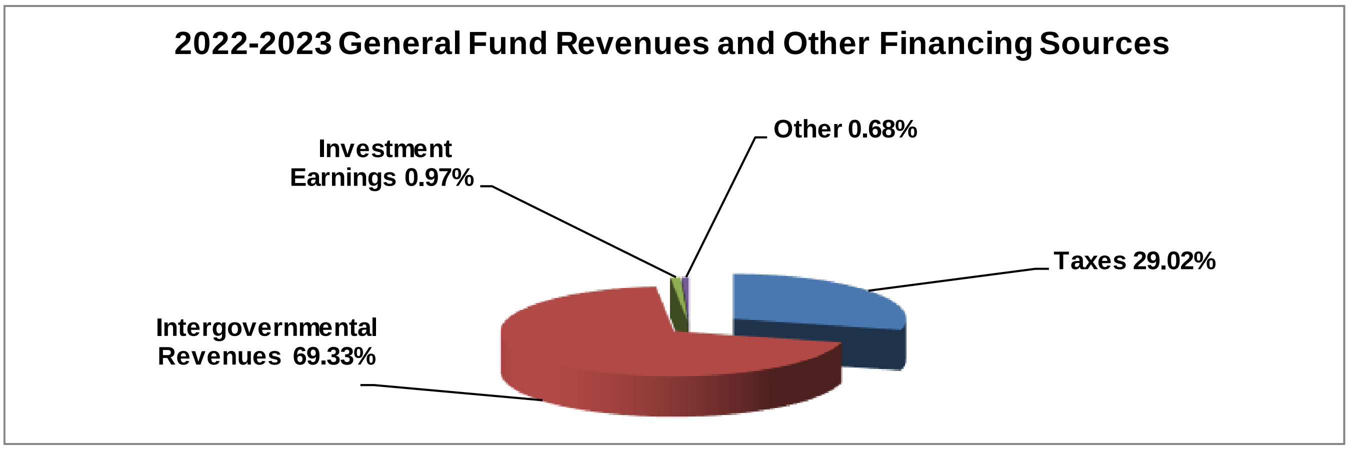
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2023, the District's governmental funds reported a combined fund balance of $67,302,311 which is an increase of $10,508,322 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the total 2023 change in governmental fund balances.

	2023	2022	$ Change
General Fund	$24,596,532	$24,553,229	$ 43,303
Capital Projects Fund	36,125,892	25,955,632	10,170,260
Debt Service Fund	6,466,433	6,174,231	292,202
School Sponsored Activity Fund	113,454	110,897	2,557
	$67,302,311	$56,793,989	$10,508,322

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was $24,596,532 representing an increase of $43,303 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 2022-2023 fiscal year.

The District's reliance upon state and federal subsidies and grants is demonstrated by the graph below that indicates 69.33% of General Fund revenues are derived from intergovernmental revenues.



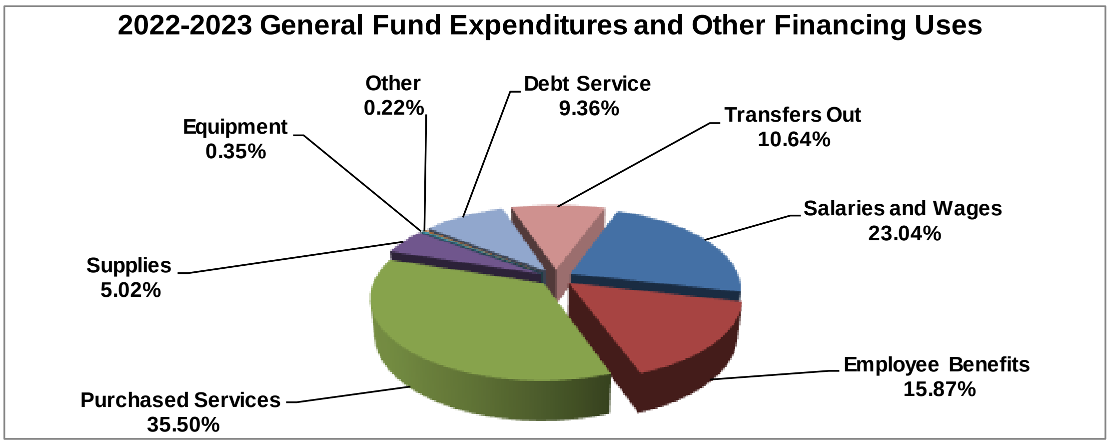
General Fund Revenues and Other Financing Sources

	2023	2022	$ Change	% Change
Tax revenues	$ 59,214,672	$ 59,000,443	$ 214,229	0.36
Intergovernmental revenues	141,463,040	119,400,753	22,062,287	18.48
Investment earnings	1,987,793	79,288	1,908,505	2407.05
Other	1,377,676	1,370,932	6,744	(22.15)
	$204,043,181	$179,851,416	$24,191,765	13.28

Intergovernmental revenues increased by $22,062,287 or 18.48% primarily as a result of an increase in amounts expended for Elementary and Secondary School Emergency Relief (***"ESSER"***) funding, an increase in the basic education subsidy including a level-up supplement and an increase in the state retirement subsidy which increased commensurate with the increase in the employer retirement contribution rate.

Investment earnings increased commensurate with an increase in interest rates coupled with an increase in amounts available for investment.

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

	2023	2022	$ Change	% Change
Salaries and wages	$ 47,007,563	$ 45,716,833	$ 1,290,730	2.82
Employee benefits	32,365,044	31,200,330	1,164,714	3.73
Purchased services	72,428,869	52,244,888	20,183,981	38.63
Supplies	10,240,882	9,986,674	254,208	2.55
Equipment	711,506	589,593	121,913	20.68
Other	445,539	346,759	98,780	28.49
Debt service	19,090,475	19,156,319	(65,844)	(0.34)
Transfers out	21,710,000	17,250,000	4,460,000	25.86
	$203,999,878	$176,491,396	$27,508,482	15.59

Purchased services increased by $20,183,981 or 38.63% in 2022-2023 compared to 2021-2022 primarily related to professional services for one-time capital improvements to District buildings funded in most part by ESSER funding.

Transfers out increased by $5,460,519 or 31.66% and represent funding for the Capital Reserve Fund in order to address future capital needs and the continued funding of an Internal Service Fund to fund future self-insured medical, dental, prescription and vision insurance expenses.

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 2022-2023, the fund balance in the Capital Projects Fund increased by $10,170,260 primarily due to transfers from the General Fund for future projects. The remaining fund balance of $36,125,892 as of June 30, 2023 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, 2023, the fund balance in the Debt Service Fund was $6,466,433 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 $23,372,836 or 10.28% less than budgeted amounts and total General Fund expenditures and other financing uses were $23,416,139 or 10.30% less than budgeted amounts resulting in a net positive variance of $43,303. Major budgetary highlights for 2022-2023 were as follows:

- Total local source revenues were $2,775,437 more than budgeted due to collections for earned income taxes and investment earnings exceeding expectations.
- Total federal source revenues were $28,215,685 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 primarily due to anticipated capital projects that were delayed, which can be correlated to facilities acquisition, construction and improvement services expenditures less than budget in the amount of $16,764,035.
- Total expenditures for instruction and support services were $25,446,509 less than budget primarily due to staffing positions that were budgeted and remained vacant. For 2022-2023, 918 staffing positions were budgeted of which 720 were filled and 198 were vacant, which included 580 professional staff positions that were budgeted of which 469 were filled and 111 were vacant.
- Transfers out were $21,710,000 more than budget and represent transfers of $15,210,000 to the Capital Reserve Fund and $6,500,000 to the Internal Service Fund.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2022-2023, the net position of the business-type activities and Food Service Fund increased by $496,478. As of June 30, 2023, the business-type activities and Food Service Fund had a deficit in net position of $2,818,119. 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, 2023 amounted to $162,943,379 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 increase in the District's investment in capital assets for the current fiscal year was $11,388,188 or 7.51%. The increase was the result of current year capital additions in excess of depreciation expense. Major capital additions for 2022-2023 included District-wide capital renovation projects including roof replacement and HVAC upgrades and commencement of the Steele Elementary School addition and renovation project.

Current year capital additions were $18,639,623 and depreciation expense was $7,251,435.

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of $218,140,077 consisting of $112,410,000 in bonds payable, $79,970,000 in notes payable and $8,800,000 in Qualified School Construction Bonds net of deferred credits of $16,960,077. 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 $11,849,757 or 5.15% during the current fiscal year.

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 $401,865,232 which exceeds the District's outstanding general obligation debt as of June 30, 2023.

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 $134,798,845 as of June 30, 2023. The District's net pension liability increased by $8,795,741 or 6.98% 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 $13,446,467 as of June 30, 2023. The District's OPEB liability decreased by $5,986,380 or 30.81% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for compensated absences and right-to-use leases payable which totaled $3,491,582 as of June 30, 2023. This liability decreased by $468,678 or 11.83% 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. In December 2023, an amendment to the Recovery Plan was approved by the Court. This amendment recognizes the improved financial position of district and updates and clarifies goals of the Recovery Plan.

- The District adopted a balanced 2023-2024 budget totaling $222,829,733 and the real estate tax millage rate remained unchanged at 30.7800 mills in 2023-2024.

- 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 has been awarded significant funding through September 2024 as follows: ESSER I $4.76 million; ESSER II $24.8 million and ESSER III through the American Rescue Plan $50.3 million. The District has fully expended ESSER I and ESSER II by the grand deadlines and is currently on track to fully expend ESSER III by September 2024 deadline.

- 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 2023-2024 Commonwealth of Pennsylvania budget process. The Commonwealth of Pennsylvania provided for 51.96% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2022-2023 while local sources of revenue, primarily property taxes, provide for 30.56%.

- 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 (6.20% for the School District of the City of Harrisburg for 2023-2024), 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.

    - 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 2023-2024 is 34.00% which is an increase of 3.57% from the 2022-2023 employer contribution rate of 35.26%. The PSERS employer contribution rate for 2024-2025 has been certified at 33.90%

- 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"***). The current agreement will expire on June 30, 2025.

- 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"***). The current agreement will expire on 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, 2023. The 1-year successor agreement will expire on June 30, 2024.

- 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. The District is currently evaluating reconfiguration options to better utilize the school buildings. The Receiver is expected to approve a reconfiguration plan in February 2024 that will be effective for the 2024-2025 school year.

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, 2023 with summarized comparative totals for 2022

	Governmental Activities	Business-type Activities	Totals 2023	Totals 2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURSES				
CURRENT ASSETS				
Cash	$ 72,000,320	$ 1,042,185	$ 73,042,505	$ 44,507,741
Investments	10,912,181	-	10,912,181	10,516,392
Taxes receivable, net	14,119,273	-	14,119,273	14,570,739
Due from other governments	17,385,951	183,009	17,568,960	17,150,946
Internal balances	2,144,858	(2,144,858)	-	-
Other receivables	2,827,180	42,295	2,869,475	236,564
Prepaid expenses	-	-	-	65,000
Inventories	5,991	26,541	32,532	51,904
Total current assets	119,395,754	(850,828)	118,544,926	87,099,286
NONCURRENT ASSETS				
Restricted assets				
Cash held by fiscal agent	2,533	-	2,533	85
Investments held by fiscal agent	5,952,888	-	5,952,888	5,590,131
Prepaid bond insurance	545,944	-	545,944	602,893
Capital assets, net	162,768,491	174,888	162,943,379	151,555,191
Total noncurrent assets	169,269,856	174,888	169,444,744	157,748,300
Total assets	288,665,610	(675,940)	287,989,670	244,847,586
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	10,191,554	-	10,191,554	11,554,835
Deferred charges on proportionate share of pension - PSERS	19,151,492	218,447	19,369,939	21,395,818
Deferred charges OPEB - single employer	1,795,399	38,361	1,833,760	2,035,169
Deferred charges on proportionate share of OPEB - PSERS	1,180,696	13,467	1,194,163	1,537,965
Total deferred outflows of resources	32,319,141	270,275	32,589,416	36,523,787
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	21,089,037	210,605	21,299,642	9,994,252
Accrued salaries, payroll withholdings and benefits	19,197,258	99,455	19,296,713	7,540,478
Accrued interest payable	799,854	-	799,854	777,459
Grants received in advance	113,097	-	113,097	2,747,075
Total current liabilities	41,199,246	310,060	41,509,306	21,059,264
NONCURRENT LIABILITIES				
Due within one year	12,396,994	-	12,396,994	12,001,586
Due in more than one year	355,731,815	1,748,162	357,479,977	367,384,459
Total noncurrent liabilities	368,128,809	1,748,162	369,876,971	379,386,045
Total liabilities	409,328,055	2,058,222	411,386,277	400,445,309
DEFERRED INFLOWS OF RESOURCES				
Deferred changes on proportionate share of pension - PSERS	10,228,333	116,667	10,345,000	35,068,000
Deferred charges OPEB - single employer	9,151,842	213,397	9,365,239	5,616,449
Deferred changes on proportionate share of OPEB - PSERS	2,118,832	24,168	2,143,000	1,005,000
Total deferred inflows of resources	21,499,007	354,232	21,853,239	41,689,449
NET POSITION (DEFICIT)				
Net investment in capital assets	(45,500,345)	174,888	(45,325,457)	(78,636,398)
Restricted	42,607,113	-	42,607,113	32,147,340
Unrestricted (deficit)	(106,949,079)	(2,993,007)	(109,942,086)	(114,274,327)
Total net position (deficit)	$ (109,842,311)	$ (2,818,119)	$ (112,660,430)	$ (160,763,385)

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with summarized comparative totals for 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
							Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	2023	2022
GOVERNMENTAL ACTIVITIES								
Instruction	$ 96,941,873	$ 45,366	$ 47,093,149	$ -	$ (49,803,358)	$ -	$ (49,803,358)	$ (43,499,668)
Instructional student support	11,623,996	-	1,908,036	-	(9,715,960)	-	(9,715,960)	(8,647,359)
Administrative and financial support services	15,180,407	-	2,337,904	-	(12,842,503)	-	(12,842,503)	(12,668,524)
Operation and maintenance of plant services	18,361,920	41,647	725,949	8,505,591	(9,088,733)	-	(9,088,733)	(12,501,602)
Pupil transportation	4,831,039	-	2,506,197	-	(2,324,842)	-	(2,324,842)	(2,644,929)
Student activities	1,145,263	57,459	272,353	-	(815,451)	-	(815,451)	(667,125)
Community services	610,438	-	136,800	-	(473,638)	-	(473,638)	(127,576)
Interest and amortization expense related to noncurrent liabilities	8,407,793	-	2,600,095	-	(5,807,698)	-	(5,807,698)	(5,214,203)
Total governmental activities	157,102,729	144,472	57,580,483	8,505,591	(90,872,183)	-	(90,872,183)	(85,970,986)
BUSINESS-TYPE ACTIVITIES								
Food service	5,357,412	324,339	5,447,490	-	-	414,417	414,417	1,123,149
Total primary government	$ 162,460,141	$ 468,811	$ 63,027,973	$ 8,505,591	(90,872,183)	414,417	(90,457,766)	(84,847,837)
GENERAL REVENUES								
Property taxes levied for general purposes					47,969,459	-	47,969,459	47,995,450
Earned income taxes levied for general purposes					5,382,050	-	5,382,050	4,712,189
Other taxes levied for general purposes					6,479,657	-	6,479,657	7,571,465
Grants and entitlements not restricted to specific programs					75,792,308	-	75,792,308	62,078,170
Investment earnings (loss)					2,855,186	82,061	2,937,247	(405,415)
Total general revenues					138,478,660	82,061	138,560,721	121,951,859
CHANGE IN NET POSITION (DEFICIT)					47,606,477	496,478	48,102,955	37,104,022
NET POSITION (DEFICIT)								
Beginning of year					(157,448,788)	(3,314,597)	(160,763,385)	(197,867,407)
End of year					$ (109,842,311)	$ (2,818,119)	$ (112,660,430)	$ (160,763,385)

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Major Funds			School	Totals	
	General Fund	Capital Projects Fund	Debt Service Fund	Sponsored Activity Fund	2023	2022
ASSETS						
Cash	$ 49,221,600	$ 21,389,234	$ 511,012	$ 126,681	$ 71,248,527	$ 39,059,232
Investments	10,912,181	-	-	-	10,912,181	10,516,392
Restricted assets:						
Cash held by fiscal agent	-	-	2,533	-	2,533	85
Investments held by fiscal agent	-	-	5,952,888	-	5,952,888	5,590,131
Taxes receivable	14,119,273	-	-	-	14,119,273	14,570,739
Due from other funds	2,313,500	15,210,000	-	-	17,523,500	15,951,090
Due from other governments	17,385,951	-	-	-	17,385,951	16,478,004
Other receivables	892,261	-	-	-	892,261	225,844
Prepaid expenses	-	-	-	-	-	65,000
Inventories	5,991	-	-	-	5,991	9,688
Total assets	$ 94,850,757	$ 36,599,234	$ 6,466,433	$ 126,681	$ 138,043,105	$ 102,466,205
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 19,693,664	$ 473,342	$ -	$ 12,179	$ 20,179,185	$ 9,847,568
Due to other funds	18,253,558	-	-	1,048	18,254,606	13,275,630
Accrued salaries, payroll withholdings and benefits	19,197,258	-	-	-	19,197,258	7,421,788
Grants received in advance	113,097	-	-	-	113,097	2,747,075
Total liabilities	57,257,577	473,342	-	13,227	57,744,146	33,292,061
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	12,996,648	-	-	-	12,996,648	12,380,155
FUND BALANCES						
Nonspendable						
Long-term receivables	2,313,500	-	-	-	2,313,500	3,951,090
Prepaid expenses	-	-	-	-	-	65,000
Inventories	5,991	-	-	-	5,991	9,688
Restricted for						
Capital projects	-	36,125,892	-	-	36,125,892	25,955,632
Debt service	-	-	6,466,433	-	6,466,433	6,174,231
Student activities	-	-	-	113,454	113,454	110,897
Committed to						
Athletics and band reserve	500,000	-	-	-	500,000	500,000
Assigned to						
Enrollment stabilization	3,953,325	-	-	-	3,953,325	1,900,000
Unassigned	17,823,716	-	-	-	17,823,716	18,127,451
Total fund balances	24,596,532	36,125,892	6,466,433	113,454	67,302,311	56,793,989
Total liabilities, deferred inflows of resources and fund balances	$ 94,850,757	$ 36,599,234	$ 6,466,433	$ 126,681	$ 138,043,105	$ 102,466,205

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, 2023

TOTAL GOVERNMENTAL FUND BALANCES	$ 67,302,311
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.	162,768,491
Prepaid bond insurance reported in the governmental activities is not a financial resource and therefore is not reported in the governmental funds.	545,944
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).	10,191,554
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.	628,580
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).	4,652,824
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.	12,996,648
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(368,128,809)
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.	(799,854)
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	$ (109,842,311)

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, 2023 with summarized comparative totals for 2022

	Major Funds			School		
	General Fund	Capital Projects Fund	Debt Service Fund	Sponsored Activity Fund	Totals 2023	Totals 2022
REVENUES						
Local sources	$ 62,269,762	$ 570,821	$ 292,202	$ 142,808	$ 63,275,593	$ 59,998,651
State sources	105,867,275	-	-	-	105,867,275	91,419,530
Federal sources	35,595,765	-	-	-	35,595,765	27,981,223
Total revenues	203,732,802	570,821	292,202	142,808	204,738,633	179,399,404
EXPENDITURES						
Current						
Instruction	101,984,704	-	-	-	101,984,704	95,487,582
Support services	47,817,544	-	-	-	47,817,544	42,123,659
Operation of noninstructional services	1,705,531	-	-	140,251	1,845,782	1,006,190
Facilities acquisition, construction and improvement services	11,504,965	5,610,561	-	-	17,115,526	3,112,486
Debt service	19,277,134	-	-	-	19,277,134	18,708,417
Total expenditures	182,289,878	5,610,561	-	140,251	188,040,690	160,438,334
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,442,924	(5,039,740)	292,202	2,557	16,697,943	18,961,070
OTHER FINANCING SOURCES (USES)						
Refund of prior year expenditures (receipts)	310,379	-	-	-	310,379	(606)
Issuance of debt - refunding	-	-	-	-	-	9,995,000
Payment of debt - refunding	-	-	-	-	-	(9,772,420)
Bond discounts	-	-	-	-	-	(59,922)
Proceeds from right-to-use lease agreement	-	-	-	-	-	304,857
Transfers in	-	15,210,000	-	-	15,210,000	34,092,811
Transfers out	(21,710,000)	-	-	-	(21,710,000)	(36,342,811)
Total other financing sources (uses)	(21,399,621)	15,210,000	-	-	(6,189,621)	(1,783,091)
NET CHANGE IN FUND BALANCES	43,303	10,170,260	292,202	2,557	10,508,322	17,177,979
FUND BALANCES						
Beginning of year	24,553,229	25,955,632	6,174,231	110,897	56,793,989	39,616,010
End of year	$ 24,596,532	$ 36,125,892	$ 6,466,433	$ 113,454	$ 67,302,311	$ 56,793,989

See accompanying notes

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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 10,508,322
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 capital outlays exceeded depreciation expense in the current period.		
Capital outlay expenditures	$ 18,618,009	
Depreciation expense	(7,204,899)	11,413,110
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	(12,380,155)	
Deferred inflows of resources June 30, 2022	12,996,648	616,493
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.		
Repayment of bonds and notes payable	10,135,000	
Payment of right-to-use lease payable	151,829	
Amortization of discounts, premiums, deferred amounts on refunding and prepaid bond insurance	294,527	10,581,356
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	13,514,434	
Current year change in accrued interest payable	(22,395)	
Current year change in compensated absences	307,922	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	534,411	14,334,372
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.		152,824
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 47,606,477

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Major Fund Food Service Fund	Internal Service Fund	Totals 2023	Totals 2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	$ 1,042,185	$ 751,793	$ 1,793,978	$ 5,448,509
Due from other governments	183,009	-	183,009	672,942
Due from other funds	146,344	2,897,214	3,043,558	1,163,085
Other receivables	42,295	1,934,919	1,977,214	10,720
Inventories	26,541	-	26,541	42,216
Total current assets	1,440,374	5,583,926	7,024,300	7,337,472
NONCURRENT ASSETS				
Capital assets, net	174,888	-	174,888	199,810
Total assets	1,615,262	5,583,926	7,199,188	7,537,282
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on proportionate share of pension - PSERS	218,447	-	218,447	276,553
Deferred charges OPEB - single employer	38,361	-	38,361	39,734
Deferred charges on proportionate share of OPEB - PSERS	13,467	-	13,467	19,879
Total deferred outflows of resources	270,275	-	270,275	336,166
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	210,605	909,852	1,120,457	146,684
Accrued salaries and benefits	99,455	-	99,455	118,690
Unearned revenue	-	-	-	-
Due to other funds	2,291,202	21,250	2,312,452	3,838,545
Total current liabilities	2,601,262	931,102	3,532,364	4,103,919
NONCURRENT LIABILITIES				
Compensated absences	53,130	-	53,130	62,057
Net pension liability - PSERS	1,520,213	-	1,520,213	1,628,659
OPEB liability - single employer	111,855	-	111,855	194,161
Net OPEB liability - PSERS	62,964	-	62,964	94,293
Total noncurrent liabilities	1,748,162	-	1,748,162	1,979,170
Total liabilities	4,349,424	931,102	5,280,526	6,083,089
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension - PSERS	116,667	-	116,667	453,273
Deferred credits OPEB - single employer	213,397	-	213,397	138,693
Deferred credits on proportionate share of OPEB - PSERS	24,168	-	24,168	12,990
Total deferred inflows of resources	354,232	-	354,232	604,956
NET POSITION (DEFICIT)				
Net investment in capital assets	174,888	-	174,888	199,810
Unrestricted	(2,993,007)	4,652,824	1,659,817	985,593
Total net position (deficit)	$ (2,818,119)	$ 4,652,824	$ 1,834,705	$ 1,185,403

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, 2023 with summarized comparative totals for 2022

	Major Fund Food Service Fund	Internal Service Fund	Totals 2023	Totals 2022
OPERATING REVENUES				
Charges for services	$ 324,339	$ 11,389,273	$ 11,713,612	$ 63,674
OPERATING EXPENSES				
Salaries and wages	533,283	-	533,283	581,633
Employee benefits	36,472	17,776,293	17,812,765	282,811
Purchased property services	129,189	-	129,189	69,242
Other purchased services	4,007,020	-	4,007,020	3,199,036
Supplies	604,912	-	604,912	498,649
Depreciation	46,536	-	46,536	68,132
Total operating expenses	5,357,412	17,776,293	23,133,705	4,699,503
Operating loss	(5,033,073)	(6,387,020)	(11,420,093)	(4,635,829)
NONOPERATING REVENUES				
Earnings on investments	82,061	39,844	121,905	297
Contributions and donations from private sources	-	-	-	65,000
State sources	334,891	-	334,891	303,442
Federal sources	5,112,599	-	5,112,599	5,390,536
Total nonoperating revenues	5,529,551	39,844	5,569,395	5,759,275
Change in net position before transfers	496,478	(6,347,176)	(5,850,698)	1,123,446
TRANSFERS				
Transfers in	-	6,500,000	6,500,000	2,250,000
CHANGE IN NET POSITION (DEFICIT)	496,478	152,824	649,302	3,373,446
NET POSITION (DEFICIT)				
Beginning of year	(3,314,597)	4,500,000	1,185,403	(2,188,043)
End of year	$ (2,818,119)	$ 4,652,824	$ 1,834,705	$ 1,185,403

See accompanying notes

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	Major Fund Food Service Fund	Internal Service Fund	Totals 2023	Totals 2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	$ 292,764	$ 16,011,893	$ 16,304,657	$ 9,682
Cash payments to employees for services	(1,004,831)	(18,801,360)	(19,806,191)	(943,315)
Cash payments to supplies for goods and services	(5,869,602)	-	(5,869,602)	(2,471,202)
Net cash used for operating activities	(6,581,669)	(2,789,467)	(9,371,136)	(3,404,835)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Contributions and donations from private sources	-	-	-	65,000
State sources	304,579	-	304,579	293,222
Federal sources	5,311,735	-	5,311,735	4,809,101
Transfers in	-	-	-	3,501,416
Net cash provided by noncapital financing activities	5,616,314	-	5,616,314	8,668,739
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(21,614)	-	(21,614)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	82,061	39,844	121,905	297
Net increase (decrease) in cash	(904,908)	(2,749,623)	(3,654,531)	5,264,201
CASH				
Beginning of year	1,947,093	3,501,416	5,448,509	184,308
End of year	$ 1,042,185	$ 751,793	$ 1,793,978	$ 5,448,509
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	$ (5,033,073)	$ (6,387,020)	$ (11,420,093)	$ (4,635,829)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	46,536	-	46,536	68,132
Donated commodities used	321,109	-	321,109	322,850
(Increase) decrease in				
Inventories	15,675	-	15,675	(1,840)
Other receivables	(31,575)	(1,934,919)	(1,966,494)	(6,720)
Due from other funds	18,157	4,622,620	4,640,777	(164,501)
Deferred outflows of resources	65,891	-	65,891	70,360
Increase (decrease) in				
Accounts payable	63,921	909,852	973,773	23,880
Accrued salaries and benefits	(19,235)	-	(19,235)	36,351
Due to other funds	(1,547,343)	-	(1,547,343)	1,115,336
Unearned revenue	-	-	-	(47,272)
Compensated absences	(8,927)	-	(8,927)	47,693
Net pension liability - PSERS	(108,446)	-	(108,446)	(449,689)
Net OPEB liability - single employer and PSERS	(113,635)	-	(113,635)	12,762
Deferred inflows of resources	(250,724)	-	(250,724)	203,652
Net cash used for operating activities	$ (6,581,669)	$ (2,789,467)	$ (9,371,136)	$ (3,404,835)
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	$ 321,109	$ -	$ 321,109	$ 322,850

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF NET POSITION - FIDUCIARY FUND

June 30, 2023 with summarized comparative totals for 2022

	Private-Purpose Trust	
	2023	**2022**
ASSETS		
Cash	$ 93,721	$ 100,340
LIABILITIES		
Accounts payable	3,000	11,843
NET POSITION		
Net position held in trust for scholarships	$ 90,721	$ 88,497

See accompanying notes

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2023 with summarized comparative totals for 2022

	Private-Purpose Trust Fund	
	2023	**2022**
ADDITIONS		
Local contributions	$ 9,017	$ 281
DEDUCTIONS		
Scholarships/awards and fees paid	6,793	4,846
CHANGE IN NET POSITION	2,224	(4,565)
NET POSITION		
Beginning of year	88,497	93,062
End of year	$ 90,721	$ 88,497

See accompanying notes

(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 and was extended in June 2022 for an additional 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 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 School Sponsored Activity 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.

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 funds:

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:

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 2022-2023 was 30.78 mills ($ 30.78 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. Taxes receivable are shown net of allowance for doubtful accounts, which is estimated based on historical trend information.

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.

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 $5,000 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 – 15-30 years, land improvements – 10-20 years, furniture and equipment – 5-10 years and vehicles – 5 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, 2023.

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:

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, 2022, from which the summarized information was derived.

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, 2022, the District adopted the provisions of GASB Statement No. 94 *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"* and GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements"*.

The objective of GASB Statement No. 94 is to improve 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. The implementation of GASB Statement No. 94 had no impact on the financial statements of the District for the year ended June 30, 2023.

The objective of GASB Statement No. 96 is to provide 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. The implementation of GASB Statement No. 96 had no impact on the financial statements of the District for the year ended June 30, 2023.

New Accounting Pronouncements

GASB Statement No. 100, *"Accounting Changes and Error Corrections"* will be effective for the District for the year ended June 30, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *"Compensated Absences"* will be effective for the District for the year ended June 30, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

(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.

(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, 2023, the carrying amount of the District's deposits was $73,138,759 and the bank balance was $75,184,652. 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, $752,533 was covered by federal depository insurance, and $7,118,371 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, 2023, 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, 2023, the District had the following investments:

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 – 5**	**6 – 10**	**11 – 15**
U.S. Treasury strips	$ 5,952,888	$ -	$5,952,888	$ -	$ -
PSDLAF collateralized investment Pools	10,912,181	10,912,181	-	-	-
	$16,865,069	$10,912,181	$5,952,888	$ -	$ -

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, 2023.

Interest Rate Risk

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

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 $5,955,421 as of June 30, 2023, which are invested in U.S. Treasury securities.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 13,614	$ -	$ -	$ 13,614
Construction in progress	437,940	4,330,127	437,940	4,330,127
Total capital assets not being depreciated	451,554	4,330,127	437,940	4,343,741
Capital assets being depreciated				
Buildings and improvements	245,712,812	11,652,842	-	257,365,654
Furniture and equipment	20,159,997	3,072,980	-	23,232,977
Right-to-use leased equipment	779,338	-	-	779,338
Total capital assets being depreciated	266,652,147	14,725,822	-	281,377,969
Less accumulated depreciation for				
Buildings and improvements	(97,375,146)	(6,287,872)	-	(103,663,018)
Furniture and equipment	(18,143,537)	(761,160)	-	(18,904,697)
Right-to-use leased equipment	(229,637)	(155,867)	-	(385,504)
Total accumulated depreciation	(115,748,320)	(7,204,899)	-	(122,953,219)
Total capital assets being depreciated, net	150,903,827	7,520,923	-	158,424,750
Governmental activities, net	$ 151,355,381	$11,851,050	$437,940	$ 162,768,491
Business-type activities				
Machinery and equipment	$ 2,113,797	$ 21,614	$ -	$ 2,135,411
Less accumulated depreciation	(1,913,987)	(46,536)	-	(1,960,523)
Business-type activities, net	$ 199,810	$ (24,922)	$ -	$ 174,888

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

Governmental activities	
Instruction	$1,687,489
Instructional student support	439,036
Administrative and financial support services	1,218,809
Operation and maintenance of plant services	3,724,142
Student activities	135,423
Total depreciation expense – governmental activities	$7,204,899
Business-type activities	
Food service	$ 46,536

As of June 30, 2023, the District had outstanding construction commitments totaling $19,942,495 for the Steele Elementary School renovations and $2,221,003 for various renovations to District buildings.

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

Receivable To	Amount	Payable From	Amount
Capital Projects Fund	$15,210,000	General Fund	$15,210,000
Internal Service Fund	2,897,214	General Fund	2,897,214
General Fund	21,250	Internal Service Fund	21,250
General Fund	1,048	School Sponsored Activity Fund	1,048
Food Service Fund	146,344	General Fund	146,344
General Fund	2,291,202	Food Service Fund	2,291,202
	$20,567,058		$20,567,058

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, 2023 is as follows:

Transfers In	Amount	Transfers Out	Amount
Capital Projects Fund	$15,210,000	General Fund	$15,210,000
Internal Service Fund	6,500,000	General Fund	6,500,000
	$21,710,000		$21,710,000

Transfers from the General Fund represent transfers to subsidize costs associated with the acquisition of capital assets and to fund future self-insured medical, dental, prescription and vision insurance expenses.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Amount Due Within One Year
Governmental activities					
General obligation debt					
Bonds payable	$121,750,000	$ -	$ 9,340,000	$112,410,000	$ 9,980,000
Notes payable	80,765,000	-	795,000	79,970,000	545,000
Qualified school construction bonds	8,800,000	-	-	8,800,000	-
Bond premiums	18,871,957	-	1,731,025	17,140,932	1,731,025
Bond discounts	(197,123)	-	(16,268)	(180,855)	(16,268)
Total general obligation debt	229,989,834	-	11,849,757	218,140,077	12,239,757

Other noncurrent liabilities					
Right-to-use leases payable	568,251	-	151,829	416,422	157,237
Compensated absences	3,329,952	-	307,922	3,022,030	-
Net pension liability - PSERS	124,374,445	8,904,187	-	133,278,632	-
Net OPEB liability – PSERS	7,200,822	-	1,680,727	5,520,095	-
OPEB liability	11,943,571	1,388,974	5,580,992	7,751,553	-
Total other noncurrent liabilities	147,417,041	10,293,161	7,721,470	149,988,732	157,237
Total governmental activities	377,406,875	10,293,161	19,571,227	368,128,809	12,396,994
Business-type activities					
Compensated absences	62,057	-	8,927	53,130	-
Net pension liability - PSERS	1,628,659	-	108,446	1,520,213	-
Net OPEB liability – PSERS	94,293	-	31,329	62,964	-
OPEB liability	194,161	15,540	97,846	111,855	-
Total business-type activities	1,979,170	15,540	246,548	1,748,162	-
Total noncurrent liabilities	$379,386,045	$10,308,701	$19,817,775	$369,876,971	$12,396,994

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, 2023 consisted of the following:

Description	Interest Rate(s)	Original Issue Amount	Final Maturity	Principal Outstanding
General obligation bonds				
Series of 2014B-1	2.015% - 4.079%	$6,740,000	12/01/2023	$ 3,145,000
Series of 2014B-2	2.00% - 5.00%	$20,895,000	12/01/2034	10,940,000
Series of 2016A	2.00% - 5.00%	$125,735,000	12/01/2033	88,335,000
Series of 2021	0.35% - 2.00%	$9,995,000	09/15/2033	9,990,000
Total general obligation bonds				112,410,000

General obligation notes				
Series of 2017A	1.43% - 3.12%	$9,675,000	11/15/2024	3,900,000
Series of 2017B	3.00% - 5.00%	$29,560,000	11/15/2027	28,950,000
Series of 2020A	0.48% - 2.00%	$9,995,000	12/01/2033	9,885,000
Series of 2020B	0.50% - 2.00%	$2,170,000	12/01/2034	2,160,000
Series of 2020C	2.729% - 2.829%	$35,075,000	12/01/2036	35,075,000
Total general obligation notes				79,970,000
Qualified school construction bonds				
Series of 2010	5.00%	$9,194,000	09/01/2027	8,800,000
Total general obligation debt				$201,180,000

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

Year ending June 30,	Principal Maturities	Interest Maturities	Debt Sinking Fund	Total
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	21,750,000	5,623,546	(8,619,687)	18,753,859
2029-2033	78,005,000	16,545,766	-	94,550,766
2034-2037	55,970,000	2,465,021	-	58,435,021
	$201,180,000	$53,754,456	$(6,430,435)	$248,504,021

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, 2023, the amount of defeased outstanding debt was as follows:

Description	Final Maturity	Principal Outstanding
Series 2014B-2	12/01/2026	$ 9,635,000
Series of 2016A	12/01/2026	15,400,000
		$25,035,000

(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, 2023, the carrying amount of the lease liability is $203,453. The lease has a discount rate of 3.60% and has an estimated useful life of 5 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2023 is $193,076, net of accumulated amortization of $111,781, 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 telephone system. An initial lease liability was recorded in the amount of $457,360. As of June 30, 2023, the carrying amount of the lease liability is $210,267. The lease has a discount rate of 4.29% and has an estimated useful life was 5 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2023, is $198,189, net of accumulated amortization of $259,171, 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, 2023, the carrying amount of the lease liability is $2,702. The lease has a discount rate of 2.46% and has an estimated useful life of 5 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2023 is $2,568, net of accumulated amortization of $14,553, and is included with noncurrent assets on the statement of net position (deficit).

Year ending June 30,	
2024	$171,457
2025	168,723
2026	83,887
2027	16,730
Less: amount representing interest	(24,375)
Present value of minimum lease payments	$416,422

(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, 2022:

Active participants	721
Vested former participants	-
Retired participants	38
Total	759

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, 2023. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and by rolling forward the liabilities from the July 1, 2022 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 $7,863,408, all of which is unfunded. As of June 30, 2023, the OPEB liability of $7,751,553 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 $111,855 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 District's change in its OPEB liability for the year ended June 30, 2023 was as follows:

Balance as of July 1, 2022	$12,137,732
Changes for the year	
Service cost	1,112,042
Interest on total OPEB liability	292,472
Change in benefit terms	(302,586)
Difference between expected and Actual experience	(2,087,782)
Changes in assumptions	(2,509,350)
Benefit payments	(779,120)
Net changes	(4,274,324)
Balance as of June 30, 2023	$ 7,863,408

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

For the year ended June 30, 2023, the District recognized OPEB expense of $362,957. At June 30, 2023, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	$ -	$5,780,042
Changes in assumptions	1,146,678	3,585,197
Contributions subsequent to the measurement date	687,082	-
	$1,833,760	$9,365,239

$687,082 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2024	$ (738,971)
2025	(738,971)
2026	(738,971)
2027	(738,971)
2028	(738,971)
Thereafter	(4,523,706)
	$(8,218,561)

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

The following presents the OPEB liability for June 30, 2023, 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:

	1% Decrease	Trend Rate	1% Increase
OPEB liability	$7,064,967	$7,863,408	$8,809,566

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 4.06%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
OPEB liability	$8,444,209	$7,863,408	$7,319,307

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2023, was determined by rolling forward the OPEB Liability as of July 1, 2020 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 4.06% - Standard and Poors 20-year municipal bond rate. The discount rate changed from 2.28% to 4.06%.
- Salary growth – salary increases are composed of 2.50% costs of living adjustment, 1.50% for real wage growth and for teachers and administrators a merit increase which varies by age from 2.75% to 0.00%.
- Assumed healthcare cost trends – 6.50% in 2022, 6.00% in 2023 and 5.50% in 2024-2025. Rates gradually decrease from 5.40% in 2026 to 3.90% in 2075 and later.
- Mortality – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers and PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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, 2022, 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

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

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% 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 $332,163 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $5,583,059 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.3033 percent, which was a decrease of 0.0045 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the OPEB liability of $5,520,095 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 $62,964 of the net 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).

For the year ended June 30, 2023, the District recognized OPEB expense of $101,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 51,000	$ 30,000
Changes in assumptions	620,000	1,319,000
Net difference between projected and actual investment earnings	15,000	-
Changes in proportions	176,000	794,000
Contributions subsequent to the measurement date	332,163	-
	$1,194,163	$2,143,000

$332,163 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2024	$ (204,000)
2025	(274,000)
2026	(328,000)
2027	(256,000)
2028	(219,000)
	$(1,281,000)

Actuarial Assumptions

The total OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 4.09% – Standard & Poors 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, 2022 valuation were based on the results of an actuarial experience study that was performed for the year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: the actual data for retirees benefiting under the OPEB plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Investments consist primarily of short-term assets designed to protect the principal of 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.

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.00%	0.50%

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, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. 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 4.09% which represents the Standard & Poors 20-year municipal bond rate at June 30, 2022, 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, 2022, 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, 2022, 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:

	1% Decrease	Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$5,582,491	$5,583,059	$5,583,513

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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	$6,313,769	$5,583,059	$4,971,609

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in the PSERS Annual Comprehensive 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 multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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.

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

Benefits are generally equal to 1.00% 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 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over 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

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

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

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

Employer Contributions

The District’s contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% 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 $15,283,939 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $134,798,845 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.3032 percent, which was a decrease of 0.0037 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net pension liability of $133,278,632 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 $1,520,213 of the net pension 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).

For the year ended June 30, 2023, the District recognized net pension expense of $1,344,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 61,000	$ 1,166,000
Changes in assumptions	4,025,000	-
Net difference between projected and actual investment earnings	-	2,287,000
Changes in proportions	-	6,892,000
Contributions subsequent to the measurement date	15,283,939	-
	$19,369,939	$10,345,000

$15,283,939 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, 2024. 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,	
2024	$(3,930,000)
2025	(1,583,000)
2026	(3,939,000)
2027	3,193,000
	$(6,259,000)

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward PSERS' total pension liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2021
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.75%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate - decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.00 %	5.30%
Private equity	12.00 %	8.00%
Fixed income	33.00 %	2.30%
Commodities	9.00 %	2.30%
Infrastructure/MLPs	9.00 %	5.40%
Real estate	11.00 %	4.60%
Absolute return	6.00 %	3.50%
Cash	3.00 %	0.50%
Leverage	(11.00)%	0.50%
	100.00 %	

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, 2022.

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%) that the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	$174,353,086	$134,798,845	$101,449,832

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 PSERS' website at www.psers.state.pa.us.

(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 2022-2023 was $3,357,954.

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 2022-2023 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 2022-2023, the District contracted with the CAIU for special education services which totaled $2,156,510.

(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.

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 2022-2023 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, 2023.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 22, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 59,494,325	$ 59,494,325	$ 62,269,762	$ 2,775,437
State sources	104,110,242	104,110,242	105,867,275	1,757,033
Federal sources	63,811,450	63,811,450	35,595,765	(28,215,685)
Total revenues	227,416,017	227,416,017	203,732,802	(23,683,215)
EXPENDITURES				
Instruction				
Regular programs	80,728,445	77,710,567	66,010,350	11,700,217
Special programs	32,835,557	33,001,667	27,604,067	5,397,600
Vocational education	3,731,190	3,731,190	3,723,541	7,649
Other instructional programs	3,861,250	3,877,236	3,617,191	260,045
Nonpublic schools	369,000	397,592	517,428	(119,836)
Higher education programs	377,719	377,719	377,719	-
Pre-kindergarten	185,455	171,113	134,408	36,705
Total instruction	122,088,616	119,267,084	101,984,704	17,282,380
Support services				
Pupil personnel services	7,307,848	8,111,465	4,829,212	3,282,253
Instructional staff services	6,022,725	6,038,440	4,759,618	1,278,822
Administrative services	9,320,501	9,145,304	8,673,267	472,037
Pupil health	2,434,974	2,460,457	2,379,178	81,279
Business services	1,630,067	1,757,067	1,534,765	222,302
Operation and maintenance of plant services	14,065,218	16,486,208	16,111,158	375,050
Student transportation services	5,875,606	5,880,606	4,847,024	1,033,582
Support services - central	6,037,125	6,063,126	4,644,199	1,418,927
Other support services	39,000	39,000	39,123	(123)
Total support services	52,733,064	55,981,673	47,817,544	8,164,129
Operation of noninstructional services				
Student activities	1,058,701	1,134,857	1,038,952	95,905
Community services	1,236,282	895,888	666,579	229,309
Total operation of noninstructional services	2,294,983	2,030,745	1,705,531	325,214
Facilities acquisition, construction and improvement services	26,650,000	28,269,000	11,504,965	16,764,035
Debt service	18,857,646	18,857,646	19,277,134	(419,488)
Total expenditures	222,624,309	224,406,148	182,289,878	42,116,270
Excess (deficiency) of revenues over (under) expenditures	4,791,708	3,009,869	21,442,924	18,433,055
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	-	310,379	310,379
Transfers out	-	-	(21,710,000)	(21,710,000)
Budgetary reserve	(4,791,708)	(3,009,869)	-	3,009,869
Total other financing sources (uses)	(4,791,708)	(3,009,869)	(21,399,621)	(18,389,752)
NET CHANGE IN FUND BALANCE	$ -	$ -	43,303	$ 43,303
FUND BALANCE				
Beginning of year			24,553,229	
End of year			$ 24,596,532	

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								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.3032%	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	$ 134,798,845	$ 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	$ 44,605,481	$ 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 pensionliability as a percentage of its covered-employeepayroll	302.20%	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	61.34%	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								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually required contribution	$ 15,113,668	$ 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	$ 15,113,668	$ 14,584,869	$ 14,974,987	$ 15,230,481	$ 15,785,180	$ 14,479,743	$ 10,646,636	$ 8,786,412	$ 6,000,157
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 44,605,481	$ 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	33.88%	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

	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY						
Service cost	$ 1,112,042	$ 1,126,895	$ 1,034,335	$ 1,048,330	$ 1,107,995	$ 1,101,775
Interest on total OPEB liability	292,472	235,547	488,547	429,342	505,489	389,351
Change in benefit terms	(302,586)	-	-	-	-	-
Differences between projected and actual experience	(2,087,782)	-	(3,911,885)	-	(1,212,139)	-
Changes of assumptions	(2,509,350)	(381,014)	1,267,984	(402,939)	(1,018,070)	263,210
Benefit payments	(779,120)	(830,530)	(868,251)	(998,766)	(1,145,419)	(1,367,805)
Net change in total OPEB liability	(4,274,324)	150,898	(1,989,270)	75,967	(1,762,144)	386,531
Total OPEB liability, beginning	12,137,732	11,986,834	13,976,104	13,900,137	15,662,281	15,275,750
Total OPEB liability, ending	$ 7,863,408	$ 12,137,732	$ 11,986,834	$ 13,976,104	$ 13,900,137	$ 15,662,281
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 40,123,017	$ 41,439,240	$ 41,439,240	$ 47,188,967	$ 47,188,967	$ 42,444,772
Net OPEB liability as a % of covered payroll	19.60%	29.29%	28.93%	29.62%	29.46%	36.90%

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 PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date					
	2022	**2021**	**2020**	**2019**	**2018**	**2017**
District's proportion of the net OPEB liability	0.3033%	0.3078%	0.3204%	0.3401%	0.3720%	0.3624%
District's proportionate share of the net OPEB liability	$ 5,583,059	$ 7,295,115	$ 6,922,873	$ 7,233,390	$ 7,756,010	$ 7,383,581
District's covered-employee payroll	$ 44,605,481	$ 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	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

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 OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date					
	2022	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually required contribution	$ 354,173	$ 358,171	$ 377,184	$ 389,656	$ 415,613	$ 400,662
Contributions in relation to the contractually required contribution	$ 354,173	$ 358,171	$ 377,184	$ 389,656	$ 415,613	$ 400,662
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	$ 44,605,481	$ 43,635,593	$ 44,970,406	$ 46,897,727	$ 50,090,156	$ 48,245,680
Contributions as a percentage of covered-employee payroll	0.79%	0.82%	0.84%	0.83%	0.83%	0.83%

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.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2023

	Capital Reserve Fund	Capital Projects Fund	Total
ASSETS			
Cash	$ 21,293,125	$ 96,109	$ 21,389,234
Due from other funds	15,210,000	-	15,210,000
Total assets	$ 36,503,125	$ 96,109	$ 36,599,234
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 473,342	$ -	$ 473,342
FUND BALANCES			
Restricted for			
Capital projects	36,029,783	96,109	36,125,892
Total fund balances	36,029,783	96,109	36,125,892
Total liabilities and fund balances	$ 36,503,125	$ 96,109	$ 36,599,234

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, 2023

	Capital Reserve Fund	Capital Projects Fund	Total
REVENUES			
Local sources	$ 568,132	$ 2,689	$ 570,821
EXPENDITURES			
Facilities acquisition, construction and improvement services	5,610,561	-	5,610,561
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,042,429)	2,689	(5,039,740)
OTHER FINANCING SOURCES (USES)			
Transfers in	15,210,000	-	15,210,000
NET CHANGE IN FUND BALANCES	10,167,571	2,689	10,170,260
FUND BALANCES			
Beginning of year	25,862,212	93,420	25,955,632
End of year	$ 36,029,783	$ 96,109	$ 36,125,892

SINGLE AUDIT

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2023

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, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023	Passed Through to Subrecipients
Passed-Through the Pennsylvania Department of Education											
Title I - Grants to Local Educational Agencies	I	84.010	013-220184	07/01/21 - 09/30/22	$ 6,923,463	$ 2,948,912	$ 1,524,532	$ 1,424,380	$ 1,424,380	$ -	$ -
Title I - Grants to Local Educational Agencies	I	84.010	013-230184	07/01/22 - 09/30/23	6,575,148	5,698,542	-	5,690,854	5,690,854	(7,688)	-
Title I - Grants to LEAs - Program Improvement - Set Aside	I	84.010	042-200184	07/01/20 - 09/30/21	1,028,236	1,028,236	1,028,236	-	-	-	-
Title I - Grants to LEAs - Program Improvement - Set Aside	I	84.010	042-210184	07/01/21 - 09/30/22	1,134,746	618,952	45,374	573,578	573,578	-	-
Title I - Grants to LEAs - Program Improvement - Set Aside	I	84.010	042-220184	07/01/22 - 09/30/23	1,245,103	622,552	-	1,043,207	1,043,207	420,655	-
Total ALN #84.010						10,917,194	2,598,142	8,732,019	8,732,019	412,967	-
Title I - Grants to LEAs - School Improvement Grant	I	84.377	142-190184	12/05/19 - 09/30/22	1,345,800	15,404	-	-	-	(15,404)	-
Title II - Improving Teacher Quality	I	84.367	020-220184	07/01/21 - 09/30/23	586,274	203,373	188,563	14,810	14,810	-	-
Title II - Improving Teacher Quality	I	84.367	020-230184	07/01/22 - 09/30/24	520,190	343,798	-	442,376	442,376	98,578	-
Total ALN #84.367						547,171	188,563	457,186	457,186	98,578	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-210184	07/01/20 - 09/30/21	223,559	166,062	166,062	-	-	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-220184	07/01/21 - 09/30/22	233,466	134,653	(18,781)	153,434	153,434	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-230184	07/01/23 - 09/30/24	278,976	124,544	-	91,365	91,365	(33,179)	-
Total ALN #84.365						425,259	147,281	244,799	244,799	(33,179)	-
Title IV - Student Support and Academic Achievement	I	84.424	144-220184	07/01/21 - 09/30/23	506,538	289,578	271,137	18,441	18,441	-	-
Title IV - Student Support and Academic Achievement	I	84.424	144-230184	07/01/22 - 09/30/24	523,013	404,778	-	431,824	431,824	27,046	-
Total ALN #84.424						694,356	271,137	450,265	450,265	27,046	-

Continued on next page

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, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023	Passed Through to Subrecipients
COVID-19 aTSI GEER	I	84.425C	254-200184	03/13/20 - 09/30/22	156,081	(5,076)	(5,076)	-	-	-	-
COVID-19 -SECIM	I	84.425C	252-200184	03/13/20 - 09/30/22	57,115	18,036	16,635	1,401	1,401	-	-
COVID-19 - ESSER Fund Local I	I	84.425D	200-200184	03/13/20 - 09/30/21	4,767,579	-	(149,865)	149,865	149,865	-	-
COVID-19 - ESSER Fund Local II	I	84.425D	200-210184	03/13/20 - 09/30/23	24,873,106	14,461,108	7,153,496	11,467,457	11,467,457	4,159,845	-
COVID-19 - ARP ESSER	I	84.425U	223-210184	03/13/20 - 09/30/24	50,311,096	5,488,483	(2,121,554)	10,453,758	10,453,758	2,843,721	-
COVID -19 ARP ESSER Homeless Children & Yout	I	84.425W	181-212178	07/01/21 - 09/30/24	272,709	27,970	(20,978)	127,230	127,230	78,282	-
COVID-19 ARP ESSER 7%	I	84.425U	225-210184	03/13/20 - 09/30/24	2,793,073	457,048	250,499	123,257	123,257	(83,292)	-
COVID-19 ARP ESSER 7%	I	84.425U	225-210184	03/13/20 - 09/30/24	558,615	91,410	(30,470)	328,943	328,943	207,063	-
COVID-19 ARP ESSER 7%	I	84.425U	225-210184	03/13/20 - 09/30/24	558,615	91,410	(30,470)	273,562	273,562	151,682	-
COVID-19 ARP ESSER 2.5%	I	84.425U	224-210184	03/13/20 - 09/30/24	143,604	67,885	(7,833)	64,168	64,168	(11,550)	-
Total ALN #84.425						20,698,274	5,054,384	22,989,641	22,989,641	7,345,751	-
Passed Through the Capital Area I.U. #15											
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/21 - 06/30/22	1,202,817	370,275	370,275	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/22 - 06/30/23	1,195,623	562,800	-	1,195,623	1,195,623	632,823	-
COVID-19 I.D.E.A. - Part B, Section 611 ARP	I	84.027X	N/A	07/01/22 - 06/30/23	298,420	-	-	282,940	282,940	282,940	-
Total ALN #84.027						933,075	370,275	1,478,563	1,478,563	915,763	-
I.D.E.A. - Part B, Section 619 - Preschool	I	84.173	N/A	07/01/22 - 06/30/23	4,883	4,883	-	4,883	4,883	-	-
Total U.S. Department of Education						34,235,616	8,629,782	34,357,356	34,357,356	8,751,522	-
U.S. Department of Health and Social Services											
Passed-Through the Pennsylvania Department of Education											
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	7,332	-	-
Refugee and Entrant Assistance - Discretionary Grants - Refugee School Impact Program Grant	I	93.566	2201PARSSS	03/01/22 - 02/28/23	18,695	14,370	14,370	-	-	-	-
Refugee and Entrant Assistance - Discretionary Grants - Afghan Refugee School Impact Program Grant	I	93.566	2201PARSSS	03/01/22 - 02/28/23	16,110	8,734	8,734	-	-	-	-
Refugee and Entrant Assistance - Discretionary Grants - Refugee School Impact Program Grant	I	93.566	2201PARSSS	03/01/23 - 02/28/24	29,700	4,384	-	27,026	27,026	22,642	-

Continued on next page

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, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023	Passed Through to Subrecipients
Refugee and Entrant Assistance - Discretionary Grants - Afghan Refugee School Impact Program Grant	I	93.566	2201PARSSS	03/01/23 - 02/28/24	56,111	3,201	-	30,120	30,120	26,919	-
Refugee and Entrant Assistance - Discretionary Grants - Afgahn Refugee School Impact Program Grant	I	93.566	2021PARSSS	03/01/23 - 02/28/24	5,896	5,869	-	-	-	(5,869)	-
Total ALN #93.566						36,558	23,104	57,146	57,146	43,692	-
Passed-Through the Pennsylvania Department of Public Welfare											
Medical Assistance Program Reimbursement for Administration	I	93.778	N/A	07/01/22 - 06/30/23	N/A	45,315	(359,305)	427,252	427,252	22,632	-
Total U.S. Department of Health and Social Services						81,873	(343,533)	491,730	491,730	66,324	-
U.S. Department of Defense											
Passed through the United States Navy											
Junior Reserve Officers Training Corps	I	12.357	N/A	07/01/20 - 06/30/21	43,145	-	(1,500)	1,500	1,500	-	-
Junior Reserve Officers Training Corps	I	12.357	N/A	07/01/21 - 06/30/22	76,401	16,744	16,744	-	-	-	-
Junior Reserve Officers Training Corps	I	12.357	N/A	07/01/22 - 06/30/23	32,239	24,357	-	32,239	32,239	7,882	-
Total ALN #12.357						41,101	15,244	33,739	33,739	7,882	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
State Matching Share	S	N/A	N/A	07/01/22 - 06/30/23	N/A	158,235	20,186	142,125	142,125	4,076	-
Total State Matching						158,235	20,186	142,125	142,125	4,076	-
Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	165,561	165,561	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/22 - 06/30/23	N/A	1,115,852	-	1,150,343	1,150,343	34,491	-
Total ALN #10.553						1,281,413	165,561	1,150,343	1,150,343	34,491	-
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/21 - 06/30/22	N/A	17,122	17,122	-	-	-	-
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/22 - 06/30/23	N/A	175,888	-	181,414	181,414	5,526	-
Total ALN #10.582						193,010	17,122	181,414	181,414	5,526	-

Continued on next page

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, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023	Passed Through to Subrecipients
P-EBT Local Admin Funds	I	10.649	N/A	07/01/22 - 06/30/23	N/A	5,950	-	5,950	5,950	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	470,074	470,074	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	3,185,057	-	3,277,551	3,277,551	92,494	-
National School Lunch Program - Supply Chain Assistance	I	10.555	N/A	07/01/21 - 06/30/23	N/A	176,232	-	176,232	176,232	-	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	321,109	-	321,109	321,109	-	-
Total ALN #10.555						4,152,472	470,074	3,774,892	3,774,892	92,494	-
Total U.S. Department of Agriculture						5,791,080	672,943	5,254,724	5,254,724	136,587	-
Total Federal Awards and Certain State Grants						$ 40,149,670	$ 8,974,436	$ 40,137,549	$ 40,137,549	$ 8,962,315	$ -
Total Federal Awards						$ 39,991,435	$ 8,954,250	$ 39,995,424	$ 39,995,424	$ 8,958,239	$ -
Total State Awards						158,235	20,186	142,125	142,125	4,076	-
Total Federal Awards and Certain State Grants						$ 40,149,670	$ 8,974,436	$ 40,137,549	$ 40,137,549	$ 8,962,315	$ -
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						$ 937,958	$ 370,275	$ 1,483,446	$ 1,483,446	$ 915,763	$ -
Child Nutrition Cluster (ALN's #10.553, #10.555 and #10.582)						$ 5,626,895	$ 652,757	$ 5,106,649	$ 5,106,649	$ 132,511	$ -

Source Codes

D - Direct Funding
I - Indirect Funding
S - State Share
ALN - Assistance Listing Number

(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 2022-2023 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, 2023 was $299,848.

(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, 2023 was $404,594.

(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, 2023

There were no audit findings for the year ended June 30, 2022.

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, 2023, 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 22, 2024.

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 or significant deficiencies may exist that were not 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 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*.

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 22, 2024

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, 2023. 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, 2023.

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 The School District of the City of Harrisburg'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 22, 2024

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 were 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

   Education Stabilization Fund – Assistance Listing #84.425

8. The threshold used for distinguishing between Type A and B programs was $1,199,863.

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