SUPPLEMENT #2 TO THE

OFFICIAL STATEMENT

$39,235,000
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
(Dauphin County, Pennsylvania)
$9,675,000 Federally Taxable General Obligation Notes, Series A of 2017
$29,560,000 General Obligation Notes, Series B of 2017

The Official Statement, dated July 19, 2017, delivered in connection with the above-captioned bonds is hereby supplemented as follows:

The information contained on the School Administration list within the Official Statement is hereby replaced with the attached information.

Date of this Supplement: August 15, 2017

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

(Dauphin County, Pennsylvania)
1601 State Street
Harrisburg, Pennsylvania 17103
Telephone: (717) 703-4000

BOARD OF SCHOOL DIRECTORS

Danielle Robinson	President
James Thompson	Vice President
Lionel Gonzalez	Member
Ausha Green	Member
Matthew Krupp	Member
Judd R. Pittman	Member
Ellis R. Roy, Jr.	Member
Ryan Sanders	Member
Melvin Wilson, Jr.	Member

SCHOOL ADMINISTRATION

Dr. Sybil Knight-Burney	Superintendent of Schools
VACANT [(1)]	Chief Financial Officer
Mr. Kenneth Medina [(2)]	Business Manager

SOLICITOR

Dilworth Paxson LLP
Harrisburg, Pennsylvania

SCHOOL DISTRICT AUDITOR

Stambaugh Ness, PC
York, Pennsylvania

CO-BOND COUNSEL

McNees Wallace & Nurick LLC
Harrisburg, Pennsylvania

Powell Law, PC
Harrisburg, Pennsylvania

FINANCIAL ADVISOR TO THE SCHOOL DISTRICT

Susquehanna Group Advisors, Inc.
Harrisburg, Pennsylvania

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

Manufacturers and Traders Trust Company
Harrisburg, Pennsylvania and Buffalo, New York

UNDERWRITER

PNC Capital Markets LLC
Pittsburgh, Pennsylvania

(1) As of July 31, 2017, Mr. William Gretton, III, who served as Acting Chief Financial Officer retired from the service of the School District. As of the date of this supplement, the School District has not yet filled the position of Chief Financial Officer and is actively seeking his replacement.
(2) Mr. Kenneth Medina is presently on administrative leave.

SUPPLEMENT TO THE

OFFICIAL STATEMENT

$39,235,000
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
(Dauphin County, Pennsylvania)
$9,675,000 Federally Taxable General Obligation Notes, Series A of 2017
$29,560,000 General Obligation Notes, Series B of 2017

The Official Statement, dated July 19, 2017, delivered in connection with the above-captioned bonds is hereby supplemented as follows:

The information contained on the School Administration list within the Official Statement is hereby replaced with the attached information.

Date of this Supplement: August 14, 2017

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
(Dauphin County, Pennsylvania)
1601 State Street
Harrisburg, Pennsylvania 17103
Telephone: (717) 703-4000

BOARD OF SCHOOL DIRECTORS

Danielle Robinson	President
James Thompson	Vice President
Lionel Gonzalez	Member
Ausha Green	Member
Matthew Krupp	Member
Judd R. Pittman	Member
Ellis R. Roy, Jr.	Member
Ryan Sanders	Member
Melvin Wilson, Jr.	Member

SCHOOL ADMINISTRATION

Dr. Sybil Knight-Burney	Superintendent of Schools
Dr. Carlinda Purcell	Assistant to the Superintendent
VACANT*	Chief Financial Officer
Mr. Kenneth Medina	Business Manager

SOLICITOR
Dilworth Paxson LLP
Harrisburg, Pennsylvania

SCHOOL DISTRICT AUDITOR
Stambaugh Ness, PC
York, Pennsylvania

CO-BOND COUNSEL
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Harrisburg, Pennsylvania

FINANCIAL ADVISOR TO THE SCHOOL DISTRICT
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PAYING AGENT, TRANSFER AGENT, NOTE REGISTRAR, AND SINKING FUND DEPOSITORY
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Harrisburg, Pennsylvania and Buffalo, New York

UNDERWRITER
PNC Capital Markets LLC
Pittsburgh, Pennsylvania

* As of July 31, 2017, Mr. William Gretton, III, who served as Acting Chief Financial Officer retired from the service of the School District. As of the date of this supplement, the School District has not yet filled the position of Chief Financial Officer and is actively seeking his replacement.

OFFICIAL STATEMENT

NEW ISSUE – BOOK-ENTRY ONLY

Underlying Note Rating: S&P Global Ratings "A" (stable outlook)
Insured Note Rating: S&P Global Ratings "AA" (stable outlook)
(AGM Insured)

In the opinion of Co-Bond Counsel, assuming continuing compliance by the School District with certain covenants to comply with provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and all regulations applicable thereunder, and subject to the conditions described in "TAX EXEMPTION AND OTHER TAX MATTERS" herein, interest on the Series B Notes and accruals of original interest discount is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined in the Code). Other provisions of the Code may affect the purchasers and holders of the Series B Notes. Under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Notes are exempt from personal property taxes in Pennsylvania and the interest on the Notes is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Interest on the Series A Notes is included in gross income for federal income tax purposes.

$39,235,000
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
(Dauphin County, Pennsylvania)
$9,675,000 FEDERALLY TAXABLE GENERAL OBLIGATION NOTES, SERIES A OF 2017
$29,560,000 GENERAL OBLIGATION NOTES, SERIES B OF 2017

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

INTEREST PAYABLE: May 15 and November 15
FIRST INTEREST: November 15, 2017
DENOMINATION: Integral multiples of $5,000

PAYMENT OF PRINCIPAL AND INTEREST: The Federally Taxable General Obligation Notes, Series A of 2017 in the principal amount of $9,675,000 (the "Series A Notes") and General Obligation Notes, Series B of 2017 in the principal amount of $29,560,000 (the "Series B Notes," and together with the Series A Notes, the "Notes") of the School District of the City of Harrisburg, Dauphin County, Pennsylvania (the "School District"), are issuable only in fully registered form, without coupons and when issued, will be registered in the name of CEDE & CO., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Beneficial ownership interests in the Notes will be recorded in book-entry only form in denominations of $5,000, or any integral multiple thereof. Principal of and interest on the Notes are payable directly to CEDE & CO. for redistribution to DTC Participants and in turn to Beneficial Owners as described herein. Interest will be payable on May 15 and November 15 of each year that the Notes are outstanding, commencing on November 15, 2017. Purchasers will not receive physical delivery of certificates representing their ownership interests in the Notes purchased. For so long as any purchaser is the Beneficial Owner of a Note, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

USE OF FUNDS: The proceeds derived by the School District from the issuance and sale of the Notes will be used to provide the School District with the funds required to (1) refund, on a current refunding basis, all of the State Public School Building Authority's outstanding School Revenue Bonds (The School District of the City of Harrisburg Project), Series C of 2014 (the "Refunded 2014C Bonds"); (2) the payment of the costs of terminating all of an interest rate management agreement related to the Refunded 2014C Bonds; (3) refund, on a current refunding basis, all of the State Public School Building Authority's outstanding Federally Taxable School Revenue Bonds (The School District of the City of Harrisburg Project), Series C of 2009 (the "Refunded 2009C Bonds"); and (4) the payment of the costs of issuing and insuring the Notes.

REDEMPTION: The Notes are not subject to redemption prior to their stated maturity dates.

SECURITY FOR THE NOTES: THE NOTES ARE GENERAL OBLIGATIONS OF THE SCHOOL DISTRICT, PAYABLE FROM ITS TAXES AND OTHER AVAILABLE REVENUES WHICH PRESENTLY INCLUDE AD VALOREM TAXES WHICH MAY BE LEVIED ON ALL TAXABLE REAL PROPERTY WITHIN THE SCHOOL DISTRICT FOR THE PAYMENT WHEN DUE OF THE PRINCIPAL OF AND THE INTEREST ON THE NOTES. THE SCHOOL DISTRICT HAS COVENANTED THAT IT WILL PROVIDE IN ITS BUDGET IN EACH YEAR, AND WILL DULY AND PUNCTUALLY PAY OR CAUSE TO BE PAID FROM THE SINKING FUND ESTABLISHED UNDER THE RESOLUTION (AS DEFINED BELOW) OF THE SCHOOL DISTRICT PURSUANT TO WHICH THE NOTES ARE ISSUED, OR FROM ANY OTHER OF ITS AVAILABLE REVENUES OR FUNDS, THE PRINCIPAL OF AND THE INTEREST ON EVERY NOTE ON THE DATES AND AT THE PLACE AND IN THE MANNER STATED IN THE NOTES. FOR SUCH BUDGETING, APPROPRIATION AND PAYMENT, THE SCHOOL DISTRICT IRREVOCABLY HAS PLEDGED ITS FULL FAITH, CREDIT AND TAXING POWER.

The scheduled payment of principal of and interest on the Notes when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Notes by Assured Guaranty Municipal Corp. ("AGM").

ASSURED GUARANTY® MUNICIPAL

AUTHORIZATION FOR ISSUANCE: The Notes are being issued in accordance with the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified at 53 Pa.C.S. Section 8001 *et seq.*, as amended (the "Act"), with the approval of the Pennsylvania Department of Community and Economic Development and pursuant to a Resolution duly adopted by the Board of School Directors of the School District on June 19, 2017 (the "Resolution").

LEGAL APPROVALS: *The Notes are offered when, as and if issued by the School District and received by the Underwriter (as defined hereinafter), subject to prior sale and subject to the receipt of the approving legal opinion to be issued by McNees Wallace & Nurick LLC, Harrisburg, Pennsylvania and Powell Law, PC, Harrisburg, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the School District by its Counsel, Dilworth Paxson LLP, Harrisburg, Pennsylvania. Susquehanna Group Advisors, Inc. has acted as financial advisor to the School District in connection with the issuance of the Notes. The Notes are expected to be available for delivery on August 17, 2017 in New York, New York.*

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

PNC

The date of this Official Statement is July 19, 2017.

$39,235,000

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

(Dauphin County, Pennsylvania)
$9,675,000 FEDERALLY TAXABLE GENERAL OBLIGATION NOTES, SERIES A OF 2017
$29,560,000 GENERAL OBLIGATION NOTES, SERIES B OF 2017

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

INTEREST PAYABLE: May 15 and November 15
FIRST INTEREST PAYMENT DATE: November 15, 2017
DENOMINATION: Integral multiples of $5,000

MATURITY SCHEDULE – SERIES A NOTES

Maturity (November 15)	Principal Maturity Amount	Interest Rate	CUSIPs [1]
2017	$3,400,000	1.432%	414792JX0
2018	375,000	1.742	414792JY8
2019	150,000	2.102	414792JZ5
2020	650,000	2.316	414792KA8
2021	700,000	2.518	414792KB6
2022	500,000	2.768	414792KC4
2023	400,000	2.973	414792KD2
2024	3,500,000	3.123	414792KE0

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

MATURITY SCHEDULE – SERIES B NOTES

Maturity (November 15)	Principal Maturity Amount	Interest Rate	Initial Offering Yield	Initial Offering Price [1]	CUSIPs [1]
2018	$15,000	3.000%	1.130%	102.303%	414792KF7
2019	35,000	3.000	1.320	103.702	414792KG5
2020	45,000	4.000	1.460	108.018	414792KH3
2021	275,000	4.000	1.600	109.808	414792KJ9
2022	240,000	4.000	1.760	111.172	414792KK6
2023	40,000	3.000	1.980	105.961	414792KL4
2024	5,265,000	5.000	2.160	118.947	414792KM2
2025	10,215,000	5.000	2.330	119.918	414792KN0
2026	9,415,000	5.000	2.500	120.517	414792KP5
2027	4,015,000	5.000	2.650	120.958	414792KQ3

(1) Based on expected delivery date of August 17, 2017.
(2) The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of noteholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refundings or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. No person is authorized to detach this **SUMMARY STATEMENT** from the Official Statement or otherwise use it without the entire Official Statement.

Issuer.. The School District of the City of Harrisburg, Dauphin County, Pennsylvania (the "School District").

The Notes... $9,675,000 principal amount, Federally Taxable General Obligation Notes, Series A of 2017 (the "Series A Notes") and $29,560,000 principal amount, General Obligation Notes, Series B of 2017 (the "Series B Notes," and together with the Series A Notes, the "Notes"). The Notes are initially dated as of the date of delivery, and will mature as shown in the **NOTE MATURITY SCHEDULE** shown on the inside of the Cover Page of this Official Statement. Interest on the Notes will begin to accrue on the date of delivery and is payable each May 15 and November 15 thereafter, commencing November 15, 2017.

Redemption Provisions...................... The Notes are not subject to redemption prior to their stated maturity dates.

Form of Notes.................................... Book-Entry-Only.

Application of Proceeds.................... The proceeds derived by the School District from the issuance and sale of the Notes will be used to provide the School District with the funds required to (1) refund, on a current refunding basis, all of the State Public School Building Authority's outstanding School Revenue Bonds (The School District of the City of Harrisburg Project), Series C of 2014 (the "Refunded 2014C Bonds"); (2) the payment of the costs of terminating all of an interest rate management agreement related to the Refunded 2014C Bonds; (3) refund, on a current refunding basis, all of the State Public School Building Authority's outstanding Federally Taxable School Revenue Bonds (The School District of the City of Harrisburg Project), Series C of 2009 (the "Refunded 2009C Bonds"); and (4) the payment of the costs of issuing and insuring the Notes.

Security for the Notes....................... The Notes are general obligations of the School District, for the payment of which the School District has irrevocably pledged its full faith, credit and taxing power, including ad valorem taxes, subject to limitations provided by law. (See **"INTRODUCTORY STATEMENT"** and **"Act 1 Special Session of 2006 ("Taxpayer Relief Act")"** herein.)

Credit Enhancement......................... The scheduled payment of principal of and the interest on the Notes when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Notes by Assured Guaranty Municipal Corp. ("AGM").

Note Rating.. The Notes are expected to receive a credit rating of "AA" (stable outlook) from S&P Global Ratings, New York ("S&P") with the understanding that the above described insurance policy will be issued at the time of settlement of the Notes.

The Notes have also received an underlying rating of "A" (stable outlook) from S&P.

Continuing Disclosure Undertaking................................. The School District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted. The School District has retained Digital Assurance Corporation to assist the School District in fulfilling the requirements of its ongoing Continuing Disclosure Undertakings.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
(Dauphin County, Pennsylvania)
1601 State Street
Harrisburg, Pennsylvania 17103
Telephone: (717) 703-4000

BOARD OF SCHOOL DIRECTORS

Danielle Robinson	President
James Thompson	Vice President
Lionel Gonzalez	Member
Ausha Green	Member
Matthew Krupp	Member
Judd R. Pittman	Member
Ellis R. Roy, Jr.	Member
Ryan Sanders	Member
Melvin Wilson, Jr.	Member

SCHOOL ADMINISTRATION

Dr. Sybil Knight-Burney	Superintendent of Schools
Dr. Carlinda Purcell	Assistant to the Superintendent
Mr. William Gretton, III	Acting Chief Financial Officer
Mr. Kenneth Medina	Business Manager

SOLICITOR
Dilworth Paxson LLP
Harrisburg, Pennsylvania

SCHOOL DISTRICT AUDITOR
Stambaugh Ness, PC
York, Pennsylvania

CO-BOND COUNSEL
McNees Wallace & Nurick LLC
Harrisburg, Pennsylvania

Powell Law, PC
Harrisburg, Pennsylvania

FINANCIAL ADVISOR TO THE SCHOOL DISTRICT
Susquehanna Group Advisors, Inc.
Harrisburg, Pennsylvania

PAYING AGENT, TRANSFER AGENT, NOTE REGISTRAR, AND SINKING FUND DEPOSITORY
Manufacturers and Traders Trust Company
Harrisburg, Pennsylvania and Buffalo, New York

UNDERWRITER
PNC Capital Markets LLC
Pittsburgh, Pennsylvania

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

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

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes,” and analogous expressions are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected.

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

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

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

THE NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE NOTES OR THE RESOLUTION IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF CERTAIN STATES, IF ANY, IN WHICH THE NOTES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

AGM makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “Bond Insurance” and “Appendix F - Specimen Municipal Bond Insurance Policy”.

TABLE OF CONTENTS

This Table of Contents does not list all of the subjects in this Official Statement. In all instances, reference should be made to the complete Official Statement to determine the subjects set forth herein.

OFFICIAL STATEMENT

$39,235,000

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

(Dauphin County, Pennsylvania)
$9,675,000 FEDERALLY TAXABLE GENERAL OBLIGATION NOTES, SERIES A OF 2017
$29,560,000 GENERAL OBLIGATION NOTES, SERIES B OF 2017

INTRODUCTORY STATEMENT

This Official Statement, including the cover page hereof and the appendices hereto, is furnished in connection with the offering by the School District of $9,675,000 Federally Taxable General Obligation Notes, Series A of 2017 and $29,560,000 General Obligation Notes, Series B of 2017. The Notes are authorized to be issued pursuant to the provisions of the Pennsylvania Local Government Unit Debt Act, as codified at 53 Pa.C.S. Section 8001 *et seq.* (the "Act"), as amended, and are described in, and are being issued pursuant to the provisions of a Resolution of the Board of School Directors of the School District duly adopted on June 19, 2017 (the "Resolution").

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

The Notes, as general obligation notes of the School District, are secured, for the prompt payment when due of the principal of, redemption premium, if any, and the interest on the Notes, by a pledge of the full faith, credit, and taxing power of the School District. (See **"SECURITY FOR THE NOTES"** and **Appendix A – "LEGISLATION AFFECTING PENNSYLVANIA SCHOOL DISTRICTS"** herein.) The Pennsylvania Public School Code of 1949, as amended (the "School Code"), presently provides for withholding and direct application of subsidies from the Commonwealth to a school district in the event of a failure by the school district to pay when due the principal of and the interest on its bonded indebtedness. (See **"SECURITY FOR THE NOTES – Commonwealth Aid to School Districts"** and **"Noteholders' Risks,"** herein.)

PURPOSE OF THE NOTE ISSUE

The proceeds derived by the School District from the issuance and sale of the Notes will be used to provide the School District with the funds required to (1) refund, on a current refunding basis, all of the State Public School Building Authority's outstanding School Revenue Bonds (The School District of the City of Harrisburg Project), Series C of 2014 (the "Refunded 2014C Bonds"); (2) the payment of the costs of terminating all of an interest rate management agreement related to the Refunded 2014C Bonds; (3) refund, on a current refunding basis, all of the State Public School Building Authority's outstanding Federally Taxable School Revenue Bonds (The School District of the City of Harrisburg Project), Series C of 2009 (the "Refunded 2009C Bonds," together with the Refunded 2014C Bonds, the "Refunded Bonds"); and (4) the payment of the costs of issuing and insuring the Notes.

The Refunding Program

A portion of the net proceeds from the Series B Notes will be deposited in the Debt Service Fund created and existing under the Trust Indenture dated as of May 1, 2009, as amended from the Authority to Manufacturers and Traders Trust Company, as trustee, and applied to the payment of the Refunded 2009C Bonds upon maturity on November 15, 2017.

A portion of the net proceeds from the Series B Notes will be deposited in the Debt Service Fund created and existing under the Trust Indenture dated as of June 15, 2014 from the Authority to Manufacturers and Traders Trust Company, as trustee, to effectuate the current refunding of the Refunded 2014C Bonds on or around the Delivery Date of the Notes.

Interest Rate Swap Agreement Termination

The State Public School Building Authority and the School District are currently parties to an interest rate swap agreement (the "JPM Swap") that was executed on May 14, 2004 between the School District and JPMorgan Chase Bank ("JPMorgan"). The JPM Swap became effective on April 1, 2009 and was assigned from the School District to the Authority on June 25, 2009. The JPM Swap is a fixed payer swap between the Authority and JPMorgan, with a current notional amount outstanding of $31,440,500 and a termination date of December 1, 2027.

In connection with the refunding of a portion of the State Public School Building Authority Variable Rate School Revenue Bonds (The School District of the City of Harrisburg Project) Series D of 2009 (the "2009D Bonds") by the Authority's School Revenue Bonds (The School District of the City of Harrisburg Project), Series C of 2014 (the "2014C Bonds"), the JPM Swap was amended such that it relates to the 2014C Bonds. The School District intends to apply the proceeds of the Series A Notes to the termination of all of the JPM Swap on the Delivery Date of the Series A Notes in accordance with and as authorized under each of the Authority Resolution and the School District Resolution. The termination of the JPM Swap follows the recommendation contained in the School District's Amended Recovery Plan, contained in Appendix D.

SOURCES AND USES OF FUNDS

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

Sources of Funds	Series A Notes	Series B Notes
Par Amount of Notes	$9,675,000.00	$29,560,000.00
Plus: Net Original Issue Premium	0.00	5,866,740.95
TOTAL SOURCES	$9,675,000.00	$35,426,740.95
Uses of Funds		
Redemption Requirement of Refunded 2014C Bonds	$0.00	$31,417,473.25
Redemption Requirement of Refunded 2009C Bonds	0.00	3,604,125.00
Swap Termination Payment	9,559,000.00	0.00
Costs of Issuance and Miscellaneous *	116,000.00	405,142.70
TOTAL USES	$9,675,000.00	$35,426,740.95

* Consisting of legal fees, financial advisory fee, paying agent fee, printing fee, bond insurance premium, rating fee, underwriting discount, CUSIP fee, disclosure dissemination agent fee, and miscellaneous expenses.

THE NOTES

Description

The Notes will be issued in fully registered form in denominations of $5,000 and integral multiples thereof, will be in the aggregate principal amount of $39,235,000, will be dated the date of delivery thereof, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on each of the Notes will be payable initially on November 15, 2017, and, thereafter, semiannually on May 15 and November 15 of each year until the maturity date of such Note or, if such Note is redeemable and is called for redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Notes (the "Beneficial Owners") will not receive any physical delivery of Note certificates, and beneficial ownership of the Notes will be evidenced only by book entries. See "DTC Book-Entry-Only System" herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Notes, payments of principal of, redemption premium, if any, and interest on the Notes, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid. If the use of the Book-Entry Only System for the Notes is discontinued for any reason, note certificates will be issued to the Beneficial Owners of the Notes and payment of principal, redemption premium, if any, and interest on the Notes shall be made as described in the following paragraphs:

The principal of the Notes, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Notes, or registered assigns, upon surrender of the Notes to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent and sinking fund depositary for the Notes, at its corporate trust office in Harrisburg, Pennsylvania, Buffalo, New York or such other office designated by the Paying Agent (or to any successor paying agent at its designated office(s)).

Interest on each of the Notes will be payable to the registered owner of such Note from the interest payment date next preceding the date of registration and authentication of the Note, unless: (a) such Note is registered and authenticated as of an interest payment date, in which event such Note shall bear interest from said interest payment date, or (b) such Note is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Note shall bear interest from such interest payment date, or (c) such Note is registered and authenticated on or prior to the Record Date preceding November 15, 2017, in which event such Note shall bear interest from the date of issuance of the Notes, or (d) as shown by the records of the Paying Agent, interest on such Note shall be in default, in which event such Note shall bear interest from the date to which interest was last paid on such Note. Interest on each Note will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) calendar day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Note subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Note is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of such Note not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the person in whose name such Note is registered at the close of business on the fifth (5th) day preceding the date of mailing.

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

Transfer, Exchange and Registration of Notes

Subject to the provisions described below under "DTC Book-Entry-Only System," each of the Notes are transferable or exchangeable by the registered owners, thereof upon surrender of Notes to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Note or his attorney- in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Notes in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Note or Notes of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Note as the absolute owner thereof (whether or not a Note shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

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

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

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

DTC Book-Entry-Only System

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

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

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

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

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of the notices be provided directly to them.

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

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

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

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the School District or the Paying Agent. Under such circumstances, in the event that a successor depository is either not required under the Resolution or not obtained, Note certificates are required to be printed and delivered in accordance with the Resolution.

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

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

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY

RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BOOK-ENTRY NOTES; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN HOLDERS OR OWNERS OF BOOK-ENTRY NOTES; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BOOK-ENTRY NOTES; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BOOK-ENTRY NOTES.

Discontinuance of Book-Entry-Only System

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

Mutilated, Lost, Stolen, or Destroyed Notes

If any Note is mutilated, lost, stolen, or destroyed, the School District may execute, and the Paying Agent or its designee may authenticate, subject to the provisions of the Act, a new Note of the same date, maturity, denomination, and interest rate. In connection with replacing mutilated, lost, stolen, or destroyed Notes, the School District and the Paying Agent or its designee may require satisfactory indemnification and may charge the owners of such Notes reasonable fees and expenses.

REDEMPTION OF NOTES

Mandatory Redemption

The Notes are not subject to mandatory redemption prior to their stated maturity dates.

Optional Redemption

The Notes are not subject to optional redemption prior to their stated maturity dates.

SECURITY FOR THE NOTES

General Obligation Pledge

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

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

Sinking Fund

The Resolution provides for the creation of one or more Sinking Funds (the "Sinking Funds") to be established and maintained with the Paying Agent and segregated from all other funds of the School District. The School District shall deposit into such Sinking Funds not later than the date when interest or principal is to become due on the Notes relating thereto amounts sufficient to pay the principal and interest then due on such Notes.

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

The Paying Agent, as Sinking Fund Depository, is authorized without further order from the School District to pay from the Sinking Funds the principal of and interest on the Notes, as and when due and payable.

Noteholder Rights and Remedies

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

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

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

Commonwealth Aid To School Districts

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

The largest subsidy, the basic instructional subsidy, is allocated to all school districts based on student-based factors, such as: (1) number of children in the school district who live in poverty; (2) number of children enrolled in charter schools; and (3) number of children who are English language learners, as well as school district based factors such as: (1) wealth of the school district; (2) the school district's current tax effort; and (3) the ability of the school district to raise revenue.

Currently, the Commonwealth also provides a subsidy for certain capital projects of school districts. The rental and sinking fund reimbursement from the Commonwealth ("PlanCon Reimbursements") for such school projects is determined by the "Reimbursable Percentage" assigned to the school building project and by the school district's Market Value Aid Ratio ("MVAR") or Capital Account Reimbursable Fraction (the "CARF"), whichever is higher. The School District's CARF for fiscal year 2017 was 31.92% and the MVAR was 81.06%. Most school building projects in the Commonwealth are eligible for state reimbursement. Certain school building projects, such as school administration buildings, swimming pools and tracks, and deferred maintenance, are ineligible for reimbursement. A reimbursement percentage, based upon the rated pupil capacity of the new or renovated structure and certain other costs, is assigned to the building project. This reimbursement percentage multiplied by the school district MVAR or CARF, whichever is higher, determines the state share of the annual lease rental or debt service for that school year. The difference between the State share and 100% yields the local share of debt service or lease rental payments. As the school district's MVAR may change each year, so will the State share of such reimbursement.

However, on July 12, 2016, the Commonwealth enacted its 2016-17 budget without providing appropriations for PlanCon Reimbursements to any school district. Additionally, no PlanCon Reimbursement was provided to any school district in the 2015-2016 fiscal year.

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

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

It should be noted that other legislation has been introduced from time to time by the Pennsylvania General Assembly that contains language that revises or even eliminates the PlanCon Reimbursement program for Pennsylvania school districts. As of the date of this Official Statement, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon Reimbursement program as currently structured, the amount of PlanCon Reimbursement to the School District may be positively or negatively affected. A decrease in the reimbursement could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

The amount of Commonwealth aid to the School District in the future may change in the event amendments are made to state aid formulas or if changes occur in local conditions which may affect the level of state aid under current formulas.

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

There can be no assurance that any payments made pursuant to this withholding provision will be made by the date on which such payments are due to Noteholders, and the effectiveness of the withholding provisions of the Pennsylvania Act 150 School District Intercept Program may be limited by the application of other withholding provisions contained in the School Code. These provisions may apply to withholding and paying over appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the rights of creditors.

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

Pennsylvania Budget Adoption and School District Intercept Payments Legislation

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

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

For the 2017-18 fiscal year, the Commonwealth budget became law on July 11, 2017, when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on June 30, 2017.

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

Act 85 of 2016

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

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

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

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

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

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

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

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

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

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

TAXING POWERS OF THE SCHOOL DISTRICT

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006 (see below), the School District is empowered by the School Code to levy the following taxes:

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

2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:

    a. for minimum salaries and increments of the teaching and supervisory staff;
    b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
    c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
    d. to pay for the amortization of a bond issue which provided a school building prior to the first Monday of July, 1959.

3. An annual per capita tax on each resident or inhabitant over 18 years of age of not less than $1.00 nor more than $5.00.

The School District may also levy additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, wage and other earned income taxes, real estate transfer taxes, gross receipts taxes, and occupation taxes, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills.

The Local Tax Enabling Act was amended by Act 222 of 2004 to authorize all taxing authorities to exempt from per capita, occupation, emergency and municipal service or earned income taxes any person whose total income from all sources is less than $12,000 per year.

The Taxpayer Relief Act (Act 1), as Amended

Commonwealth Act No. 1 of the Special Session of 2006 ("The Taxpayer Relief Act" or "Act 1") was intended to provide property tax relief to Commonwealth homeowners by limiting the taxation of real property by Commonwealth school districts. Act 1 restricts Commonwealth school districts from increasing the rate of any tax for school purposes above an index (the "Index") determined by the Department of Education of the Commonwealth (the "Department") unless the school district first obtains voter approval or the school district tax falls within one of the exceptions set forth in Act 1. The Index is the average of the percentage increase in the statewide average weekly wage, as determined by the Commonwealth Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. For school districts with a Market-Value/Income-Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio. The Index applicable to the School District in the 2015-16 fiscal year is 2.8%.

On June 30, 2011, Act 1 was amended so that beginning on January 1, 2012, seven (7) of the original eleven (11) exceptions were eliminated. Under the amended version of Act 1, the four (4) categories of expenses for which school districts can raise property taxes above the Index without triggering a referendum (subject, however, to approval by the Department) are as follows:

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

2. interest and principal on electoral debt;

3. special education expenses; and

4. state pension payments.

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

In accordance with the Taxpayer Relief Act, the Board of School Directors of the School District placed a referendum on the ballot for the May 15, 2007 primary election seeking voter approval to levy (or increase the rate of) an earned income tax or personal income tax and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was not approved by a majority of the voters at the primary election.

A board of school directors may submit, but is not required to submit, a further referendum question to the voters in any later year seeking approval to levy or increase the rate of an Earned Income Tax ("EIT") or a Personal Income Tax ("PIT") for the purpose of further funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate which, when combined with any tax rate authorized at the 2007 primary election, is required to provide the maximum homestead and farmstead exclusions allowable under law.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 1. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 1 NOR A LEGAL INTERPRETATION OF ANY PROVISION OF ACT 1, AND A PROSPECTIVE PURCHASER OF THE NOTES SHOULD REVIEW THE FULL TEXT OF ACT 1 AS A PART OF ANY DECISION TO PURCHASE THE NOTES.

Application of the Taxpayer Relief Act to the Notes

The School District elected to become subject to the provisions of former Act 72 of 2004 ("Act 72") (Act 72 was repealed by the Taxpayer Relief Act).

The Notes are subject to the limitations of the Taxpayer Relief Act.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Notes, Assured Guaranty Municipal Corp. ("AGM" or "Bond Insurer") will issue its Municipal Bond Insurance Policy for the Notes (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Notes when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

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

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds or notes insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 26, 2017, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Capitalization of AGM

At March 31, 2017:

- The policyholders' surplus of AGM was approximately $2,204 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,263 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately $1,349 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of Assured Guaranty (Europe) Ltd were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017).

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

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

Miscellaneous Matters

AGM makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and Appendix F – Specimen Municipal Bond Insurance Policy.

BOND INSURANCE RISK FACTORS

The School District has secured a bond insurance policy to guarantee the scheduled payment of principal and interest on the Notes. The following factors should be considered by purchasers of the Notes.

In the event of a default in the payment of principal or interest with respect to the Notes when all or some becomes due, any owner of the Notes shall have a claim under the Policy for such payment. However, in the event of any acceleration resulting from any default or otherwise, any payments to be made pursuant to the Policy will be made in such amounts and at such times as such payments would have been due had there not been any such acceleration.

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

In the event that the Bond Insurer is unable to make any payments of principal and interest as such payments become due under the Policy, the Notes will be payable solely from the moneys received by the Paying Agent pursuant to the Resolution. In the event that the Bond Insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price of the Notes or the marketability (liquidity) for the Notes.

The long-term ratings on the Notes are dependent, in part, on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors that could change over time. No assurance is given that the long-term ratings of the Bond Insurer and, therefore, the ratings on the Notes insured will not be subject to downgrade, and such event could adversely affect the market price of the Notes or the marketability (liquidity) for the Notes. See description of **"RATINGS"** herein.

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

Neither the School District nor the Underwriter has made an independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the School District to pay principal and interest on the Notes and the claims paying ability of the Bond Insurer, particularly over the life of their investment. See **"BOND INSURANCE"** herein for further information provided by the Bond Insurer with respect to itself and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
(Dauphin County, Pennsylvania)

Introduction

The School District is a school district of the second class, organized and existing under the laws of the Commonwealth. See "Appendix A – Certain Financial and Other Information Relating to the School District of the City of Harrisburg" and "Appendix C - Demographic and Economic Information Relating to the School District of the City of Harrisburg" for a description of the School District.

Administration

Under the School Code, school districts of the second class are to be governed by a board of school directors comprised of nine members elected for four-year terms. The School District presently has such an elected board of school directors.

Pursuant to Act 141 of 2012, described in Appendix A attached hereto, the Secretary of the Pennsylvania Department of Education declared the School District to be in Moderate Financial Recovery on December 12, 2012 and on the same day appointed Gene G. Veno as the School District's Chief Recovery Officer. The Chief Recovery Officer serves at the pleasure of the Secretary of the Department of Education. The Chief Recovery Officer is charged with the development, implementation and administration of the School District's Financial Recovery Plan, and oversight of the School District while it remains in Moderate Financial Recovery Status.

The Chief Recovery Officer's recovery plan, originally dated April 26, 2013 and subsequently amended on May 31, 2013 (the "Original Recovery Plan"), was approved by the Department on May 31, 2013. The Original Recovery Plan was subsequently amended on April 21, 2014, and approved by the Department on April 29, 2014 (the "First Amended Recovery Plan").

On July 6, 2015, Dr. Audrey Utley was appointed by the Secretary of the Pennsylvania Department of Education to be the current Chief Recovery Officer.

The First Amended Recovery Plan was amended by the School District on May 31, 2016 and approved by the Department on June 9, 2016 (the "Amended Recovery Plan"). The Amended Recovery Plan is included in Appendix D.

Relationship to the City of Harrisburg

The City of Harrisburg (the "City") is a city of the third class which serves as the state capital of the Commonwealth. Pursuant to the Municipalities Financial Recovery Act of July 10, 1987 ("Act 47"), a receiver (the "Receiver") was appointed by the Governor of the Commonwealth. The initial Receiver prepared a Recovery Plan for the City dated February 6, 2012 (the "City Recovery Plan") which recommended, among other things, a lease or sale of the parking assets owned and/or operated by the Harrisburg Parking Authority or the City (collectively, the "Parking System") and a sale of the Resource Recovery Facility in order to eliminate the debt and other obligations associated with the Resource Recovery Facility and to provide an ongoing source of revenue to the general fund of the City to address its long-standing structural deficit. The City Recovery Plan was confirmed by the Commonwealth Court on March 9, 2013. In December 2013, the transfer of the Parking System and the sale of the Resource Recovery Facility were completed. On January 14, 2014, the Office of the Receiver was ordered vacated by the Commonwealth Court and replaced by a coordinator to complete the fiscal plan.

The School District and the City of Harrisburg (the "City"), although coterminous geographically, are separate political subdivisions under the laws of the Commonwealth. ***The City has no control under the law over the School District and has no responsibility for obligations of the School District, and the School District has no control under the law over the City and no responsibility for the obligations of the City.***

School District Not Authorized to File for Bankruptcy

School districts in Pennsylvania, including the School District, are not authorized under Pennsylvania law to file for bankruptcy under the United States Bankruptcy Code.

NOTEHOLDERS' RISKS

The following information should be considered by prospective investors in evaluation of the Notes. However, the following does not purport to be an exclusive listing of risks and other considerations which may be relevant to investing in the Notes, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Ability to Raise Taxes

The Recovery Plan mandates the collection of additional real estate taxes through millage increases over the next several years. The Amended Recovery Plan provides the School District with the ability to reduce mandated future millage increases should the School District meet certain financial benchmarks. The Recovery Plan also notes the problems associated with the collection of real estate taxes in prior years. If the School District is unable to improve its collection rate, or if millage rates are not increased by the School District, or if increased millage rates result in a lower percentage of collection, this could adversely impact the School District's finances.

If the Commonwealth appropriation is insufficient to pay the entire debt service on the Notes at any time, the School District will be required to provide funds sufficient to meet any shortfalls. The School District will rely upon available fund balances, which may not be sufficient at all times over the life of the Notes to cover the shortfall due to insufficient Commonwealth funding. In this event, the School District may need to raise taxes, sell assets or secure emergency funding through borrowing, amongst other fiscal measures. A tax increase could result in an even higher level of delinquencies and, perhaps, lower percentage of collections. Timing delays of up to one year might occur before the new tax rate would result in additional collections.

Impact of Charter Schools

Students from the School District attend 14 charter schools and the Dauphin County Vocational Technical School. The Recovery Plan and the Amended Recovery Plan state that this trend must be reversed in order for the School District to continue to exist as a viable educational entity. Failure to reverse this trend will negatively impact the ability of the School District to balance its budget.

The School District has taken measures to mitigate the impact of charter schools including establishing a cyber charter school alternative for its students, which now educates approximately 810 students. Recently, one private cyber charter school within the School District closed. The School District believes that the impact of private charter schools is currently manageable. See Section ED21 of the Amended Recovery Plan, included herein as Appendix D.

Impact of Workforce Costs

The Recovery Plan outlined the need for a decrease in workforce costs. Reductions in workforce costs were implemented beginning with the 2013-2014 school year, in accordance with the Recovery Plan. The Amended Recovery Plan revises certain of the planned future workforce cost reductions, and provides the School District with the ability to restore cuts already in place should the financial condition of the School District sufficiently improve. The School District has restored certain compensation to the School District's workforce.

Additionally, the School District has recently completed negotiations with collective bargaining units representing teachers and staff to reach an agreement on wage increases, with a three year contract signed on May 31, 2016.

Commonwealth of Pennsylvania Budget

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

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

Adverse Legislative Changes

The School District has been adversely impacted by changes in Pennsylvania law and the inability of the Commonwealth to deal with the adequacy and equity of school funding in general. Changes in the way the Commonwealth reimburses school districts for the cost of special education have shifted a substantial burden from the Commonwealth to the School District. Moreover, legislative changes have adversely impacted the School District pertaining to the manner in which "charter schools" are financed within the Commonwealth. The charter school law provides for the creation of schools outside the management and control of a school district, which provide education to students according to the schools' respective charters. The school district in which the charter school student lives is required to pay a per student amount to the charter school to provide for the education of the student. The school district pays the prescribed amount to the charter school, but cannot immediately recover the amount by an equivalent reduction in school district costs. Legislative action providing for charter school subsidy in 2013 did not include authorization for appropriations to school districts in any future year. Accordingly, the School District will be required to continue to monitor the impact of local charter schools carefully and make appropriate adjustments to its budget. In addition, budgetary and other legislative changes may impact the level of reimbursement that the Commonwealth provides to the School District for capital projects or other purposes.

Other Potential Risk Factors Related to the Finances and Operations of the School District

In the future, the following factors, among others, may adversely affect the finances and operations of the School District to an extent that cannot be determined at this time.

1. Expenditures required to comply with special education or other instructional requirements including the settlement of claims related to special education litigation;

2. Expenditures to comply with any future Federal and/or Commonwealth mandates;

3. Unknown litigation, regulatory actions or other similar claims regarding the School District;

4. Changes in Commonwealth pension funding requirements with may affect the level of annual employer contributions required by the School District;

5. Increased competition from charter schools (including cyber charter schools) which may increase required payments from the School District for tuition or reduce levels of Commonwealth aid to the School District;

6. Adverse economic conditions which may impact real estate property values, non-property tax revenues and levels of tax delinquencies;

7. Changes in collective bargaining agreements which may affect the timing and extent to which the School District may be able to implement cost containment measures;

8. Adverse demographic, economic or financial developments affecting the City of Harrisburg or the County of Dauphin (i.e., overlapping tax jurisdictions), which may constrain the ability of the School District to raise tax revenues;

9. The recurrence of a Commonwealth budget impasse which could exacerbate or contribute to cash flow strains during the related budget year of the School District; and

10. Changes in public support for public education funding, in general, and funding for the School District, in particular, which may impact the level of Commonwealth education aid received by the School District and/or constrain the ability of the School District to raise taxes.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule"), promulgated under the Securities Exchange Act of 1934, as amended, by the Securities and Exchange Commission (the "Commission"), the School District will, in a Continuing Disclosure Certificate (the “Undertaking”) to be executed by the School District on the date of settlement of the Notes, agree to provide, or cause to be provided to the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access System (“EMMA”) in accordance with the Rule, annual information (the “Annual Information”) consistent with the following list:

Annual Information

(a) a copy of the annual audited financial statements of the School District prepared in accordance with generally accepted accounting principles in Pennsylvania, and audited in accordance with generally accepted auditing standards;
(b) a summary of the budget for the current fiscal year;
(c) the assessed value and market value of all taxable real estate for the current fiscal year*;*
(d) the taxes and millage rates imposed for the current fiscal year;
(e) the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year’s levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year’s levy and as an aggregate dollar amount);
(f) a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year; and
(g) pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible).

The annual information will be provided to the MSRB via EMMA above not later than March 31 of each year for the fiscal year ending the previous June 30.

Notice of Material Events

The notices to be provided under the Rule, which the School District will undertake to provide as described above, include written or notice of the occurrence of any of the following events, if material, with respect to the Notes to file in a timely manner not in excess of ten (10) business days after the occurrence of such event, with the MSRB, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Notes:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;
(7) modifications to the rights of holders, if material;
(8) Note calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the Notes, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the School District;
(13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

The School District will also file in a timely manner with the MSRB and accompanied by such identifying information as prescribed by the MSRB, notice of a failure of the School District to provide the required annual financial information set forth under the caption **"Annual Information"** above on or before the date specified above.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Notes, but the School District does not commit to provide notice of the occurrence of any material event except those events listed above.

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

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

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

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

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

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

Summary of Continuing Disclosure Undertaking Compliance

The School District has entered into continuing disclosure undertakings for previously issued bonds that have been outstanding within the past five years (collectively, the "Prior Undertakings"). Under the Prior Undertakings, the School District agreed to provide audited financial statement, budgets and certain financial and operating data relating to the School District. In the previous five years, the School District has, on several occasions, failed to comply with certain provisions of the Prior Undertakings, including: (a) failing to file or timely file audited financial statements; (b) failing to timely file required financial and operating data, including budgets; and (c) failing to file or timely file certain notices, including notices of the aforementioned late filings and notices of enhanced and insured rating changes.

ABSENCE OF LITIGATION AFFECTING THE NOTES

There is no litigation, individually or in the aggregate, currently pending or to the knowledge of the School District threatened against it, which will have a material adverse effect on its financial condition or which will affect the validity or enforceability of the Notes or the Resolution, or which in any way contests the existence or powers of the School District. For disclosure regarding other litigation, please see "Litigation Regarding Federal Communications Commission" in Appendix A.

LEGALITY FOR INVESTMENT

Under the Act, the Notes are securities in which all officers of the Commonwealth and its political subdivisions and municipal officers and administrative departments, boards and commissions of the Commonwealth, all banks, bankers, savings banks, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all administrators, executors, guardians, trustees and other fiduciaries, and all other persons whatsoever who now or may hereafter be authorized to invest in bonds or other obligations of the Commonwealth, may properly and legally invest any funds, including capital, belonging to them or within their control, and the bonds are securities which may properly and legally be deposited with, and received by, any Commonwealth or municipal officers or agency of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereafter be authorized by law.

OTHER LEGAL MATTERS

Negotiability of the Notes

Under the Act, the Notes have all the qualities of negotiable instruments under the Uniform Commercial Code of the Commonwealth relating to negotiable instruments. The Notes are investment securities under Article 8 of the Pennsylvania Uniform Commercial Code of the Commonwealth and are negotiable instruments to the extent provided therein.

Regarding the Obligation for the Notes

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

Legality

All legal matters incident to the authorization, issuance and sale of the Notes will be approved by McNees Wallace & Nurick LLC, and Powell Law, PC, Harrisburg, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the School District by its Counsel, Dilworth Paxson LLP, Harrisburg, Pennsylvania.

TAX EXEMPTION AND OTHER TAX MATTERS

Federal Tax Exemption – Series B Notes

In the opinion of McNees, Wallace & Nurick LLC and Powell Law, PC, Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the School District with certain certifications and agreements relating to the use of the Series B Note proceeds and covenants to comply with provisions of the Internal Revenue Code of 1986, as amended (the "Code") and all applicable regulations thereunder, interest on the Series B Notes and accruals of original interest discount is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, such interest is includable in adjusted current earnings for purposes of the federal alternative minimum tax imposed on certain corporations (as defined in the Code). Co-Bond Counsel expresses no opinion regarding other federal tax consequences of ownership or disposition of, or the accrual or receipt of interest on, the Series B Notes.

The Series B Notes are offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Series B Note through reductions in the holder's tax basis for the Series B Note for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

The Notes are **not** "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinion of Co-Bond Counsel on federal tax matters will be based upon and will assume the accuracy of certain representations and certifications, and compliance with certain covenants, of the School District to be contained in the transcript of proceedings for the issuance of the Notes and that are intended to evidence and assure that the Series B Notes are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of those certifications and representations or covenants.

The Code prescribes a number of qualifications and conditions for the interest on state and local obligations to be and to remain excludable from gross income for federal income purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the School District may cause the interest on the Series B Notes to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to their date of issuance. The School District has covenanted to take the actions required of it for the interest on the Series B Notes to be and to remain excludable from gross income for federal income tax purposes and not to take any actions that would adversely affect that exclusion. Co-Bond Counsel's opinion as to the tax-exempt status of the Series B Notes assumes continued compliance with these covenants by the School District. Co-Bond Counsel has not undertaken to evaluate, determine or inform any person, including any holder of the Series B Notes, whether any actions taken or not taken, events, events occurring or not occurring, or other matters that might come to attention of Co-Bond Counsel, would adversely affect the value of, or tax status of the interest on, the Series B Notes.

Under the provisions of the Code, the Treasury Department is authorized and empowered to promulgate regulations implementing the intent of Congress under the Code which could affect the tax exemption and/or tax consequences of holding tax-exempt obligations, such as the Series B Notes. In addition, legislation may be introduced and enacted in the future which could change the provisions of the Code relating to the tax exempt bonds of a state or local government unit, such as the School District, or the taxability of interest in general.

Proposals to alter or eliminate the exclusion of interest on tax-exempt bonds from gross income for some or all taxpayers have been made in the past and may be made again in the future. Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series B Notes to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Notes. PROSPECTIVE PURCHASERS OF THE SERIES B NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING ANY PROPOSED FEDERAL TAX LEGISLATION, AS TO WHICH CO-BOND COUNSEL EXPRESSES NO OPINION.

The opinion of Co-Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities and represents Co-Bond Counsel's judgment as to the proper treatment of the Series B Notes for federal income tax purposes. It is not a guarantee of any result, and is not binding on the Internal Revenue Service (the "IRS") or the courts.

Co-Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes.

No representation is made or can be made by the School District or any other party associated with the issuance of the Series B Notes as to whether or not any other legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Notes to federal income taxes or so as to otherwise affect the marketability or market value of the Series B Notes.

Federal Income Tax Treatment of the Series A Notes

Interest on the Series A Notes is includible in gross income for federal income tax purposes.

Pennsylvania Tax Exemption

Under the laws of the Commonwealth as presently enacted and construed, the Notes are exempt from personal property taxes in the Commonwealth and the interest on the Notes is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

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

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE NOTES AND ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL TAX LEGISLATION. ANY STATEMENT REGARDING TAX MATTERS HEREIN CANNOT BE RELIED UPON BY ANY PERSON TO AVOID TAX PENALTIES.

NOTE RATINGS

S&P Global Ratings is expected to assign its credit rating of "AA" (stable outlook) to the Notes with the understanding that, upon delivery of the Notes, a Municipal Bond Insurance Policy guaranteeing when due the scheduled payment of the principal of and the interest on the Notes will be issued concurrently with the delivery of the Notes by AGM.

S&P Global Ratings has assigned an underlying credit rating of "A" (stable outlook) to the Notes. Such ratings reflect only the view of such organization furnishing such ratings. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P Global Ratings, 55 Water Street, New York, New York 10041. There is no assurance that these credit ratings will be maintained for any given period of time, or that they may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such credit ratings may have an adverse effect on the market price of the Notes.

NOTE UNDERWRITING

The Notes have been purchased by PNC Capital Markets LLC, as the Underwriter. The Underwriter has agreed to purchase the Notes at an aggregate purchase price of $44,905,565.95 (which is the aggregate par amount of Notes less the aggregate note discount of $196,175.00 plus an aggregate original issue premium of $5,866,740.95). The Note Purchase Agreement for the Notes provides that the Underwriter will purchase all the Notes, if any are purchased, in accordance with the terms of the Note Purchase Agreement, and requires that the School District certify to the Underwriter that this Official Statement does not, to the knowledge of the School District, contain any untrue statement of a material fact or omit any statement of any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The initial public offering prices of the Notes, set forth in the **NOTE MATURITY SCHEDULE** shown on the inside of the Cover Page of this Official Statement, may be changed by the Underwriter from time to time without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Notes to the public; and said Notes offered to other dealers may be at prices lower than those offered to the public.

THE PAYING AGENT

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

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

SWAP ADVISOR

The School District has retained Optimal Capital Group, Philadelphia, Pennsylvania as swap advisor (the "Swap Advisor") in connection with the termination of the JPM Swap.

FINANCIAL ADVISOR

The School District has retained Susquehanna Group Advisors, Inc., Harrisburg, Pennsylvania as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Susquehanna Group Advisors is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

RELATED PARTIES

PNC Capital Markets LLC, the Underwriter with respect to the Notes, and PNC Bank, National Association are both wholly-owned subsidiaries of the PNC Financial Service Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has other banking and financial relationships with the School District. Among other banking and financial relationships, PNC Bank, National Association was the purchaser of the State Public School Building Authority School Revenue Bonds, Series C of 2014 (the "2014 C Bonds"). A portion of the proceeds of the Notes will be applied toward the current refunding of the 2014C Bonds. (See Table A-12 herein.)

McNees Wallace & Nurick LLC is serving as Co-Bond Counsel to the School District in this transaction and also acts as counsel to PNC Capital Markets LLC, PNC Bank, National Association and Manufacturers Traders Trust Company from time to time on unrelated matters.

Dilworth Paxson LLP is counsel to the School District and also acts as a counsel to PNC Capital Markets LLC and PNC Bank, National Association from time to time on unrelated matters.

MISCELLANEOUS MATTERS

The execution and delivery of this Official Statement has been duly authorized by the School District. Concurrently with the delivery of the Notes, the School District will furnish a certificate to the effect that nothing has come to the School District's attention that would lead the School District to believe that the Official Statement, in final form, contains any untrue statements of a material fact or omits to state any information required to be stated herein or necessary to make the statements therein in light of the circumstances under which they were made, not misleading. The information contained in this Official Statement that has been obtained from sources other than the School District is not guaranteed as to accuracy or completeness.

All summaries of the provisions of the Act, the Notes, the Resolution, the Undertaking and other documents hereinabove and hereinafter set forth are made subject to all detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions.

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

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

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

THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
(Dauphin County, Pennsylvania)

By: /s/ Danielle Robinson
President, Board of School Directors

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APPENDIX A

CERTAIN FINANCIAL AND OTHER INFORMATION RELATING TO THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

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SCHOOL DISTRICT GOVERNANCE AND CERTAIN LITIGATION

Administration

Under the Pennsylvania Public School Code of 1949, as amended (the "School Code"), school districts of the second class are to be governed by a board of school directors comprised of nine members elected for four-year terms. The School District is a school district of the second class and presently has such an elected board of school directors. Under Act 141 described hereinafter, the Secretary of the Pennsylvania Department of Education (hereinafter referred to as the "Department") declared the School District to be in Moderate Financial Recovery on December 12, 2012. The School District's current Chief Recovery Officer is Dr. Audrey Utley, who was appointed pursuant to Act 141.

The Chief Recovery Officer serves at the pleasure of the Secretary of the Department. The Chief Recovery Officer is charged with the development, implementation and administration of the School District's Financial Recovery Plan and oversight of the School District while it remains in Moderate Financial Recovery Status. See the discussion below.

Act 141

In General. The General Assembly of the Commonwealth of Pennsylvania enacted legislation on July 12, 2012, designated as Act 141 of 2012 (hereinafter referred to as "Act 141") amending the School Code. Pursuant to Act 141, the Secretary of the Department shall issue a declaration that a school district is in financial recovery status when either of the following applies: (1) the school district has an average daily membership greater than 7,500 and receives an advance of its basic education subsidy at any time; or (2) the school district receives an advance of its basic education subsidy at any time and is either subject to a declaration of financial distress under the School Code or engaged in litigation against the Commonwealth in which the school district seeks financial assistance from the Commonwealth to allow the school district to continue in operation. School districts declared to be in financial recovery status by virtue of the application of clause (1) shall be deemed to be in moderate financial recovery status; school districts declared to be in financial recovery status by virtue of the application of clause (2) shall be deemed to be in severe financial recovery status.

Within two years of the effective date of Act 141, the State Board of Education shall promulgate regulations establishing additional criteria which the Secretary may consider in determining whether to issue a declaration of financial recovery status, and whether such declaration is of moderate or severe financial recovery status. Not more than nine school districts may be under a declaration of financial recovery status (or in receivership as provided for in Act 141) at any time.

Administration and Oversight of School Districts in Financial Recovery Status. For each school district declared to be in financial recovery in accordance with Act 141, the Secretary of the Department shall appoint a chief recovery officer who shall serve at the pleasure of the Department and is charged with the development, implementation and administration of the school district's financial recovery plan and oversight of the school district while it is in financial recovery status.

Upon the appointment of a chief recovery officer for a school district in moderate financial recovery status, the board of school directors shall establish an advisory committee to meet and consult with the chief recovery officer in the development and implementation of the financial recovery plan. The advisory committee shall consist of twelve members, as follows:

Two members of the board of school directors;
One principal employed by the school district;
One business official employed by the school district;
One employee of the intermediate unit of which the school district is a member;
One representative of a charter school or cyber charter school in which students residing in the school district are enrolled;
One special education advocate;
One superintendent, school director or business official of an adjoining school district;
Two residents of the school district;
One teacher appointed by the employee organization that represents teachers employed in the school district; and
The superintendent of the school district.

Members of the advisory committee shall be appointed in accordance with the provisions of Act 141. An advisory committee shall not be appointed for school districts in severe financial recovery status.

Financial Recovery Plan. The chief recovery officer shall, in consultation with the superintendent for the school district, develop a financial recovery plan for the school district and deliver copies of the plan to the school district business office, the board of school directors, the superintendent of the school district, the solicitor of the school district and (in the case of a school district in moderate financial recovery status) the advisory committee. The chief recovery officer may hold one or more public hearings on the financial recovery plan. Upon the submission of the financial recovery plan to the board of school directors, the board shall hold a public meeting for the purpose of approving or disapproving the financial recovery plan. Should the board fail to approve the plan, the school district shall not be eligible for an Act 141 financial recovery transition loan and shall not receive technical assistance from the Department as provided for in Act 141.

The failure of the board to approve the financial recovery plan can also result in the appointment of a receiver. In the case of a school district in severe financial recovery status, the Secretary of the Department is immediately authorized to seek the appointment of a receiver. For school districts in moderate financial recovery status, the Secretary of the Department is authorized to seek the appointment of a receiver once the failure to approve the plan has continued for one year after the initial appointment by the Secretary of the school district's chief recovery officer.

Once the financial recovery plan has been approved by the board of school directors, the chief recovery officer shall provide a copy of the plan to the Secretary of the Department for approval. In the event the plan is disapproved, the chief recovery officer shall prepare and submit a revised plan for consideration by the board of school directors within twenty days.

Implementation of Financial Recovery Plan. The chief recovery officer is vested with the exclusive authority to implement the financial recovery plan, and shall provide the Department with monthly reports as to the status of implementation, the school district's current revenues and expenditures, and the payment of the school district's creditors. **During the financial recovery status period, the board of school directors elected pursuant to the School Code shall comply with all directives of the chief recovery officer, and may take no action that is inconsistent with such directives or that is inconsistent with the financial recovery plan. The failure of the board of school directors to comply with the chief recovery officer's directives shall make the school district subject to the appointment of a receiver.**

Receivership. The failure or refusal of the board of school directors of a school district in financial recovery status to approve the financial recovery plan, continue to satisfy the objections specified in the plan or otherwise cooperate with the chief recovery officer shall result in the appointment of a receiver for the school district. The receiver shall possess all powers and duties of the chief recovery officer and the board of school directors; provided, however, that the receiver shall not do any of the following:

(1) unilaterally levy or raise taxes, provided, however, that the receiver may direct the board of school directors to levy or raise taxes, to which directive the board must comply;

(2) unilaterally abrogate, alter or otherwise interfere with a lien, charge, covenant or relative priority that is held by a holder of a debt obligation of the school district, or granted by the contract, law, rule or regulation governing the debt obligation; and

(3) unilaterally impair or modify existing bonds, notes, school district securities or other lawful contractual or legal obligations of the school district, except as otherwise ordered by a court of competent jurisdiction, or as provided for in the Act upon a showing that the impairment or modification will effect needed economies in the operation of the district's schools.

A receiver shall be appointed by order of the court of common pleas for the county in which the school district (or the largest part in area of the school district) is located upon the filing of a petition by the Department with such court. Receivers appointed in accordance with Act 141 shall serve for terms of three years, subject to extension by request of the Department.

Restoration of Control to Board of School Directors. Under Act 141, a school district in financial recovery status may be removed from such status by the Department upon a recommendation of the chief recovery officer that all of the goals and objectives in the financial recovery plan have been accomplished. School districts in receivership shall be removed from such status upon the expiration of the term of the receiver, subject to any extensions.

After a school district is removed from financial recovery status, or is removed from receivership, the board of school directors shall resume full control over the management of the district; provided, however, that for a period of five years, the chief recovery officer shall oversee the board to ensure financial stability is maintained. Additionally, during the five year period, if the school district fails to maintain the objectives stated in the financial recovery plan, the Secretary of the Department shall: (1) seek the appointment of a receiver, if the school district was removed from financial recovery status; or (2) issue a declaration of financial recovery status, if the school district was removed from receivership.

Current Status of School District Administration and Financial Recovery Plan. The School District continues to be in moderate financial recovery status following the Department Secretary's December 12, 2012 declaration, and is being governed by the Chief Recovery Officer. Under the Pennsylvania Constitution and the provisions of Act 141, however, the elected Board of School Directors must authorize the annual tax levy.

Former Chief Recovery Officer Veno prepared a Recovery Plan dated April 26, 2013. The Recovery Plan was revised with respect to action item RV05 on May 30, 2013. The Department approved the Recovery Plan on May 31, 2013. On April 21, 2014, an Amended Recovery Plan was issued to: (1) revise certain initiatives of the Recovery Plan to address the revised financial circumstances and projections of the School District; (2) provide clarifying language for aspects of the Recovery Plan including a new calendar of events related to academic improvement; and (3) provide new academic improvement benchmarks for the School District tied to the school performance profile process adopted by the Department.

An Amended Recovery Plan was completed by the chief recovery officer and submitted to the School Board on May 2, 2016. The Amended Recovery Plan focuses on achieving certain academic objectives. The School District adopted the Amended Recovery Plan on May 31, 2016.

TABLE A-1
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
SCHOOL FACILITIES

School	Original Construction Date	Addition/ Renovation Date	Grades	Enrollment as of December 22, 2016	Maximum Capacity
Melrose	1961	2002/2002	K-4	618	662
Ben Franklin	1961	2005/2005	Pre-K / K-4	828	818
Downey	1953	2004/2004	Pre-K / K-4	404	744
Foose	1953	2005/2001	Pre-K / K-4	452	878
Scott	1942	2005/2000	Pre-K / K-4	540	718
Camp Curtin	1952	2005/2005	5-8	600	1,060
Marshall School and Math/Science	1950	2002/2002	5-8	866	725
Rowland	1942	1999/1999	5-8	743	1,060
John Harris High School	1926	2005/2007	9-12		2,652
Sci-Tech High School	1946	1946	9-12		525
Cougar PAWS @Hamilton (1)			K-5	23	
Cougar Achieve @ Hamilton (1)	1891	1954/1998	6-8	27	600
Cougar Excel @ Hamilton (1)			9-12	146	
Lincoln	1905	2003/2003	Admin	Admin	Admin
Steele	1915	1960/1998		Closed	
Woodward	1911	1955		Closed	
William Penn	1922	1981		Closed	

Source: School District Officials.
(1) District Charter School.

Enrollment Trends

The following table presents recent trends in school enrollment for the last ten years and projections for the next four years, as prepared by School District officials.

TABLE A-2
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
ENROLLMENT TRENDS

School Year	Elementary	Secondary	Total
Actual Enrollments			
2012-13	4,307	2,675	6,982
2013-14	3,940	2,440	6,380
2014-15	3,908	2,412	6,320
2015-16	3,993	2,597	6,590
2016-17 (1)	3,960	2,630	6,590
Projected Enrollments			
2017-18	3,970	2,635	6,605
2018-19	3,980	2,640	6,620
2019-20	4,000	2,645	6,645
2020-21	4,025	2,675	6,600

Source: School District Officials & Pennsylvania Department of Education.
(1) As of December 27, 2016.

FINANCIAL REVIEW

Accounting Method

The School District keeps its books and prepares its fund level financial reports according to a modified accrual basis. Major accrual items are payroll taxes, health insurance premiums and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Stambaugh Ness, PC, York, Pennsylvania serves as the School District’s auditor.

TABLE A-3
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)

	2011	2012	2013	2014	2015	2016
ASSETS						
Cash and Cash Equivalents	$6,482,580	$16,045,781	$26,305,964	$37,611,134	$25,222,491	$15,290,152
Investments	4,028,869	3,041,592	46,255	2,049,036	14,432,415	17,832,436
Taxes Receivable	14,041,835	14,717,873	15,228,983	4,050,038	8,308,396	11,934,948
Interfund Receivables	1,900,438	1,927,293	1,323,439	854,666	1,092,743	1,758,034
Intergovernmental Receivables	9,989,438	4,760,916	6,706,424	4,080,676	5,054,437	11,744,196
Inventories	0	4,457	963	17,367	22,331	62,331
Prepaid Expenses	34,716	35,822	54,862	3,754	141,458	5,485
Other	750,022	1,086,977	1,091,074	1,030,866	957,825	706,443
TOTAL ASSETS	$37,227,898	$41,620,711	$50,757,964	$49,697,537	$55,232,096	$59,334,025
LIABILITIES						
Interfund Payables	$0	$0	$0	$3,000,000	$0	$0
Intergovernmental Payables	196,363	176,701	0	0	0	0
Accounts Payable	7,532,573	9,145,043	7,148,064	6,803,017	6,815,891	10,041,050
Accrued Salaries & Benefits	7,800,498	4,920,178	5,526,400	5,728,514	6,996,534	9,196,606
Deferred Revenues	13,852,649	15,507,492	15,429,868	0	0	0
Other Current Liabilities	0	0	0	0	0	0
TOTAL LIABILITIES	$29,382,083	$29,749,414	$28,104,332	$15,531,531	$13,812,425	$19,237,656
DEFERRED INFLOWS OF RESOURCES	0	0	0	4,205,528	7,555,471	9,924,042
FUND EQUITIES						
Nonspendable:						
Reserved for Inventories	0	4,457	963	17,367	22,331	62,331
Interfund Receivables	1,900,438	1,927,293	1,323,439	854,666	1,092,743	1,758,034
Prepaid Expenses	34,716	35,822	54,862	3,754	141,458	5,485
Committed:						
Athletics and Band Reserve	0	402,381	402,381	402,381	402,381	402,381
Assigned:						
Delinquent Tax Initiative	0	0	0	3,000,000	3,000,000	1,000,000
Professional Development	0	0	0	500,000	500,000	1,000,000
Health insurance stabilization	0	0	1,500,000	3,000,000	3,000,000	3,000,000
PSERS increases	0	0	5,000,000	5,000,000	5,000,000	3,000,000
Debt service increases	0	0	3,000,000	3,000,000	2,500,000	2,500,000
Capital improvements	0	0	3,000,000	5,000,000	7,000,000	7,000,000
Information Tech Improvements	0	0	1,500,000	1,500,000	1,500,000	3,000,000
Employee Incentives	0	0	0	0	0	1,000,000
Unassigned:						
General Fund	5,910,661	9,501,344	6,871,987	7,682,310	9,705,287	6,444,096
Total Fund Equities	$7,845,815	$11,871,297	$22,653,632	$29,960,478	$33,864,200	$30,172,327
TOTAL LIABILITIES AND FUND EQUITIES	$37,227,898	$41,620,711	$50,757,964	$49,697,537	$55,232,096	$59,334,025

Source: School District Annual Financial Reports and School District officials.

TABLE A-4
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
SUMMARY OF SCHOOL DISTRICT GENERAL FUND REVENUES AND EXPENDITURES
(Years ending June 30)

REVENUE:

	2011	2012	2013	2014	2015	2016
Local Sources:						
Real Estate Taxes	$33,553,930	$33,815,337	$34,437,171	$35,907,670	$36,254,262	$36,665,557
Total Act 511 Taxes	6,458,197	6,923,270	6,756,737	6,840,991	7,686,311	7,411,329
Public Utility Tax	54,155	56,572	54,739	51,780	51,298	49,241
Delinquent Taxes	6,795,779	5,720,344	5,844,422	6,040,079	1,537,151	4,165,978
Earnings from Temporary Deposits	39,477	59,322	757,648	672,860	679,087	110,764
Rev. Rec'd. other intermediate sources	2,023,092	1,991,207	1,842,466	1,507,683	1,171,856	1,636,560
Rev. Rec'd. other public schools	7,793	277,393	336,810	306,365	379,630	41,083
Rental	42,040	80,119	123,402	71,896	154,190	152,380
Tuition	380,221	104,823	99,366	125	0	0
Contributions	319,567	173,384	795,878	409,315	469,048	446,401
Payments in lieu of Tax	1,023,542	1,050,934	1,070,056	1,088,062	1,916,211	1,921,492
Refund of Prior Years' Expenditures	0	0	0	1,148,740	0	0
Other Sources	665,029	135,225	594,035	68,809	298,307	156,027
Total Local	$51,362,822	$50,387,930	$52,712,730	$54,114,375	$50,597,351	$52,756,812
State Sources:						
Basic Instructional Subsidy	$35,190,850	$42,065,736	$43,779,689	$44,334,660	$44,317,317	$46,355,967
Charter Schools	798,083	0	0	0	0	0
Empowerment	684,372	0	0	0	9,936	9,851
Tuition for Orphans & Children-Private Homes	1,962	59,131	63,306	130,344	88,364	92,079
Special Education	5,278,254	5,193,443	5,128,246	5,128,228	5,242,888	5,501,485
Transportation	1,269,859	1,221,226	1,194,573	1,025,206	1,288,474	1,429,883
Rentals and Sinking Fund Payments	3,472,240	1,902,458	2,847,800	2,490,087	2,511,201	2,581,414
Health Services	176,467	162,302	155,704	133,229	118,782	122,091
Educational Assistance Program	788,093	0	0	0	0	
Other Program Subsidies Not Listed in 720 Series	7,266,729	2,939,869	2,677,169	1,743,656	2,000,507	1,711,863
State Property Tax Reduction Allocation	2,780,079	2,777,881	2,773,436	2,774,603	2,781,735	2,774,668
Vocational Education	284,811	127,121	3,772	0	1,637	0
Alternate Education	0	0	0	0	0	0
Extra Grants	120,041	0	0	0	1,510,619	1,807,251
Social Security	2,464,034	1,994,048	1,883,976	995,424	1,721,704	1,943,051
Retirement Contributions	2,360,573	2,673,269	3,112,117	1,706,170	5,761,039	7,228,724
Other Sources	520	384	30,602	4,108,913	6,541	23,561
Total State Sources	$62,936,967	$ 61,116,868	$63,650,390	$64,570,520	$67,360,744	$71,581,588
Federal Sources:						
Total Federal Sources	$ 18,704,619	$ 10,962,094	$15,697,660	$11,724,837	$11,916,580	$11,579,731
Other Sources:						
Total Other Sources	$ 0	$ 0	$ 0	$60,000	$ 0	$ 0
TOTAL REVENUE	$133,004,408	$ 122,466,892	$132,060,780	$130,409,732	$129,874,675	$135,918,431

Source: School District Annual Financial Reports and School District officials.

TABLE A-5
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
SUMMARY OF SCHOOL DISTRICT GENERAL FUND REVENUES AND EXPENDITURES [1]
(Years ending June 30)

	2011	2012	2013	2014	2015	2016
EXPENDITURES:						
Instruction	$ 76,561,001	$ 70,956,441	$72,731,774	$69,361,331	$72,381,737	$80,891,880
Pupil Personnel	4,188,181	4,070,841	4,131,152	3,168,936	3,641,755	4,521,721
Instructional Staff	1,598,355	1,470,416	2,608,487	2,380,644	2,082,318	1,821,179
Administration	7,493,968	7,182,549	6,379,033	6,220,401	6,548,425	9,078,115
Pupil Health	1,182,615	1,044,803	1,030,016	937,186	894,763	939,501
Business	1,278,092	1,231,072	1,098,798	1,299,444	1,431,441	1,382,449
Operation and Maintenance	10,764,194	10,399,446	8,863,742	8,663,990	8,764,727	9,366,332
Student Transportation	2,802,281	2,425,544	2,519,936	3,136,350	3,221,636	3,517,996
Central Support/Miscellaneous	3,369,434	3,136,799	3,171,226	3,337,197	3,983,951	3,444,380
Other	1,949,686	1,945,977	1,751,271	1,784,961	1,979,441	1,722,295
Operation of Non-instructional Services	787,627	632,220	788,257	860,714	951,896	1,253,039
Debt Service [2]	1,182,177	108,582	13,174	17,791	12,353	35,046
TOTAL EXPENDITURES	$113,157,611	$104,604,690	$105,086,866	$101,168,945	$105,894,443	$117,973,933
SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES	$ 19,846,797	$17,862,202	$26,973,914	$29,240,787	$23,980,232	$17,944,498
Other Financial Sources (uses)						
Total Other Financing Sources (Uses)	(10,393,825)	(13,836,720)	(16,191,579)	(21,933,941)	(20,076,510)	(21,636,371)
Excess (deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	9,452,972	4,025,482	10,782,335	7,306,846	$3,903,722	$(3,691,873)
Beginning Fund Balance	($1,607,157) [3]	$7,845,815	$11,871,297	$22,653,632	$29,960,478	$33,864,200
Ending Fund Balance	$7,845,815	$11,871,297	$22,653,632	$29,960,478	$33,864,200	$30,172,327

Source: School District Annual Financial Reports.
(1) Totals may not add due to rounding.
(2) Bond debt service is paid from the School District's Debt Service Fund.
(3) Beginning Fund Balance reflects Auditors' adjustment from the prior year's Ending Fund Balance.

TABLE A-6
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
SUMMARY OF SCHOOL DISTRICT GENERAL FUND BUDGET
FISCAL YEAR 2017

REVENUE:	**2017**	**2018**
Local Sources:		
Real Estate Taxes	$36,666,800	$36,286,209
Total Act 511 Taxes	7,355,000	7,385,000
Public Utility Tax	50,000	50,000
Delinquent Taxes	4,290,000	4,162,000
Earnings from Temporary Deposits	50,250	175,000
Rev. Rec'd. other intermediate sources	1,850,000	1,440,500
Rental	175,000	160,000
Tuition	415,000	210,000
Contributions	680,762	450,000
Payments in lieu of Tax	1,925,000	1,921,000
Other Sources	1,550,000	125,000
Total Local	$55,007,812	$53,360,209
State Sources:		
Basic Instructional Subsidy	$50,837,754	$50,306,827
Tuition for Orphans & Children-Private Homes	101,000	100,000
Special Education	5,874,742	5,862,876
Pre-K Counts	1,000,000	144,500
Transportation	1,410,000	1,430,000
Rentals and Sinking Fund Payments	3,325,000	2,340,009
Health Services	150,000	125,000
Other Program Subsidies Not Listed in 7200/7000 Series	2,720,000	1,300,000
State Property Tax Reduction Allocation	2,771,892	2,771,714
Extra Grants	1,658,800	1,807,251
Social Security	1,829,125	2,200,000
Retirement Contributions	7,581,515	10,260,000
Other Sources	0	0
Total State Sources	$79,259,828	$78,648,177
Federal Sources:		
Total Federal Sources	$9,023,435	$15,840,103
Other Sources:		
Total Other Sources	$0	$225,000
TOTAL REVENUE	$143,291,075	$147,073,489

EXPENDITURES:		
Instruction	$81,046,515	$86,098,426
Pupil Personnel	4,154,020	4,674,792
Instructional Staff	2,020,875	2,450,243
Administration	7,596,930	7,879,024
Pupil Health	1,279,580	1,431,903
Business	1,674,535	1,599,573
Operation and Maintenance	11,776,790	12,177,554
Student Transportation	3,603,680	3,728,021
Central Support/Miscellaneous	3,902,491	4,146,228
Other	2,050,000	2,050,000
Operation of Noninstructional Services	879,855	1,151,908
Debt Service	27,282,165	25,724,146
TOTAL EXPENDITURES	147,267,436	153,102,818
TOTAL ESTIMATED BEGINNGING, UNRESERVED FUND BALANCE AVAILABLE FOR APPROPRIATION AND RESERVES SCHEDULED FOR LIQUIDATION DURING THE FISCAL YEAR	$29,705,287	$30,203,670

Dauphin County Technical School

The Dauphin County Technical School ("DCTS") provides technical and vocational education opportunities to School District students. DCTS is sponsored by six neighboring school districts. With the closure of the School District's John Harris campus, School District student enrollment in DCTS increased significantly. The School District pays a per student tuition to DCTS. In 2016, the School District approached the DCTS with a conceptual proposal to add the School District as one of the sponsoring school districts and has been accepted. The School District has agreed to make a payment of approximately $3.2 million to join the DCTS as an equity partner, however, a long term reduction in per student tuition cost is expected through this effort, as described further in Section AF19 of the Amended Recovery Plan.

Budgeting Process in School Districts under the Taxpayer Relief Act as Amended by Act No. 25 of 2011

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

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

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

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

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

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

TAX LEVY TRENDS

Table A-7 shows the recent trend of tax rates levied by the School District. Table A-8 shows the comparative trend of real property and other tax rates for the School District, Dauphin County and the City of Harrisburg.

TABLE A-7
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
TAX RATES

	Real Estate (mills)	Mercantile (mills)	Business Privilege (mills)	Wage and Income Tax (%)
2008-09	23.75	0.75	1.00	0.50
2009-10	25.1987	0.75	1.00	0.50
2010-11	26.3074	0.75	1.00	0.50
2011-12	26.3074	0.75	1.00	0.50
2012-13	26.965	0.75	1.00	0.50
2013-14	27.9156	0.75	1.00	0.50
2014-15	27.9156	0.75	1.00	0.50
2015-16	27.9156	0.75	1.00	0.50
2016-17	27.8000	0.75	1.00	0.50

	Local Services Tax[1] ($)	Occupation Flat Rate ($)	Real Estate Transfer Tax[2] (%)	Amusement Tax (%)
2008-09	5.00	120.00	1.00	5.0
2009-10	5.00	120.00	1.00	5.0
2010-11	5.00	120.00	1.00	5.0
2011-12	5.00	120.00	1.00	5.0
2012-13	5.00	120.00	1.00	5.0
2013-14	5.00	120.00	1.00	5.0
2014-15	5.00	120.00	1.00	5.0
2015-16	5.00	120.00	1.00	5.0
2016-17	5.00	120.00	1.00	5.0

Source: School District officials and Pennsylvania Department of Community and Economic Development.
[1]The Local Services tax levied by the City of Harrisburg is $52.00. The School District's share of this tax is $5.00. The Local Services Tax replaced the Emergency and Municipal Service Tax effective January 1, 2008.
[2]Subject to sharing.

TABLE A-8
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)

	2016	2017
School District	27.9156	27.8000
City of Harrisburg		
Land	30.9700	30.9700
Building	5.16500	5.16500
Dauphin County	7.2260	7.226

Source: Dauphin County Assessment Office and Pennsylvania Department of Community and Economic Development.

REAL PROPERTY TAX

Of the School District's total general fund receipts for the fiscal year ended June 30, 2016, approximately 37% were derived from taxes, consisting of the real estate, income and other taxes detailed above. Current and delinquent real estate taxes account for approximately 30% of total general fund revenues for the fiscal year ended June 30, 2016.

Taxpayers who remit within 60 days of July I receive a 2 percent discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data.

The County Commissioners of the County of Dauphin have completed a countywide reassessment of real property for tax purposes. The last countywide reassessment was in 2002 which became effective in the 2002-03 school year.

TABLE A-9
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
ASSESSMENT BY LAND USE

	2011	2012	2013	2014	2015
Residential	40.58%	40.85%	46.3%	46.5%	48.1%
Lots	0.53%	0.48%	0.9%	0.5%	0.5%
Industrial	6.32%	6.03%	5.7%	5.4%	5.5%
Commercial	52.57%	52.64%	47.1%	47.6%	45.9%
Land	0.00%	0.00%	0.0%	0.0%	0.0%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: Pennsylvania State Tax Equalization Board.

TABLE A-10
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
REAL PROPERTY TAX COLLECTION DATA

Year	Total Assessed Value[(1)]	Levy[(2)]	Current Year Collections (July-June)	Current Year Collections as Percent of Total Adjusted Billing	Total Current Plus Delinquent Collections[(3)]	Total Collections as Percent of Total Adjusted Billing
2007-08..........	$1,584,833,900	$35,137,800	$30,885,685	87.90%	$34,773,326	98.96%
2008-09..........	1,610,483,200	34,770,446	30,696,596	88.28%	34,182,726	98.31%
2009-10..........	1,631,085,600	37,562,325	32,580,494	86.74%	37,063,753	98.67%
2010-11..........	1,628,586,980	39,264,231	33,553,930	85.46%	38,743,292	98.67%
2011-12..........	1,617,627,200	38,990,484	33,815,337	86.73%	38,288,122	98.20%
2012-13..........	1,612,617,500	39,904,117	34,437,171	86.30%	39,238.300	98.33%
2013-14..........	1,619,572,700	41,589,837	35,535,946	85.44%	40,888,106	98.31%
2014-15..........	1,609,718,400	41,319,620	36,254,262	87.74%	37,791,413	91.46% [(4)]
2015-16..........	1,608,385,500	44,978,661	36,665,557	81.52%	40,831,535	90.78%[(4)]

Source: School District Officials.
(1) Assessed Valuation taken from School District Annual Financial Reports and may not match STEB data.
(2) Flat billing plus penalties, less discounts and exonerations.
(3) Includes interim collections.
(4) The School District did not sell the delinquent tax liens for the 2014-15 or the 2015-16 fiscal years.

School District Delinquent Tax Lien Sales

The School District previously sold its delinquent property tax liens through an agreement with The Redevelopment Authority of the City of Harrisburg (the "RDA"). Eliminating the cost of the tax lien program was identified in the Recovery Plan as an initiative to reduce expenses. Due to the School District's improved cash flow position, this practice was discontinued for FY 2014-15 and FY 2015-16. Under the terms of prior tax lien sales, the School District assigned a portion of its tax liens to the RDA, with an obligation to either purchase back non-performing, uncollectable liens or to replace them with other future tax liens. The timeframe to fully complete the collection cycle for previously sold liens will conclude during FY 2018-2019. Residual funds in excess of the amounts required to repay the School District's obligation to the RDA have in the past been remitted to the School District. Over time, it is anticipated that "Total Collections Plus Delinquent Collections" (as shown above in Table A-10) will increase as delinquent tax receipts are received directly by the School District.

Largest Real Property Taxpayers

The ten largest real property taxpayers, together with their assessed values, are shown on Table A-11. The aggregate assessed value of these taxpayers' total approximately 17.9 percent of total assessed value of the School District.

TABLE A-11
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
LARGEST REAL PROPERTY TAXPAYERS

Owner	Property	FY 2017 Assessed Value
Harrisburg Redevelopment Authority	Offices/Telephone Co./Retail	$144,645,500
Penn National Real Estate Trust	Insurance Co./Office Complex	29,685,000
Manufacturers and Traders Trust Company	Bank/Offices	19,890,800
Harrisburg Hotel Associates	Commercial Business	17,514,600
Sage Market Square Plaza, LP	Commercial/Residential	16,180,800
KTR Harrisburg LLC	Commercial Business	13,736,700
Keystone Central Storage	Commercial Business	12,247,500
Pinnacle Health System	Health Care/Offices	12,247,200
Walnut & Third, Inc. (1)	Commercial Business	11,334,100
KOP Kline Plaza LLC	Retail	10,232,600
Total		**$287,648,800**

Source: School District Officials.

LEGISLATION AFFECTING PENNSYLVANIA SCHOOL DISTRICTS

Act 24 of 2001 Authorizing Replacement of the School District's Occupation Tax with an Increase in the Local Earned Income Tax

Act 24 of 2001 of the Commonwealth (the "Optional Occupation Tax Elimination Act") authorizes a board of directors to schedule a public hearing and conduct a ballot referendum to approve replacement of the school district's occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% local earned income tax (.5% Municipal and .5% School District) on the annual amount of residents' wages and other earned income (which excludes unearned or investment income). The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. Upon approval of a referendum, the occupation tax is authorized to be discontinued and the local earned income tax is permitted to be increased by the percentage necessary to generate revenue equal to the amount collected during the preceding year on the occupation tax. The restructured tax is designed to be revenue neutral to the school district.

The School District has not scheduled a public hearing or taken other action to conduct a referendum under Act 24 of 2001.

SET FORTH ABOVE IS A SUMMARY OF CERTAIN PROVISIONS OF ACT 24. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 24 NOR A LEGAL INTERPRETATION OF ANY PROVISION OF ACT 24. A PROSPECTIVE PURCHASER OF THE NOTES SHOULD REVIEW THE FULL TEXT OF ACT 24 AS A PART OF ANY DECISION TO PURCHASE THE NOTES.

Act 48 of 2003 – Limitation on Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

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

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

The total budgeted expenditures in the School District's budget for the 2016-17 fiscal year including fund transfers and budgeted reserves are $149,416,557 and the School District's estimated ending unreserved undesignated fund balance as a percentage of total budgeted expenditures for the 2016-17 fiscal year is within the allowable limit.

SET FORTH ABOVE IS A SUMMARY OF CERTAIN PROVISIONS OF ACT 48. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 48 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS OF ACT 48. A PROSPECTIVE PURCHASER OF THE NOTES SHOULD REVIEW THE FULL TEXT OF ACT 48 AS A PART OF ANY DECISION TO PURCHASE THE NOTES.

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place binding referendum question on the ballot at a general or municipal election for approval by the voters.

SET FORTH ABOVE IS A SUMMARY OF CERTAIN PROVISIONS OF ACT 130 OF 2008. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 130 OF 2008 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS OF ACT 130 OF 2008. A PROSPECTIVE PURCHASER OF THE NOTES SHOULD REVIEW THE FULL TEXT OF ACT 130 OF 2008 AS A PART OF ANY DECISION TO PURCHASE THE NOTES.

DEBT AND DEBT LIMITS

Table A-12 shows the debt of the School District, including the issuance of the Notes and the refunding of the Refunded Notes.

TABLE A-12
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
DEBT STATEMENT

NONELECTORAL DEBT	**Gross Outstanding**
Federally Taxable General Obligation Notes, Series A of 2017	$ 9,675,000.00
General Obligation Notes, Series B of 2017	29,560,000.00
General Obligation Bonds, Refunding Series of 2016	9,995,000.00
General Obligation Bonds, Refunding Series of 2016A	125,735,000.00
General Obligation Bonds, Refunding Series of 2016B	2,945,000.00
General Obligation Bonds, Refunding Series of 2015	9,955,000.00
General Obligation Bonds, Series B-1 of 2014	6,740,000.00
General Obligation Bonds, Series B-2 of 2014	20,855,000.00
General Obligation Bonds, Series C of 2014	0.00 (1)
General Obligation Note, Series of 2010	9,194,000.00
TOTAL NONELECTORAL DEBT	$224,654,000.00
LEASE RENTAL DEBT	
School Revenue Bonds, Series A of 2014	$23,705,000.00
School Revenue Bonds, Series C of 2009	0.00 (1)
TOTAL LEASE RENTAL DEBT	$23,705,000.00
TOTAL PRINCIPAL OF DIRECT DEBT	$248,359,000.00

(1) Gives effect to the refunding of such Bonds with proceeds of the Series B of 2017 Notes

Source: School District Auditors, Department of Community and Economic Development.

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Table A-13 presents the overlapping indebtedness and debt ratios of the School District.

TABLE A-13
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
BONDED INDEBTEDNESS AND OVERLAPPING DEBT*

	Par Outstanding
DIRECT DEBT	
Non Electoral Debt	$224,654,000.00
Lease Rental Debt	23,705,000.00
TOTAL DIRECT DEBT	$248,359,000.00
OVERLAPPING DEBT	
Dauphin County, General Obligation(2)	$34,733,316.00
City of Harrisburg(3)	22,849,335.00
TOTAL OVERLAPPING DEBT	57,582,657.00
TOTAL DIRECT AND OVERLAPPING DEBT	$305,941,657.00

*Includes the Notes offered through this Official Statement after the refunding of the Refunded Bonds.

(1) Gives effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current CARF. See "Commonwealth Aid to School Districts." The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the percentage of the principal amount that is to be reimbursed by the Commonwealth.

(2) Pro rata 10.81% share of $321,307,273 County of Dauphin net non-electoral and lease rental debt as of May 1, 2017 as reported by the Pennsylvania Department of Community and Economic Development.

(3) City of Harrisburg net non-electoral debt as of May 1, 2017 (excludes debt deemed self-liquidating), as reported by the Pennsylvania Department of Community and Economic Development.

Tax Anticipation Borrowing

The School District has not utilized tax and revenue anticipation borrowing in recent years. The School District contemplated the issuance of tax and revenue anticipation financing in response to the Commonwealth's fiscal year 2016 budget impasse. However, with the release of the emergency funds the School District determined that it was not necessary to further pursue this financing.

DEBT LIMITS AND REMAINING BORROWING CAPACITY OF THE SCHOOL DISTRICT

Borrowing Capacity

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

The current Borrowing Base of the School District is shown in the following Table A-14, and the current schedule of existing electoral, nonelectoral and lease rental debt is shown in Table A-13. The section "**Remaining Borrowing Capacity (Under the Local Government Unit Debt Act)"** reflects the resulting maximum levels of nonelectoral and lease rental debt which the School District will be permitted to incur after the issuance and sale of the Notes.

TABLE A-14
BORROWING BASE CALCULATION

	Fiscal Year Ended June 30		
	2014	**2015**	**2016**
Gross Revenues	$130,622,706	$131,119,080	$135,918,431
Less: Statutory Deductions			
a. Subsidy Rental and Sinking Fund Payments	2,913,756	2,905,426	2,581,414
b. Revenues Pledged for Self-Liquidating Debt	0	0	0
c. Interest on Sinking Funds	152,974	170,180	110,764
d. Grants and Gifts for Special Federally Funded Projects	0	0	0
e. Disposition of Assets and Nonrecurring Items	1,208,740	826,071	0
Net Revenues	$126,347,236	$127,217,403	$133,226,253
Total Net Revenues for Three Years			$386,790,892
Borrowing Base-Average Total Revenues for Three Year Period			$128,930,297

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

Debt Limit – 225% of Borrowing Base	$290,093,169
Less: Outstanding Net Lease Rental Debt and Net Non-Electoral Debt [(1)]	248,359,000
Current Borrowing Capacity	$41,734,169

(1) Includes the issuance of the Notes and includes the effect of the refunding of the Refunded Bonds.

Debt Service Requirements

Table A-15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Notes.

Table A-16 presents data on the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

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TABLE A-15
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG*
DEBT SERVICE REQUIREMENTS (1)

Date	SPSBA 2016A Debt Service	SPSBA 2016B Debt Service	Series 2016 Debt Service	Series 2015 Debt Service	Series 2014A Debt Service	Series 2014B-1 Debt Service	Series 2014B-2 Debt Service	Series 2017A Debt Service	Series 2017B Debt Service	QSCB Debt Service	Total Debt Service	Annual Debt Service	Estimated Subsidy	Annual Net Debt Service
2018	6,070,663	62,316	299,838	330,706	5,372,984	269,047	992,634	3,543,968	1,094,780	589,942	18,626,878	18,626,878	-1,437,610	17,189,268
2019	6,070,513	62,316	299,738	330,606	8,977,470	268,935	992,516	549,136	1,485,375	589,942	19,626,547	19,626,547	-1,522,860	18,103,687
2020	6,070,363	62,316	299,638	335,456	8,940,026	268,802	992,397	319,294	1,504,625	589,942	19,382,858	19,382,858	-1,276,965	18,105,893
2021	10,739,888	2,976,158	309,438	424,356	1,570,369	411,245	1,012,041	810,190	1,513,200	589,942	20,356,826	20,356,826	-2,258,510	18,098,316
2022	15,473,363	0	413,088	422,356	0	651,531	1,011,447	843,850	1,736,800	589,942	21,142,376	21,142,376	-3,042,746	18,099,630
2023	12,567,988	0	415,638	420,356	0	3,216,294	1,197,925	628,117	1,691,500	589,942	20,727,759	20,727,759	-2,624,747	18,103,012
2024	12,604,113	0	413,138	423,175	0	3,209,142	1,191,475	515,251	1,486,100	589,942	20,432,335	20,432,335	-2,333,487	18,098,848
2025	4,629,438	0	415,506	420,747	0	0	5,107,250	3,554,653	6,578,875	589,942	21,296,410	21,296,410	-3,197,234	18,099,176
2026	4,629,338	0	412,663	423,125	0	0	5,095,125	0	11,141,875	589,942	22,292,067	22,292,067	-4,191,714	18,100,353
2027	4,930,994	0	414,597	425,241	0	0	4,833,875	0	9,851,125	589,942	21,045,773	21,045,773	-3,908,613	17,137,160
2028	11,769,325	0	416,244	422,150	0	0	3,565,500	0	4,115,375	582,127	20,870,721	20,870,721	-3,464,882	17,405,839
2029	19,334,200	0	412,656	423,844	0	0	559,988	0	0	0	20,730,688	20,730,688	-3,168,776	17,561,911
2030	19,335,825	0	413,734	420,319	0	0	555,022	0	0	0	20,724,900	20,724,900	-3,167,755	17,557,145
2031	19,331,825	0	414,494	421,409	0	0	558,975	0	0	0	20,726,703	20,726,703	-3,168,142	17,558,561
2032	17,861,850	0	1,887,588	422,106	0	0	551,816	0	0	0	20,723,359	20,723,359	-3,161,521	17,561,838
2033	11,372,250	0	4,256,263	4,541,928	0	0	553,500	0	0	0	20,723,941	20,723,941	-3,135,707	17,588,234
2034	12,920,125	0	2,914,844	4,336,972	0	0	554,100	0	0	0	20,726,041	20,726,041	-3,142,230	17,583,811
2035	0	0	0	0	0	0	1,254,600	0	0	0	1,254,600	1,254,600	-228,839	1,025,761
2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	195,712,056	3,163,107	14,409,100	14,944,853	24,860,849	8,294,997	30,580,184	10,764,458	42,199,630	6,481,547	351,410,781	351,410,781	-48,432,338	302,978,444

(1) Totals may not add due to rounding.

TABLE A-16
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
COVERAGE OF DEBT SERVICE AND LEASE RENTAL REQUIREMENTS BY COMMONWEALTH AID (1)

2017-18 Commonwealth Aid Budgeted	$78,648,177
2017-18 Debt Service Requirements	18,626,878
Maximum Future Debt Service Requirements after Issuance of Notes	22,292,067
Coverage of 2017-18 Debt Service Requirements	3.66x
Coverage of Maximum Future Debt Service Requirements after Issuance of Notes	3.62x

(1) Assumes current Commonwealth Aid Ratio. See **"Commonwealth Aid to School Districts."**

Interest Rate Management Agreements

Since 2014, the School District has actively monitored its interest rate swap portfolio for opportunities to terminate them per their terms. A portion of the proceeds of the Series A Notes will be applied to the final termination of the School District's remaining swap. Following the closing of the Series A Notes, the School District will have no further outstanding swaps

Future Financing

The School District does not expect to issue additional long-term debt for capital projects within the next five years. The School District will consider refunding its outstanding bond issues as market conditions allow.

LABOR RELATIONS

School District Employees

There are presently 894 employees, including 561 professional employees (teachers, nurses and counselors). The professional employees are covered under a labor agreement with the Harrisburg Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract which was ratified on May 31, 2016 for a term of three years.

There are approximately 249 support staff covered under a labor agreement with the American Federation of State, County and Municipal Employees which expires on June 30, 2019. The administrative employees are covered by the Management Compensation Plan.

Pension Program

School districts in Pennsylvania are required to participate in a statewide pension program administered by the State Public School Employees Retirement Board. All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program.

Currently, each party (the employee, the School District and the Commonwealth) to the program contributes a fixed percentage of the employee's salary. Employees belonging to the Pennsylvania Public School Employees' Retirement System ("PSERS") prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined PSERS on or after July 22, 1983 contribute 6.25% of their salary. On February 17, 2002, Act 9 became effective which created a new membership class that sets the employee contribution rate at 7.50% of the employee's salary for those employees hired on or after July 22, 1983. The PSERS Board of Trustees has set the fiscal year 2017-18 employer retirement contribution rate at 32.57 percent of payroll. This contribution may increase in future fiscal years. Please see the PSERS website www.psers.state.pa.us for a description of the contribution requirements. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. Employers are divided into two groups; school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. Recent School District payments have been as follows:

2011-12	$4,375,834
2012-13	$5,352,967
2013-14	$6,436,619
2014-15	$8,768,412
2015-16	$10,646,636

The School District is current in all payments.

For the fiscal year ended June 30, 2016, the School District reported a liability of $143,374,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2015, the School District's proportion was 0.3310 percent, which was an increase of 0.0298 from its proportion measured as of June 30, 2014

PSERS is the 17th largest defined benefit pension fund in the nation. PSERS is primarily responsible for administering a defined benefit pension plan for public school employees in the Commonwealth of Pennsylvania. The rate of return on investments was 14.91% for the fiscal year ended June 30, 2014, 7.96% for the fiscal year ended June 30, 2013, and 3.43% for the fiscal year ended June 30, 2012.

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

Fiscal Year	Percentage of Payroll
2016	25.84%
2017	30.03%
2018	32.57%
2019	34.18%
2020	35.53%
2021	35.95%

As of June 30, 2016 the PSERS plan was 57.3% funded, with an unfunded actuarial accrued liability of approximately $42.7 billion. For more information, visit the PSERS website at http://www.psers.state.pa.us.

Source: School District Administrative Officials and PSERS website.

Pension Reform Legislation Update

On June 12, 2017, Senate Bill 1 ("SB 1") was signed into law by the Governor, effective immediately. SB 1 amends the Public School Employees' Retirement Code and the State Employees' Retirement Code to require that all school employees hired after July 1, 2019 (PSERS) and most state employees hired after January 1, 2019 (SERS) select one of three new plan design options for retirement benefits. The new plan design options include two hybrid options, which have both a defined benefit ("DB") component and a defined contribution ("DC") component, as well as a standalone DC plan option. A brief summary of the three pension design plan options follows. The descriptions identify the three main parameters of the plans: (1) the employee contribution rate, (2) the employer contribution rate and (3) the benefit accrual rate, or multiplier. A full detailed copy of the SB 1 legislation can be found at www.legis.state.pa.us.

Option 1: Default Side-by-Side Hybrid Plan

If no election is made from the three options, new school employees become members of "Class T-G," and most new state employees become members of "Class A-5." Members of these classes participate in both a DB and DC plan. Under this option:

- Employees contribute a total of 8.25% of compensation, which would be divided between the DB and DC components as follows: PSERS members 5.5% (DB) and 2.75% (DC); SERS members 5.0% (DB) and 3.25% (DC).
- For the DB component, the employer contribution rate would be actuarially determined. For the DC component, the employer contribution rate is 2.25% of compensation.

- A multiplier of 1.25% applies to the DB component of the plans.

Option 2: Alternative Side-by-Side Hybrid Plan

New members may elect an alternative side-by-side hybrid benefit plan. Under this new plan, new school employees become members of "Class T-H," and most new state employees become members of "Class A-6." The DB component contains lower employee contribution and benefit accrual rates, and the DC component contains a lower employer contribution rate. Under this option:

- Employees contribute a total of 7.5% of compensation, which would be divided between the DB and DC components as follows: PSERS members 4.5% (DB) and 3.0% (DC); SERS members 4.0% (DB) and 3.5% (DC).
- For the DB component, the employer contribution rate would be actuarially determined. For the DC component, the employer contribution rate is 2.0% of compensation.
- A multiplier of 1.0% applies to the DB component of the plans.

Option 3: Stand-alone Defined Contribution Plan

In lieu of the hybrid plans, the bill provides for a stand-alone DC benefit plan. This plan would not include a DB component, and is similar to the federal government's Thrift Savings Plan or 401(k) plans. New school employees and most new state employees would contribute 7.5% of compensation with an employer contribution of 2.0% (PSERS) or 3.5% (SERS).

Other Post-Employment Benefits ("OPEB")

The District's annual other post-employment benefit ("OPEB") cost is calculated based on the annual required contribution ("ARC"), and the amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. GASB Statement No. 45 was implemented prospectively; therefore, the net OPEB obligation at transition is $0.

The following table provides the District's annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB asset:

TABLE A-17
THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG
OTHER POST-EMPLOYMENT BENEFITS

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Liability
June 30, 2016	$1,893,783	$1,802,044	$1,698,209	94.24%	($3,206,573)
June 30, 2015	1,625,736	1,802,044	1,922,214	90.22%	(3,010,998)
June 30, 2014	2,648,013	2,511,705	1,774,199	70.64%	(2,740,000)
June 30, 2013	2,649,062	2,511,705	2,662,776	106.01%	(1,866,586)
June 30, 2012	2,726,142	2,676,058	2,653,508	99.16%	(1,880,300)
June 30, 2011	2,733,136	2,676,058	2,178,430	81.04%	(1,265,933)
June 30, 2010	1,955,360	1,944,568	3,617,315	186.03%	(662,656)

The actuarial valuation of the plan as of July 1, 2014 is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
$--	$14,063,577	$14,063,577	0.00%	$40,041,296	35.12%

Source: School District audited financial statements

LITIGATION REGARDING FEDERAL COMMUNICATIONS COMMISSION

In 2002, the School District's Director of Information Technology was involved in fraudulent activities related to the purchase of certain telecommunications and technology equipment. This equipment was purchased through a federal program which significantly subsidized its cost to the School District. The School District discovered that false invoices had been submitted to the federal government by the then Director of Information Technology, and the School District reported this to law enforcement and federal officials. Legal action was filed against the Director of Information Technology and the vendor seeking criminal charges and restitution, with both pleading guilty.

The federal government filed action in 2007 to recover approximately $2.9 million in subsidies from the School District. The School District retained legal counsel to defend against this action. An appeal to the Federal Communications Commission to review the case was denied in December 2016. However, in January 2017, the School District's legal counsel filed a request to review the appeal for this matter. As of this time the amount of restitution potentially to be paid by the School District has not been determined, but based upon the School District's assessment, funds have been reserved and provision recorded. See also: "Note O – Commitments and Contingencies – Litigation" found in the School District's Financial Statements in Appendix B, hereto.

APPENDIX B

SCHOOL DISTRICT SINGLE AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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HARRISBURG CITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION AND SINGLE AUDIT INFORMATION

JUNE 30, 2016

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CONTENTS

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CONTENTS - continued

**Gold underlines represent hyperlinks*

Stambaugh Ness, PC

Board of School Directors
Harrisburg City School District

We have performed the Single Audit of the Harrisburg City School District for the year ended June 30, 2016, and will submit the audit report electronically to the Federal Clearinghouse.

The Single Audit was done to fulfill the requirements of the Office of Management and Budget's (OMB) Uniform Grant Guidance (and OMB Circular A-133). The audit included an examination of the systems of control, systems established to ensure compliance with laws and regulations affecting the expenditures of federal funds, financial transactions and accounts and financial statements and report of the District.

A Memorandum of Advisory Comments document has been issued separately, identifying comments for management's consideration.

Stambaugh Ness, PC

York, Pennsylvania
March 9, 2017

A Professional Corporation

HARRISBURG CITY SCHOOL DISTRICT
DISTRIBUTION REPORT
JUNE 30, 2016

Number of Copies	To:
1	Clerk of Courts
20	District
21	Total Number of Copies

Stambaugh Ness, PC

INDEPENDENT AUDITORS' REPORT

Board of School Directors
Harrisburg City School District

Report on the Financial Statements

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 Harrisburg City School District (the District) , as of, and for the year ended, June 30, 2016, and the related notes to the financial statements, which collectively comprise Harrisburg City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Harrisburg City School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Harrisburg City School District, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress on pages 9 through 19 and 69 through 73 and 77 through 78 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harrisburg City School District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Uniform Grant Guidance (and OMB Circular A-133), Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters - continued

Other Information - continued

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards 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 nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2017 on our consideration of Harrisburg City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Harrisburg City School District's internal control over financial reporting and compliance.

Stambaugh Ness, PC

York, Pennsylvania
March 9, 2017

HARRISBURG CITY SCHOOL DISTRICT

Administration Building
1601 State Street
Harrisburg, PA 17103
Telephone (717) 703-4024
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Members of the Board of School Directors
Harrisburg City School District

This section of the Harrisburg City School District's annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. This discussion and analysis should be read in conjunction with the District's accompanying financial statements, which immediately follow this section.

Background

Based on the volume of the Harrisburg City School District's annual expenditures, the District's financial statements are required to meet the GASB 34 Accounting Standards. Where previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital asset depreciation and no reports of combined net position, GASB 34 requires fixed asset accounting, properly combining of multiple funds and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities.

Financial Highlights

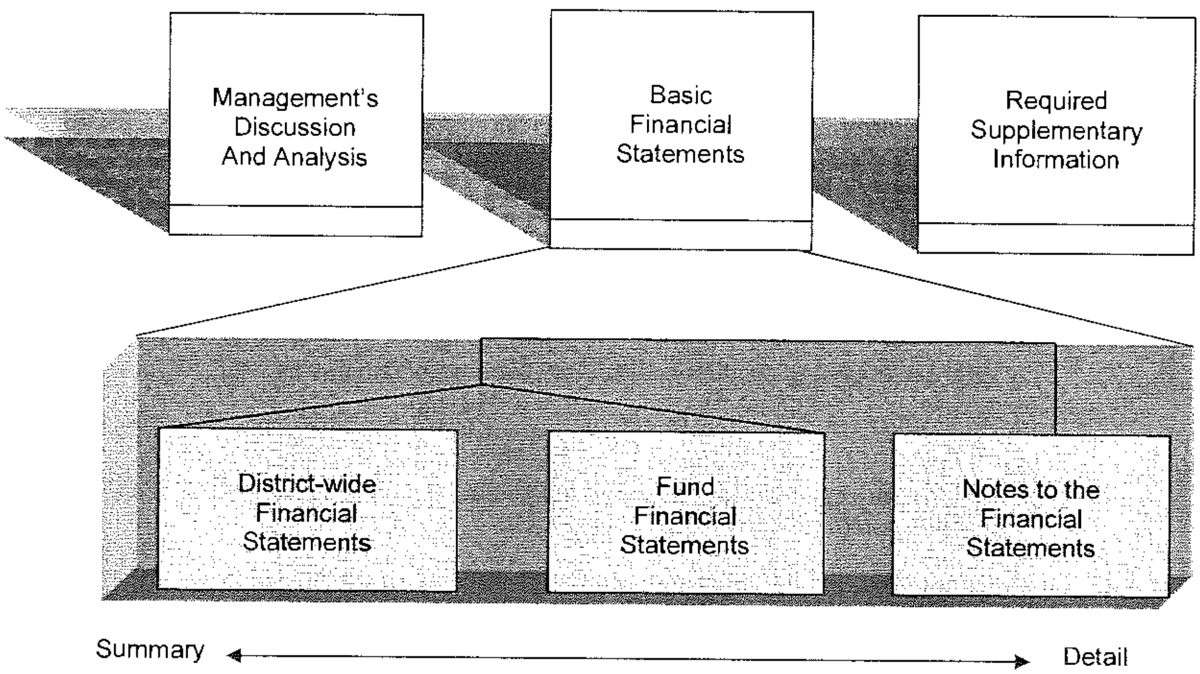
- Total net position of ($174,157,280).
- The total fund balance of all governmental funds equaled positive $38,642,031.
- Unassigned general fund balance equaled positive $6,444,096.
    - Total actual general fund revenues were over the final budget by $240,277 or 0.18%.
    - Total actual general fund expenditures were over the final budget by $4,223,853 or 3.71%.
- The total governmental activities operating grants and contributions amounted to $15,575,842 or 11.13% of the governmental activities expenditures.
- The net position of business-type activities - Food Services - at June 30, 2016, totaled ($3,529,635) with revenues of $5,223,072 and expenditures of $4,367,106.
- The total capital assets, net of accumulated depreciation, for government activities - primarily general fund, capital project funds and capital reserve fund - totaled $180,722,012.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements which present different views of the District. The first two statements are District-wide Financial Statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements. The governmental funds statements indicate how basic services such as regular and special education were financed in the short-term as well as indicate future spending plans. Proprietary fund statements offer short and long-term financial information about the activities the District operated like a business, such as the food service operation. Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds or scholarship funds.

The financial statements also include notes that explain information in the statements as well as provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1 Organization of HARRISBURG CITY SCHOOL DISTRICT Annual Financial Report



Overview of the Financial Statements - continued

Figure A-2 summarizes the major features of the District's financial statement. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements		
	District-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District which are not proprietary or fiduciary, such as general operating and capital projects.	Activities the District operates similar to private businesses, such as food services.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	General assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, consideration needs to be given to additional non-financial factors, such as changes in the District's property tax base and the condition or need for improvements or expansion to existing school facilities.

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

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes, along with state aid formula, finance most of these activities.

- **Business-type Activities:** The District charges fees to cover the cost of certain services such as the Food Service program.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. These statements focus on the District's most significant or "major" funds - not the District as a whole. Funds are accounting components that the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The District has three types of funds as follows:

Governmental Funds: Most of the District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, the financial statements include reconciliations that explain the relationship (or differences) between them.

Proprietary Funds: Services for which the District charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the District-wide financial statements. The District's Enterprise Fund (one type of proprietary fund) is the same as Business-Type Activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the Food Service Fund.

Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship Funds or Student Activity Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities for the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Figure A-3

Condensed Statement of Net Assets (Deficiency)

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and Other Assets	$ 91,785,954	$ 105,832,621	$ 892,496	$ 2,233,248	$ 92,678,450	$ 108,065,869
Capital Assets	181,607,907	180,722,012	56,500	75,504	181,664,407	180,797,516
Total Assets and Deferred Outflows of Resources	273,393,861	286,554,633	948,996	2,308,752	274,342,857	288,863,385
Current Liabilities	22,447,208	33,892,410	1,199,084	2,168,320	23,646,292	36,060,730
Total Non-Current Liabilities and Deferred Inflows of Resources	419,838,004	423,289,868	4,135,513	3,670,067	423,973,517	426,959,935
Total Liabilities and Deferred Inflows of Resources	442,285,212	457,182,278	5,334,597	5,838,387	447,619,809	463,020,665
Net Position						
Invested in Capital Assets, Net of Related Debt	(83,883,824)	(80,701,215)	56,500	75,504	(83,827,324)	(80,625,711)
Restricted for Debt Service	5,976,683	6,987,748	-	-	5,976,683	6,987,748
Unrestricted	(90,984,210)	(96,914,178)	(4,442,101)	(3,605,139)	(95,426,311)	(100,519,317)
Total Net Position	$ (168,891,351)	$ (170,627,645)	$ (4,385,601)	$ (3,529,635)	$ (173,276,952)	$ (174,157,280)

The net position decreased by $880,328 for the current fiscal year. Issues that significantly affect the net position decrease in fiscal year 2015-2016 were the following:

- Net expense for governmental activities was $122,789,105.
- General revenue which includes taxes, grants and subsidies, investment earnings and miscellaneous was $121,052,811.
- Business-Type Activities (Food Service) had a total increase in net position of $855,966.

The District's total revenues for the fiscal year were $143,455,846. Property taxes and other taxes levied for general purposes continue to account for most of the District's revenue in the amount of $52,690,986 or 37% of total revenues. Another 48% or $68,587,277 came from state formula aid, such as basic education and student transportation subsidies. Approximately 14% or $20,678,773 came from operating and capital grants and contributions, with the remainder coming from fees charged for services and other miscellaneous sources, netted with any refunds of prior year revenue.

The cost of all programs and services was $144,336,174. The District expenses are predominately related to instructing, caring for (instructional support services & operation/maintenance of school facilities) and transporting students, which represents 81% or $117,404,473 of total expenses. (See Figures A-4 through A-8)

Financial Analysis of the District as a Whole - continued

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities		Business-Type Activities		Total	
	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016
Revenues						
Charges for services	$ 1,606,038	$ 1,604,121	$ 110,397	$ 120,141	$ 1,716,435	$ 1,724,262
Operating grant contributions	25,651,321	15,575,842	4,629,766	5,102,931	30,281,087	20,678,773
Property tax and other taxes levied for general purposes	51,042,665	52,690,986	-	-	51,042,665	52,690,986
Unrestricted grants, subsidies and contributions	54,096,006	68,587,277	-	-	54,096,006	68,587,277
Other	2,017,467	(225,452)	-	-	2,017,467	(225,452)
Total Revenues	134,413,497	138,232,774	4,740,163	5,223,072	139,153,660	143,455,846
Expenses						
Instruction	72,558,196	82,546,662			72,558,196	82,546,662
Instructional student support	5,991,176	7,154,084			5,991,176	7,154,084
Administrative and financial support	9,250,567	11,375,961			9,250,567	11,375,961
Operational and maintenance of plant	10,296,625	12,809,770			10,296,625	12,809,770
Pupil Transportation	3,221,636	3,517,996			3,221,636	3,517,996
Student activities	616,067	684,953			616,067	684,953
Central and other support services	7,039,907	5,999,144			7,039,907	5,999,144
Community services	425,747	679,082			425,747	679,082
Interest/fiscal charges on long-term debt	12,565,720	15,201,416			12,565,720	15,201,416
Food Service	-	-	4,510,434	4,367,106	4,510,434	4,367,106
Total Expenses	$ 121,965,641	$ 139,969,068	$ 4,510,434	$ 4,367,106	126,476,075	144,336,174
Change in Net Position					$ 12,677,585	$ (880,328)

Financial Analysis of the District as a Whole - continued

Figure A-5

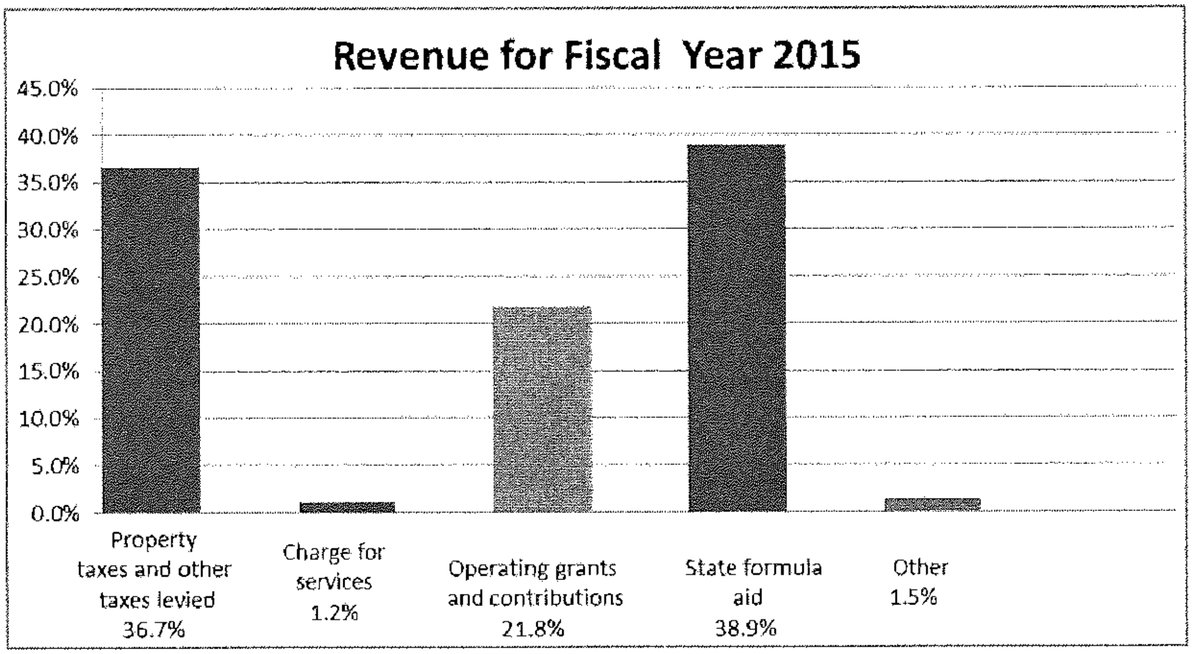
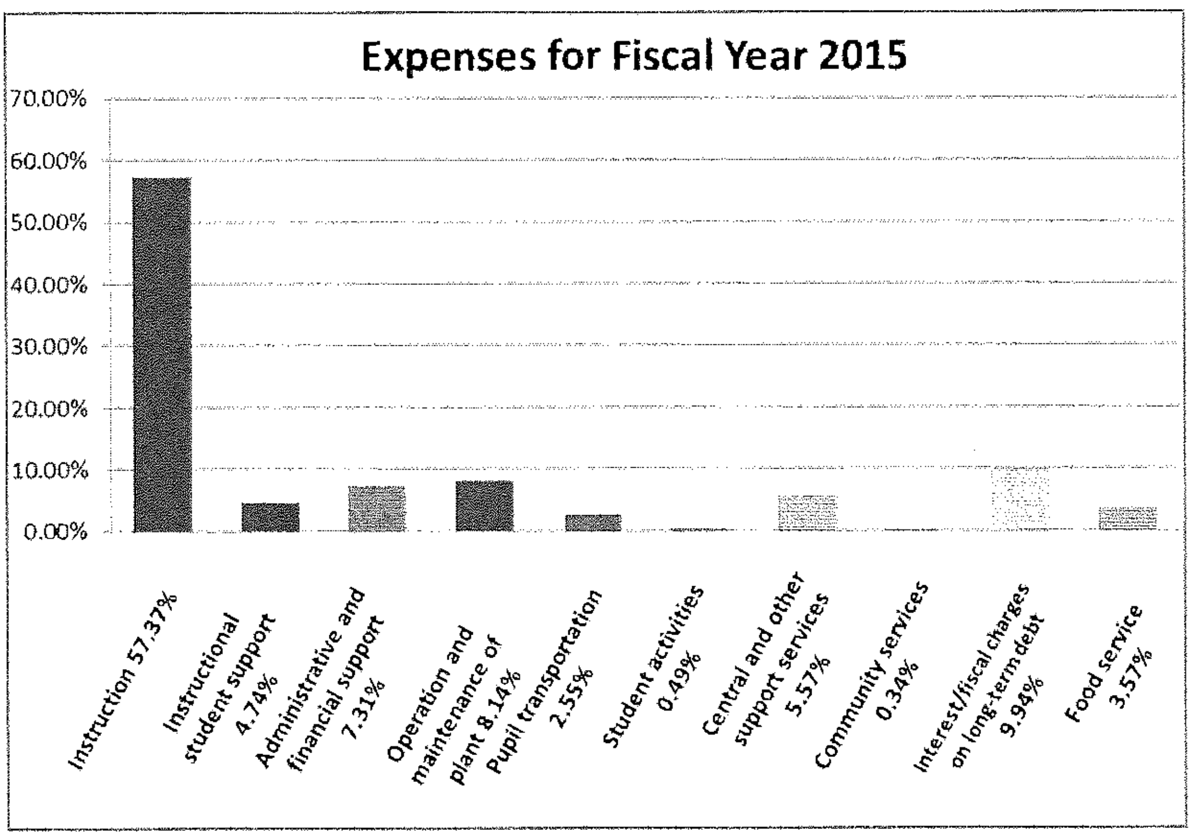


Figure A-6



Financial Analysis of the District as a Whole - continued

Figure A-7

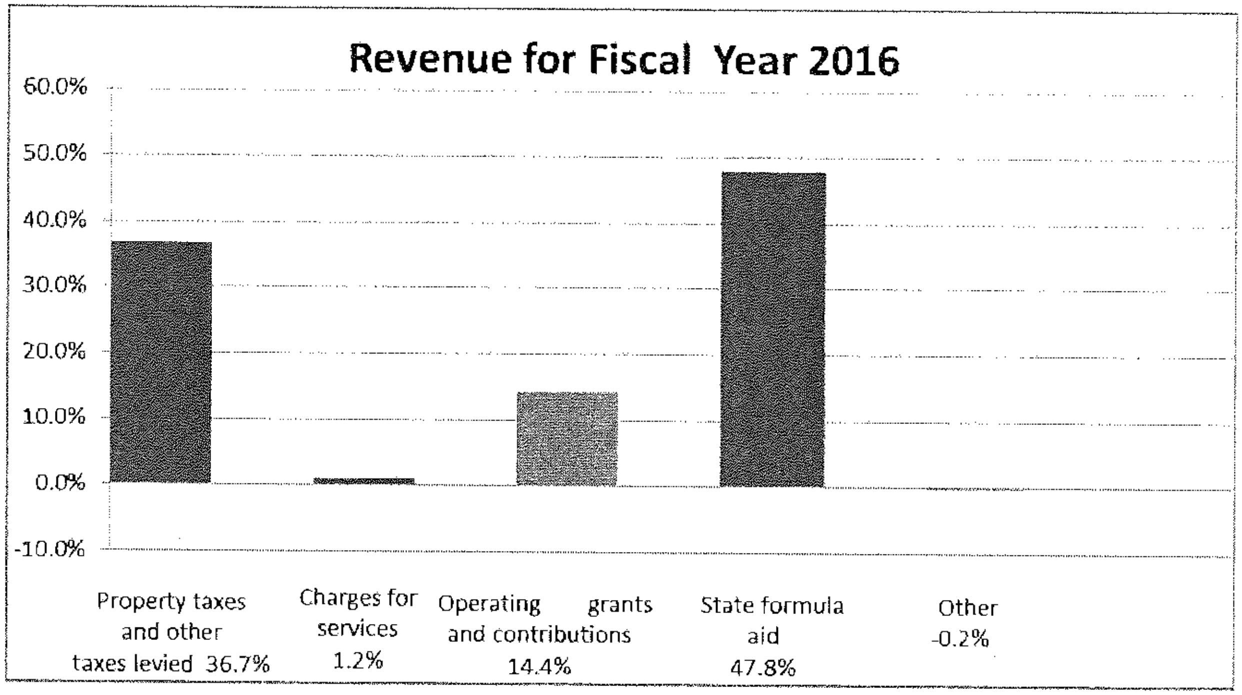
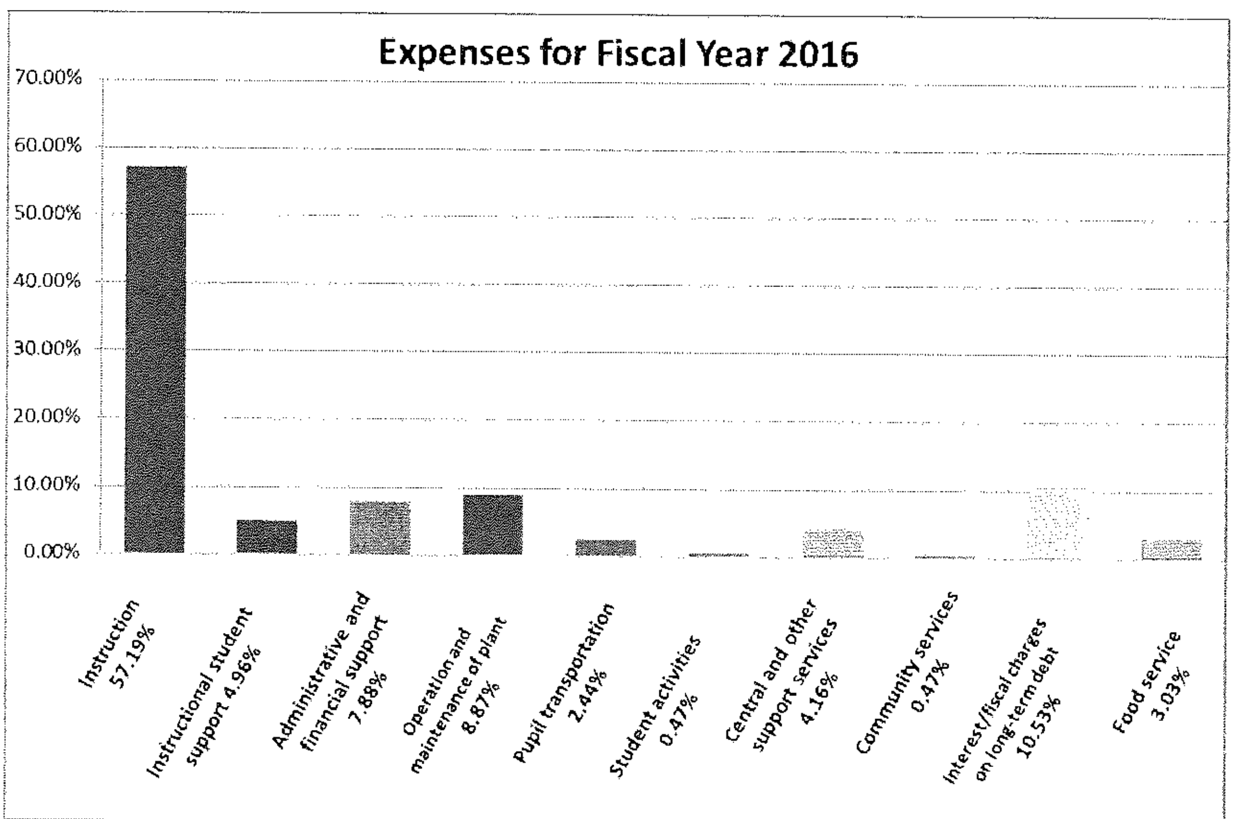


Figure A-8



Financial Analysis of the District as a Whole - continued

Figure A-9 presents the cost of six (6) major District activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. The net cost of governmental activities increased by 29.7% to $122,789,105.

Figure A-9

	Total Cost of Services 2015	Total Cost of Services 2016	Percent of Change 2015-2016	Net Cost of Services 2015	Net Cost of Services 2016	Percent of Change 2015-2016
Instruction	$ 72,558,196	$ 82,546,662	13.8%	$ 54,098,299	$ 69,403,014	28.3%
Instructional Student Suppor	5,991,176	7,154,084	19.4%	2,335,986	3,960,897	69.6%
Administrative & Financial Support Services	9,250,567	11,375,961	23.0%	8,398,010	11,334,548	35.0%
Operational & Maintenance of Plant Services	10,296,625	12,809,770	24.4%	8,528,320	12,805,765	50.2%
Pupil Transportation	3,221,636	3,517,996	9.2%	1,902,758	3,503,676	84.1%
Other	20,647,441	22,564,595	9.3%	19,444,909	21,781,205	12.0%
Total	$ 121,965,641	$ 139,969,068	14.8%	$ 94,708,282	$ 122,789,105	29.7%

Financial Analysis of the District

At the end of the fiscal year 2016; governmental funds had total positive fund balance of $38,642,031. The ending fund balance for the General Fund was $30,172,327, of which $6,444,096 is unassigned and $402,381 is committed for a reserve for athletics and band. Fund balance has also been assigned in the General Fund for health insurance stabilization, future PSERS increases, debt service increases, capital improvements, delinquent tax initiatives, professional development, and information technology improvements. The fund balance from the Debt Service fund was $7,158,983 and fund balance from the non-major funds was $1,310,721.

The business-type activities resulted in an increase in net position of $855,966. In addition to the District-wide financial statement, Food Services are reported in greater detail in the proprietary fund statements.

General Fund Budgetary Highlights

While the District final budget for the general fund anticipated an increase in fund balance of $1,414,954, the actual results for the year reflected a use of or decrease of Fund Balance in the amount of $3,691,873.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2016, the District had net investments of $180,797,516 in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture and equipment. (See Figure A-10.) The District placed $6,951,790 of capital assets into service during the year.

Figure A-10

Capital Assets (net of depreciation)

	Governmental Activities 2015	Governmental Activities 2016	Business-type Activities 2015	Business-type Activities 2016	Total 2015	Total 2016	Percentage Change 2015-2016
Land and site improvements	$ 13,614	$ 13,614	$ -	$ -	$ 13,614	$ 13,614	0.00%
Building and building improvements	243,719,986	245,623,619	-	-	243,719,986	245,623,619	0.78%
Furniture and equipment	36,344,851	37,860,681	1,478,245	1,507,006	37,823,096	39,367,687	4.10%
Construction in progress	1,822,411	3,422,344	-	-	1,822,411	3,422,344	87.80%
Accumulated depreciation	(100,292,955)	(106,198,246)	(1,421,745)	(1,431,602)	(101,714,700)	(107,629,848)	5.82%
Total	$ 181,607,907	$ 180,722,012	$ 56,500	$ 75,404	$ 181,664,407	$ 180,797,416	-0.48%

Outstanding Long-Term Debt

At year-end, the District has $262,748,000 in general obligation bonds and other long-term debt outstanding. More detailed information about the District's long-term liabilities is presented in Note G to the financial statements.

Figure A-11

Outstanding Long-Term Debt

	Totals 2015	Totals 2016	Percent of Change 2015-2016
Debt outstanding at beginning of year	$272,793,000	$266,428,000	-2.3%
Additional Debt During Year	-	19,955,000	100.0%
Retirement and Repayments	(6,365,000)	(23,635,000)	271.3%
Debt outstanding at end of year	$266,428,000	$262,748,000	-1.4%

Factors Impacting on the District's Future

- On December 12, 2012, the Harrisburg City School District was declared to be in a state of moderate fiscal distress under the terms of the Commonwealth's Act 141 of 2012. This designation led to the appointment of a Chief Recovery Officer (CRO). The CRO was charged with developing a Recovery Plan for the District that stabilized its finances while providing for academic improvement. The Recovery Plan was issued on April 26, 2013. The District's Board approved the plan on May 17, 2013 and it was approved by the Secretary of Education on May 31, 2013. The District's Board and Administration has worked diligently to address the various initiatives identified within the Recovery Plan. The Chief Recovery Officer is continuing to work with the District.

- Pennsylvania School Employees Retirement System (PSERS) projections indicate that employer contribution rates will increase to 30.03% of qualified retirement wages in 2016-2017, a 16.22% increase and continue to rise for several years thereafter. In November 2010, the State Legislature passed Act 120 of 2010, which established rate caps for the employer contributions. Future increases are capped at 4.5% of the prior year's rate plus the premium assistance contribution rate.

- 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 decline. The Commonwealth of Pennsylvania provided 52.7% of total revenue sources to fund cost supporting the District's educational programs during fiscal year 2016. Local sources, primarily property taxes support 38.8% of the cost for educational cost and services in Harrisburg City School District. Federal grants and other sources of revenue provide 8.5% of the funds to support programs and services provided by the District.

- In recognition of a continuing decline in State and Federal funding for public education and a limited local tax base, the District has undertaken cost cutting measures to systematically reduce the District's budget.

- The District has assigned fund balance to address a variety of future budgetary concerns - health insurance costs, PSERS increases, debt service increases, capital improvements and information technology improvements.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Harrisburg City School District, 1601 State Street, Harrisburg, PA 17103.

Respectfully submitted,

Sybil Knight-Burney, ED. D. Superintendent	William Gretton, Interim Chief Financial Officer	Kenneth Medina, Business Manager

HARRISBURG CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	$ 16,806,906	$ 1,763	$ 16,808,669
Investments	17,832,436	-	17,832,436
Taxes receivable, net	11,934,948	-	11,934,948
Internal balance	1,758,034	-	1,758,034
Due from other governments	11,744,196	1,666,481	13,410,677
Other receivables	706,443	22,601	729,044
Prepaid expenses	5,485	-	5,485
Inventories	62,331	60,236	122,567
Total current assets	60,850,779	1,751,081	62,601,860
NONCURRENT ASSETS			
Sinking fund investments	6,986,178	-	6,986,178
Bond discounts, net	3,125,141	-	3,125,141
Prepaid bond insurance, net	1,267,157	-	1,267,157
Land and site improvements, net	13,614	-	13,614
Building and building improvements, net	174,029,361	-	174,029,361
Furniture and equipment, net	3,256,693	75,504	3,332,197
Construction in progress	3,422,344	-	3,422,344
Total noncurrent assets	192,100,488	75,504	192,175,992
Total assets	252,951,267	1,826,585	254,777,852
DEFERRED OUTFLOWS OF RESOURCES	33,603,366	482,167	34,085,533
	$ 286,554,633	$ 2,308,752	$ 288,863,385

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES			
Internal balance	$ 32,779	$ 1,701,857	$ 1,734,636
Accounts payable	10,041,499	325,497	10,366,996
Accrued interest	1,390,889	-	1,390,889
Current portion of long-term debt	13,078,313	-	13,078,313
Current portion of compensated absences	152,324	-	152,324
Accrued salaries and benefits	9,196,606	140,966	9,337,572
Total current liabilities	33,892,410	2,168,320	36,060,730
NONCURRENT LIABILITIES			
Long-term debt net of current portion	249,669,687	-	249,669,687
Pension liability	140,187,749	3,186,251	143,374,000
Premium on issue of swap	1,513,038	-	1,513,038
Premium on bond issue	1,800,368	-	1,800,368
Compensated absences	2,099,549	12,698	2,112,247
Derivative instruments - SWAP	12,389,106	-	12,389,106
Other post-employment benefits liability	3,025,049	181,523	3,206,572
Total noncurrent liabilities	410,684,546	3,380,472	414,065,018
Total liabilities	444,576,956	5,548,792	450,125,748
DEFERRED INFLOWS OF RESOURCES	12,605,322	289,595	12,894,917
NET POSITION			
Restricted for debt service	6,987,748	-	6,987,748
Net investment in capital assets	(80,701,215)	75,504	(80,625,711)
Unrestricted	(96,914,178)	(3,605,139)	(100,519,317)
Total net position	(170,627,645)	(3,529,635)	(174,157,280)
	$ 286,554,633	$ 2,308,752	$ 288,863,385

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Instruction	$ 82,546,662	$ 1,410,658	$ 11,732,990	$ (69,403,014)	$ -	$ (69,403,014)
Instructional student support	7,154,084	-	3,193,187	(3,960,897)	-	(3,960,897)
Administrative and financial support services	11,375,961	-	41,413	(11,334,548)	-	(11,334,548)
Operation and maintenance of plant services	12,809,770	-	4,005	(12,805,765)	-	(12,805,765)
Pupil transportation	3,517,996	-	14,320	(3,503,676)	-	(3,503,676)
Student activities	684,953	41,083	4,264	(639,606)	-	(639,606)
Central and other support services	5,999,144	-	58,374	(5,940,770)	-	(5,940,770)
Community services	679,082	152,380	527,289	587	-	587
Debt service	15,201,416	-	-	(15,201,416)	-	(15,201,416)
Total governmental activities	139,969,068	1,604,121	15,575,842	(122,789,105)	-	(122,789,105)
BUSINESS-TYPE ACTIVITIES						
Food service	4,367,106	120,141	5,102,931	-	855,966	855,966
Total primary government	$ 144,336,174	$ 1,724,262	$ 20,678,773	(122,789,105)	855,966	(121,933,139)
GENERAL REVENUES						
Taxes				52,690,986	-	52,690,986
Grants, subsidies and contributions not restricted				68,587,277	-	68,587,277
Investment earnings				110,764	-	110,764
Refund of prior year revenues				(336,216)	-	(336,216)
				121,052,811	-	121,052,811
CHANGE IN NET POSITION				(1,736,294)	855,966	(880,328)
NET POSITION - BEGINNING - restated				(168,891,351)	(4,385,601)	(173,276,952)
NET POSITION - ENDING				$ (170,627,645)	$ (3,529,635)	$ (174,157,280)

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

ASSETS

	General Fund	Debt Service Funds	Non-major Funds	Total Governmental Funds
Cash and cash equivalents	$ 15,290,152	$ 172,805	$ 1,343,949	$ 16,806,906
Investments	17,832,436	-	-	17,832,436
Taxes receivable, net	11,934,948	-	-	11,934,948
Due from other funds	1,758,034	-	-	1,758,034
Due from other governments	11,744,196	-	-	11,744,196
Other receivables	706,443	-	-	706,443
Prepaid expenses	5,485	-	-	5,485
Inventories	62,331	-	-	62,331
Sinking fund investments	-	6,986,178	-	6,986,178
	$ 59,334,025	$ 7,158,983	$ 1,343,949	$ 67,836,957

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

	General Fund	Debt Service Funds	Non-major Funds	Total Governmental Funds
LIABILITIES				
Accounts payable	$ 10,041,050	$ -	$ 449	$ 10,041,499
Due to other funds	-	-	32,779	32,779
Accrued salaries and benefits	9,196,606	-	-	9,196,606
Total liabilities	19,237,656	-	33,228	19,270,884
DEFERRED INFLOWS OF RESOURCES	9,924,042	-	-	9,924,042
FUND BALANCES				
Nonspendable:				
Interfund receivable	1,758,034	-	-	1,758,034
Prepaid expenses	5,485	-	-	5,485
Reserve for inventories	62,331	-	-	62,331
Restricted:				
2002 QZAB	-	4,798,950	-	4,798,950
2010 Debt service fund	-	2,188,798	-	2,188,798
Committed:				
Athletics and band reserve	402,381	-	-	402,381
2009 Debt series	-	83,491	-	83,491
2014 Debt series	-	87,744	-	87,744
Assigned:				
Special revenue fund	-	-	1,066,527	1,066,527
Employee incentives	1,000,000	-	-	1,000,000
Capital improvements	7,000,000	-	244,194	7,244,194
PSERS increases	3,000,000	-	-	3,000,000
Delinquent tax initiative	1,000,000	-	-	1,000,000
Health insurance stabilization	3,000,000	-	-	3,000,000
Debt service increases	2,500,000	-	-	2,500,000
Information Technology improvements	3,000,000	-	-	3,000,000
Professional development	1,000,000	-	-	1,000,000
Unassigned:				
General fund	6,444,096	-	-	6,444,096
Total fund balances	30,172,327	7,158,983	1,310,721	38,642,031
	$ 59,334,025	$ 7,158,983	$ 1,343,949	$ 67,836,957

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 38,642,031
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred inflows and outflows of resources related to the District's pension liability are applicable to future periods and, therefore are not reported within the funds.		
Deferred inflows		(12,442,207)
Deferred outflows		21,214,260
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is $286,920,258 and the accumulated depreciation is $106,198,246.		180,722,012
Taxes receivable that are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds, net of allowance.		9,760,927
To record other post-employment benefits (OPEB)		(3,025,049)
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the long-term liabilities at year end consist of:		
Bonds payable	$ (262,748,000)	
Pension liability	(140,187,749)	
Accrued interest on the bonds	(1,390,889)	
Prepaid bond insurance (net of accumulated amortization)	1,267,157	
Bond discounts (net of accumulated amortization)	3,125,141	
Premium on issue of SWAP	(1,513,038)	
Premium on bond issue	(1,800,368)	
Compensated absences	(2,251,873)	
		(405,499,619)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ (170,627,645)

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Debt Service Funds	Non-Major Funds	Total Governmental Funds
REVENUES				
Local sources	$ 52,756,812	$ 169,942	$ 3,228	$ 52,929,982
State sources	71,581,888	-	-	71,581,888
Federal sources	11,579,731	-	-	11,579,731
Total revenues	135,918,431	169,942	3,228	136,091,601
EXPENDITURES				
Instruction	80,891,880	-	-	80,891,880
Support services	35,793,968	-	-	35,793,968
Noninstructional services	1,253,039	-	-	1,253,039
Facility acquisition and improvement	-	-	3,894,617	3,894,617
Debt service (principal, interest and fees)	35,046	38,910,862	-	38,945,908
Total expenditures	117,973,933	38,910,862	3,894,617	160,779,412
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,944,498	(38,740,920)	(3,891,389)	(24,687,811)
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term debt	-	19,955,000	-	19,955,000
Gain on liquidation of SWAP	2,092,000	-	-	2,092,000
Transfers in	-	20,213,030	3,600,000	23,813,030
Transfers out	(23,392,155)	(420,875)	-	(23,813,030)
Refunds of prior years receipts	(336,216)	-	-	(336,216)
Total other financing sources (uses)	(21,636,371)	39,747,155	3,600,000	21,710,784
NET CHANGE IN FUND BALANCES	(3,691,873)	1,006,235	(291,389)	(2,977,027)
FUND BALANCE - BEGINNING	33,864,200	6,152,748	1,602,110	41,619,058
FUND BALANCE - ENDING	$ 30,172,327	$ 7,158,983	$1,310,721	$ 38,642,031

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (2,977,027)
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 these assets is allocated to expense over their estimated useful lives as depreciation expense.		
Depreciation expense	$ (5,905,291)	
Capital outlays	1,515,830	
Construction in progress	3,503,566	
		(885,895)
Because some 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 tax revenues increased by this amount this year.		2,477,389
Debt proceeds are recorded as revenues in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.		(19,955,000)
Repayment of bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		23,635,000
Payments on the premium on SWAP issue are recorded in the governmental funds, the premium is being amortized and interest expense is being recorded on the premium amount. The SWAP premium decreased this year by this amount.		131,568
Interest on serial bonds is recorded in the governmental funds when paid, but the Statement of Activities records interest expense as it is incurred. Accrued interest increased by this amount this year.		(325,459)

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - continued
YEAR ENDED JUNE 30, 2016

To record the change in other post-employment benefits (OPEB) liability.	(195,913)
The District's pension contributions are reported in the governmental funds as expenditures; however in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported is reported as pension expense.	
Increase in deferred outflow related to pensions	12,536,118
Increase in deferred inflow related to pensions	11,023,859
Increase in net pension liability	(24,231,761)
Bond insurance costs and discounts are recorded as expenditures in the governmental funds, but are recorded as long-term assets in the Statement of Net Assets and amortized over the term of the bonds. Current bond insurance costs are as follows:	
Current year bond premium amortization	79,420
Capitalization of new prepaid insurance	123,500
Current year prepaid insurance amortization	(99,375)
Capitalization of new bond discounts	481,557
Current year bond discounts amortization	(177,474)
Accrued compensated absences are not recorded as expenditures in the governmental funds, but are in the Statement of Activities. Accrued compensated absences increased by this amount this year.	(431,657)
GASB 53 measurement of change in fair value of SWAP	(2,945,144)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (1,736,294)

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION -
PROPRIETARY FUND
JUNE 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Food Service Fund
CURRENT ASSETS	
Cash	$ 1,763
Other receivables	22,601
Due from other governments	1,666,481
Inventories	60,236
Total current assets	1,751,081
NONCURRENT ASSETS	
Property, plant and equipment, net	75,504
Total assets	1,826,585
DEFERRED OUTFLOWS OF RESOURCES	482,167
Total assets and deferred outflows of resources	$ 2,308,752

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Food Service Fund
CURRENT LIABILITIES	
Accounts payable	$ 325,497
Due to other funds	1,701,857
Accrued salaries and benefits	140,966
Total current liabilities	2,168,320
NONCURRENT LIABILITIES	
Compensated absences	12,698
Other post-employment benefits	181,523
Pension liability	3,186,251
Total noncurrent liabilities	3,380,472
Total liabilities	5,548,792
DEFERRED INFLOWS OF RESOURCES	289,595
NET POSITION	
Invested in capital assets, net of related debt	75,504
Unrestricted	(3,605,139)
Total net position	(3,529,635)
Total liabilities, deferred inflows of resources and net position	$ 2,308,752

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	Food Service Fund
OPERATING REVENUES	
Food service revenue	$ 120,141
OPERATING EXPENSES	
Salaries	966,331
Employee benefits	69,774
Purchased professional service	673,408
Purchased property service	84,773
Other purchased service	879
Supplies	2,562,085
Depreciation	9,856
Total operating expenses	4,367,106
OPERATING LOSS	(4,246,965)
NONOPERATING REVENUES	
Local sources	63,111
State sources	425,086
Federal sources	4,358,070
USDA donated commodities	256,664
Total nonoperating revenues	5,102,931
CHANGE IN NET POSITION	855,966
NET POSITION - BEGINNING	(4,385,601)
NET POSITION - ENDING	$ (3,529,635)

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	$ 150,879	
Cash payments to employees for services	(1,716,052)	
Cash payments to suppliers for goods and services	(3,246,672)	
Net cash from operating activities		$ (4,811,845)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants and subsidies received for non-operating activities:		
Increase in due to General Fund	884,165	
Local	63,111	
State	376,055	
Federal	3,511,950	
Net cash from noncapital financing activities		4,835,281
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(28,761)	
Net cash used by capital financing activities		(28,761)
NET CHANGE IN CASH		(5,325)
CASH - BEGINNING OF YEAR		7,088
CASH - END OF YEAR		$ 1,763
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss		$ (4,246,965)
Adjustment to reconcile operating loss to net cash from operating activities:		
Depreciation	$ 9,856	
(Increase) decrease in:		
Inventory	4,119	
Other receivables	30,738	
Deferred outflows	(238,113)	
Increase (decrease) in:		
Accounts payable	74,537	
OPEB liability	(339)	
Compensated absences	(20,302)	
Pension liability	(74,761)	
Deferred inflows	(377,271)	
Accrued salaries and benefits	26,656	
Total adjustment		(564,880)
Net cash from operating activities		$ (4,811,845)

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

ASSETS

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$111,860	$161,833
Investments	-	28,875
Other receivables	-	7,885
Total assets	$111,860	$198,593

LIABILITIES AND NET POSITION

	Private Purpose Trust Funds	Agency Funds
LIABILITIES		
Accounts payable	$ 2,800	$ 6,496
Due to other funds	2,000	21,398
Funds held for others	-	170,699
Total liabilities	4,800	198,593
NET POSITION		
Restricted	107,060	-
	$111,860	$198,593

See accompanying notes.

HARRISBURG CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Funds
ADDITIONS	
Receipts	$ 48
DEDUCTIONS	
Other	2,369
CHANGE IN NET POSITION	(2,321)
NET POSITION - BEGINNING	109,381
NET POSITION - ENDING	$ 107,060

See accompanying notes.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

The financial statements of the School District include all funds, functions and activities to which the Board of School Directors has oversight responsibility. The financial statements presented do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Harrisburg City School District.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", establishes the criteria for determining the activities, functions and organizations to be included in the financial statements of the reporting entity. This statement requires that a component unit be included if the District's elected officials are financially accountable for the component unit. The District is financially accountable if it appoints a voting majority of the component unit's governing body and (1) it is able to impose its will on the component unit, or (2) there is a potential for the District to provide specific financial benefits to, or impose specific financial burdens on the component unit. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the District has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The District has evaluated its relationship with Capital Area Intermediate Unit #15 to determine if the financial information of the unit should be included in the financial statements. Based on this evaluation, the Unit has not been included as a component unit of the District's reporting entity because of the limited oversight responsibility and limited accountability for fiscal matters.

Related Organization

Related organizations are not reported as component units in these financial statements, but significant transactions are disclosed in Note P. The Capital Area Intermediate Unit #15 (CAIU) is a related organization to the District.

The CAIU is a regional education service agency located in central Pennsylvania that has responsibility for providing services in the areas of curriculum development and instructional improvement, educational planning, instructional materials, continuing professional education, pupil personnel, state and federal agency liaison, management services, and special education services. The CAIU serves 24 public school districts, 2 vocational technical schools, and over 50 non-public schools, several charter schools and cyber charter schools.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Related Organization - continued

The CAIU's Board of Directors consists of 19 members, 7 members from 7 different Cumberland County school districts, 1 member from the Northern York County School District, 8 members from 8 different Dauphin County school districts, and 3 members from Perry County school districts. The CAIU Board Members are school district board members who are elected by the public and who are appointed to the CAIU Board by the member districts' board of directors. The District is responsible for appointing one of these members. The CAIU board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. These Statements include the primary government, except for the fiduciary funds of the primary government.

Separate rows and columns are used to distinguish between the governmental and business-type activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. These activities are usually reported in Governmental Funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in Enterprise Funds.

Measurement Focus and Basis of Accounting - Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities are prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33.

In June 2011, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Policy for Eliminating Internal Activity - Government-Wide Financial Statements

In the process of aggregating data for the Statement of Net Position, some amounts reported as interfund balances in the funds are eliminated or reclassified. Eliminations are made in the Statement of Net Position to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, amounts reported in the funds as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Policy for Capitalizing Assets and Estimating Useful Lives - Government-Wide Financial Statements

The School District reports capital assets at historical cost or estimated historical cost. Capital assets include land, improvements, and easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure and all other tangible or intangible assets that are used in operations and that have useful lives extending beyond a single reporting period. The School District's policy is to capitalize assets, or groups of assets with costs in excess of $1,500. Estimated depreciation expense is calculated using the straight-line method over the useful lives of capital assets ranging from 3 to 50 years.

Program Revenues - Government-Wide Financial Statements

The Statement of Activities reports three categories of program revenues: (a) charges for services, (b) program specific operating grants and contributions and (c) program specific capital grants and contributions. Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. As a whole, they reduce the net cost of the function to be financed from the government's general revenues.

Policy for Defining Operating and Nonoperating Revenues of Proprietary Funds

The School District defines proprietary funds operating revenues based on how the individual transaction would be categorized for purposes of preparing the Statement of Cash Flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital finance activities or investing activities would normally not be reported as operating revenues.

Policy Regarding Applying Restricted or Unrestricted Revenues

The School District first applies unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Accounting

The accounts of the School District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds are used by the School District:

Governmental Fund Types

General Fund

The General Fund accounts for all financial resources of the School District except those specifically required by laws to be accounted for in another fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

Capital Project Funds

The Capital Project Funds account for the proceeds and expenditures relating to bond issues and construction projects. Capital project funds include the following:

1. Series 2008 Note - accounts for the costs of equipment and hardware purchases throughout the District.

Debt Service Funds

1. Series 2002 QZAB Fund - accounts for the sinking fund established by the Series of 2002 General Obligation Qualified Zone Academy Bonds.
2. Series 2009 - accounts for payments on the Series 2009 bonds.
3. Series 2010 - accounts for the sinking fund established by the Qualified School Construction Bond Series 2010.
4. Series 2014 - accounts for payments for the Series of 2014 A, B-1, B-2 and C.
5. Series 2015 - accounts for payments for the Series of 2015 bonds.
6. Series 2016 - accounts for payments for the Series of 2016 bonds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental Fund Types - continued

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. These are not budgeted funds. Special Revenue Funds include the following:

1. Capital Reserve Fund; authorized by P.L. 145, Act of April 30, 1943, known as Section 1431 of Municipal Code.

Proprietary Fund Types

Enterprise Fund

The Enterprise Fund, an unbudgeted fund, is used to account for all revenue and expenses pertaining to cafeteria operations. The Enterprise Fund is utilized to account for operations that are financed and operated similar to private business enterprises where the stated intent is the costs (expenses, including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered through user charges.

The District's Enterprise Fund is the Food Service Fund which accounts for the costs of providing meals to students during the school year. Revenue is received from state and federal subsidies.

Fiduciary Fund Types

Trust and Agency Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. Trust funds include nonexpendable trust funds and expendable trust funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

The following are the District's trust funds:

1. Nonexpendable Trust Fund - accounts for monies received through donations from various classes and individuals. The principal amounts of the gifts remain intact; however, investment earnings are used to give awards to students.

2. Expendable Trust Fund - accounts for contributions from private sources for various programs.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fiduciary Fund Types - continued

Trust and Agency Funds - continued

The following are the District's agency funds:

1. Student Activity Fund - accounts for the Activity Funds established by each elementary and secondary school.

2. Agency Fund - accounts for high school and middle school club activities.

Measurement Focus/Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds of the School District are accounted for using the current financial resources measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheet, and the fund balances reflect spendable or appropriable resources. The operating statements of these funds reflect increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities (current and noncurrent) associated with the operation of the funds are included on its balance sheet. The proprietary fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Modified Accrual Basis

The modified accrual basis of accounting is followed for all governmental type funds of the School District. Under the modified accrual basis of accounting, expenditures (other than interest and principal payments on long-term debt which are recorded on their payment dates) are recorded when the fund liability is incurred. Revenues are recognized when they become susceptible to accrual, i.e., measurable and available to finance the School District's operations. Available means collectible within 60 days after fiscal year-end. The modified accrual basis of accounting is used as follows:

Revenue from Local Sources

The District receives local revenues through various sources which include real estate taxes, earned income tax, occupation tax, local service tax, real estate transfer taxes, amusement tax and business privilege/mercantile tax.

The District follows the policy of accruing and recognizing in current income only those taxes which, in addition to being due and unpaid, were reasonably measurable and payment within 60 days after the close of the school year was likely.

The District's financial statements reflect delinquent real estate and occupation tax for the current and prior years. An allowance for estimated uncollectible real estate and school occupation taxes is based on a historical analysis of collections.

Revenue from State Sources

State subsidies due to the District as current fiscal year entitlements are recognized as revenue in the current fiscal year even though such funds may be received in a subsequent fiscal year.

Revenue from Federal Sources

Federal program funds applicable to expenditures for the same program in the current fiscal year but expected to be received in the next fiscal year are accrued as current revenue at the end of the current fiscal year along with the recognition of the federal funds receivable. Likewise, any excess of revenues at the fiscal year end over the program expenditures are recorded as deferred revenue.

Accrual Basis

Under the accrual basis of accounting, revenues are recognized in the accounting period they are earned and become measurable; expenses are recognized in the period incurred. The accrual basis of accounting is used for the Proprietary Fund and Nonexpendable Trust Funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data presented in the financial statements:

a. The official school budget was prepared for adoption for the General Fund only. The budget was formally adopted by the Board of School Directors at a duly advertised public meeting prior to the expenditure of funds. The budget was properly amended by the Board as needed throughout the year. The budget was adopted on a basis consistent with accounting principles generally accepted in the United States of America.

b. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

c. Unused appropriations for the General Fund lapse at the end of the year.

d. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

Fund Balance - Governmental Funds

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The following classifications describe the relative strength of the spending constraints:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. This classification includes items such as prepaid expenses, inventories and long-term interfund balances.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified the 2002 QZAB and 2010 Debt Service within the Debt Service Fund as being restricted because its use is limited by legislation or external parties.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Balance - Governmental Funds - continued

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of School Directors. These amounts cannot be used for any other purpose unless the Board of School Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified the 2009 Debt series, 2014 Debt series and the Athletics and Band Reserve as being committed resources.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Superintendent and Chief Financial Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has classified the Capital Projects and Special Revenue Funds as assigned resources. During the current year, the Board assigned amounts in the General Fund. The specific assignments are disclosed on the Balance Sheet - Governmental Funds.

- Unassigned: This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding which represents the portion of the General Fund balance that has been established by a Resolution of the Board of School Directors dated May 2, 2011. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. The District will strive to maintain a fund balance of not less than 1% and not more than 8% of the annual approved budget.

The Board would typically use Unassigned fund balances first, followed by Assigned resources, and then Committed resources, unless otherwise directed by the Board.

Inventory

The Enterprise Fund inventory consists of government donated commodities which were valued at government declared value and purchased commodities and supplies valued at cost.

It is the District's policy to expense supply and janitorial products when purchased for governmental funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition - Property Taxes

Property taxes are levied on July 1. Taxes are collected at discount until August 31, at their face from September 1 until October 31, and include a penalty thereafter. All unpaid taxes levied July 1, become delinquent November 1, of the same year. The current year's millage for real estate taxes was 27.9156 mills. Interim taxes are assessed at various times during the year as needed.

Taxes receivable as reported on the combined balance sheet represents unpaid occupation and real estate taxes outstanding at June 30, 2016. Taxes receivable not deemed available under accounting principles generally accepted in the United States of America are included in deferred revenues.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Proprietary Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Vacation, Sick Leave and Other Compensated Absences

Employees of the District are entitled to certain compensated absences, consisting of vacation and sick leave and early retirement incentive benefits. The accrued liability for vacation and sick leave is calculated based on salary rates in effect at the balance sheet date. Additional amounts are accrued for salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

Employees may carryover up to 40 vacation days. In a termination year, unused vacation leave is paid in full at termination.

Eligible employees may accumulate an unlimited amount of sick leave. At the time of retirement, teachers are entitled to unused sick leave reimbursement at varying rates. Administrative employees are paid their accumulated unused sick leave at 25 percent of their current daily rate. In estimating the sick leave liability, the District determined whether it was probable that employees will, in the future, meet the conditions to receive a cash payment at termination for their sick leave balances.

Early retirement incentive benefits are offered to teachers and administrators of the District, who, after fifteen years of service, retire with superannuation from either the Pennsylvania School Employees Retirement System (PSERS) or from dual or joint combined service with PSERS and the state employees' retirement system.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Vacation, Sick Leave and Other Compensated Absences - continued

Early retirement incentive benefits include unused sick leave reimbursement and health care. The retiree's eligibility for health care benefits is limited to those persons not covered either directly or through his or her spouse by any other health program or plan of any kind, whether public or private. Coverage discontinues when the retiree becomes eligible for Medicare.

Monthly benefit expense is determined by employee classification, coverage type and amount of PSERS supplementation, if any.

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

- Restricted - consists of resources that are restricted by the District for a specific purpose.

- Unrestricted - all other resources are reported in this category.

Pension Plan

All full-time employees of the District participate in a cost-sharing multiple employer defined benefit pension plan. The District made all required contributions for the year ended June 30, 2016.

Investments

The School District invests funds with The Pennsylvania School District Liquid Asset Fund (PSDLAF), Pennsylvania Local Government Investment Trust (PLGIT), and the Pennsylvania Treasurer's INVEST Program for Local Governments (INVEST). Investments in these funds have daily liquidity and are valued at the current cost which equals market value.

These funds invest in federal securities backed by the full faith and credit of the United States Government, in agencies, instrumentalities and subdivisions of the Commonwealth of Pennsylvania and are backed by the full faith and credit of the Commonwealth and certificates of deposit which are insured by the Federal Deposit Insurance Corporation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Derivative Financial Instruments

The District uses swap contracts that have fixed or variable payments based on the price of an underlying interest rate or index. Hedging derivative instruments are used to reduce financial risks, such as offsetting increases in interest rate costs by offsetting changes in cash flows of the hedged item. These derivative instruments are evaluated to determine if they are effective in significantly reducing the identified financial risk at year end. If the derivative is determined to be an effective hedge, its fair value is an asset or liability with a corresponding debit (credit) to deferred outflows (inflows) of resources on the Statement of Net Position. Deferred outflows (inflows) of resources constitute changes in fair values of effectively-hedged derivative instruments. If the derivative instruments are determined to be ineffective, they are considered investment derivatives in which their fair values are either assets or liabilities on the Statement of Net Position and the changes in fair values are recognized against investment income in the Statement of Activities.

Interfund Transactions

During the course of normal operations, the School District has numerous transactions between funds, including expenditures and transfers of resources to provide services and service debt. Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through various due from and due to accounts.

Management estimates the amount Due from the Proprietary Fund to the General Fund will be recovered over the next four years.

Fixed Assets - Fund Financial Statements

Under the School District's method of accounting, fixed assets are recorded as expenditures at the time of purchase in the governmental funds. Accordingly, no depreciation has been provided on fixed assets in those funds. Proprietary Fund fixed assets are recorded at cost. Depreciation is provided for on a straight-line basis over periods ranging from 5 to 20 years.

Memorandum Only Columns

Total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

The District's deferred outflows as of June 30, 2016 for the governmental activities on the Statement of Net Position consist of: $12,389,106, which represents the fair market value of their swaps, $9,886,300, which represents changes in proportions, $917,928, which represents the difference between employer contributions and the proportionate share of total contributions for the District's pension plan and $10,410,032, which represents contributions subsequent to the measurement date for the District's pension plan.

The District's deferred outflows as of June 30, 2016 for the business-type activities on the Statement of Net Position consist of: $224,700, which represents changes in proportions, $20,863, which represents the difference between employer contributions and the proportionate share of total contributions for the District's pension plan and $236,604, which represents contributions subsequent to the measurement date for the District's pension plan.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources, which represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred inflows as of June 30, 2016 for the governmental activities on the Statement of Net Position consist of: $163,114, which represents deferred subsidy revenues, $578,844, which represents the difference between expected and actual experience, $283,555, which represents the net difference between projected and actual investment earnings for the District's pension plan and $11,579,809, which represents changes in proportions for the District's pension plan.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Outflows and Inflows of Resources - continued

The District's deferred inflows as of June 30, 2016 for the business-type activities on the Statement of Net Position consist of: $6,803, which represents unavailable subsidy revenues, $13,156, which represents the difference between expected and actual experience $6,445, which represents the net difference between projected and actual investment earnings for the District's pension plan and $263,191, which represents changes in proportions for the District's pension plan.

The District's deferred inflows as of June 30, 2016 for the General Fund on the Balance Sheet - Governmental Funds consist of: $9,924,042, which represents unavailable tax and subsidy revenues.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for periods beginning after June 15, 2017. The District's management has not determined the impact, if any, of the implementation of this statement on the District's financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This statement is effective for periods beginning after December 15, 2015. The District's management has not determined the impact, if any, of the implementation of this statement on the District's financial statements.

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The School District is authorized by statute to invest in obligations of the U.S. Treasury, agencies, and instrumentalities and state treasurer's investment pools.

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2016, none of the District's bank balance of $19,106,948 was exposed to custodial credit risk, coverage is as follows:

Covered by Federal Depository Insurance (FDIC)	$ 924,568
Secured by pooled collateral as permitted by Act 72 of the Commonwealth of Pennsylvania	17,062,992
Pennsylvania Local Government Investment Trust (PLGIT)	1,119,388
Total	$ 19,106,948

Reconciliation to Financial Statements

Covered by Federal Depository Insurance (FDIC)	$ 924,568
Plus: funds covered under Act 72	17,062,992
Plus: PLGIT	1,119,388
Less: outstanding checks	(2,024,586)
Total cash per financial statements	$ 17,082,362

Investments

As of June 30, 2016, the District had the following investments and maturities:

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less Than 1	1 - 5	5 - 10
Federal National Mortgage Association	$ 4,797,376	$ 4,797,376	$ -	$ -
PA School District Liquid Asset Fund	17,818,280	17,818,280	-	-
PLGIT	5,488	5,488	-	-
PA Treasurer's INVEST Program for Local Governments	37,547	37,547	-	-
Treasury obligations funds	2,188,798	2,188,798	-	-
Total	$ 24,847,489	$ 24,847,489	$ -	$ -

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued

Interest Rate Risk

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

Credit Risk

The District does not have a formal investment policy that limits its investment choices to certain credit ratings. As of June 30, 2016, the District's investments were rated as:

Investment	Standard & Poor's
Federal National Mortgage Association	AA+
PA Local Government Investment Trust	AAA
PA School District Liquid Asset Fund	AAA
PA Treasurer's INVEST Program	AAA

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Excluding investments in various Federal treasury obligations funds, the District carried investments in the Federal National Mortgage Association that exceeded 5% of total investments.

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 security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

NOTE C - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment of the Business-Type Activities as of June 30, 2016, is as follows:

	Beginning Balance	Additions	Ending Balance
Machinery and equipment	$1,478,245	$28,761	$1,507,006
Accumulated depreciation	1,421,646	9,856	1,431,502
Net property, plant, and equipment			$ 75,504

A summary of property, plant, and equipment for the Governmental Activities for the year ended June 30, 2016, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and land improvements	$ 13,614	$ -	$ -	$ 13,614
Building and improvements	243,719,986	1,903,633	-	245,623,619
Furniture and equipment	36,344,851	1,515,830	-	37,860,681
Construction in progress	1,822,411	3,503,566	1,903,633	3,422,344
Total capital assets	281,900,862	6,923,029	1,903,633	286,920,258
Less accumulated depreciation:				
Building and improvements	66,473,627	5,120,631	-	71,594,258
Furniture and equipment	33,819,328	784,660	-	34,603,988
Total accumulated depreciation	100,292,955	$5,905,291	$ -	106,198,246
Net property, plant and equipment	$181,607,907			$180,722,012

Depreciation was charged to individual functions as follows:

Instructional	$ 1,383,101
Instructional support	359,844
Administrative	166,494
Operation of plant and maintenance	3,052,387
Central support services	832,469
Student activities	110,996
Total	$ 5,905,291

NOTE D - TAXES RECEIVABLE, DEFERRED TAX REVENUES AND ESTIMATED UNCOLLECTIBLE TAXES

A summary of the taxes receivable and related accounts recorded at the fund level at June 30, 2016, follows:

	Delinquent Real Estate and Transfer	School Occupation	Other Taxes	Total
Current taxes collected by City, County, or Tax Claim Bureau by June 30, and remitted shortly thereafter	$ 1,987,240	$ 150,016	$ 36,765	$ 2,174,021
Deferred tax revenues	4,820,404	4,940,523	-	9,760,927
Taxes receivable, net	$ 6,807,644	$ 5,090,539	$ 36,765	$ 11,934,948

Deferred revenues consist of the following:

Taxes receivable	$ 7,481,204	$ 16,647,975	$ 36,765	$ 24,165,944
Estimated uncollectible taxes	(673,560)	(11,557,436)	-	(12,230,996)
Taxes receivable, net	$ 6,807,644	$ 5,090,539	$ 36,765	$ 11,934,948

Taxes receivable which were not collected within 60 days subsequent to June 30, 2016	$ 9,760,927
Deferred subsidies	163,115
Total	$ 9,924,042

NOTE E - INVENTORIES

A schedule of the Business-Type Activities' inventories at June 30, 2016, follows:

Material and supplies	$ 13,221
Purchased food	40,212
Donated commodity food	6,803
	$ 60,236

NOTE F - ACCRUED SALARIES AND BENEFITS

Accrued salaries principally represent teachers' salaries earned during the 2015/2016 school year that were paid subsequent to June 30, 2016. Accrued retirement, social security, and workers' compensation represent the District's liability on salaries paid during June 2016 and on accrued salaries at June 30, 2016. Accrued payroll withholdings represent the employees' share of retirement, social security and other benefits not remitted to the respective entities as of June 30, 2016.

NOTE G - BONDS AND NOTES PAYABLE

A summary of bonds and notes payable at June 30, 2016 as follows:

Date of Issue	Last Maturity Date	Interest Rate	Amount
Bonds Payable			
July 2002 - Series 2002 QZAB	July 30, 2016	0.00%	$ 5,104,000
May 2009 - Series 2009 A	November 15, 2033	4.00% to 4.13%	116,930,000
May 2009 - Series 2009 C	November 15, 2017	4.88% to 5.95%	10,560,000
June 2014 - Series 2014 A	December 1, 2020	1.27% to 3.28%	23,880,000
June 2014 - Series 2014 B-1	December 1, 2023	2.02% to 4.08%	6,740,000
June 2014 - Series 2014 B-2	December 1, 2034	3.00% to 4.00%	20,890,000
June 2014 - Series 2014 C	December 1, 2027	4.84%	49,495,000
November 2015 - Refunding Series of 2015	November 15, 2032	2.00% to 3.375%	9,960,000
March 2016 - Refunding Series of 2016	November 15, 2033	2.00% to 3.125%	9,995,000
Notes Payable			
October 6, 2010 - Series 2010 QSCB	September 15, 2027	5.00%	9,194,000
			$262,748,000

On August 1, 2002, the District issued $5,104,000 of General Obligation Qualified Zone Academy Bonds. Proceeds of the bonds were used for payment of costs of rehabilitating or repairing Lincoln Elementary School, purchasing and installing equipment therein and to pay the costs of issuance. The District is required to deposit $305,046 on July 30th of each year to the sinking fund until maturity. As of June 30, 2016, the District has restricted cash, and investments of $4,799,000 in the sinking fund. The final payment was made in July 2016.

NOTE G - BONDS AND NOTES PAYABLE - continued

On May 1, 2009, the State Public School Building Authority issued $133,765,000 of fixed rate School Revenue Bonds, Series 2009A. Proceeds of the bonds were used to refund the Series 1999 adjustable rate School Revenue Bonds, Series 2006 adjustable rate School Revenue Bonds, Series 2008 General Obligation Note, to terminate the Interest Rate Management Agreements associated with the Series 1999 and 2006 adjustable rate School Revenue Bonds and to pay the costs of issuance. During 2015-2016, the District issued Refunding Series of 2015 and 2016 which legally defeased $16,835,000 of the issue.

On May 1, 2009, the State Public School Building Authority issued $26,620,000 of fixed rate Federally-Taxable School Revenue Bonds, Series 2009C. Proceeds of the bonds were used to refund the Series 2002A "Penncaps" and pay the costs of issuance.

On October 6, 2010, the District obtained a $9,194,000 note under the Pennsylvania State Public School Building Authority Qualified School Construction Bond Program, Series 2010 QSCB. Proceeds of the note are to be used for HVAC and roofing projects at several of the schools and to pay the costs of issuance. The note carries an interest rate of 5% annually that is partially offset by federal subsidies, with interest payments due March 15 and September 15.

In June 2014, the District issued the following bond issues: 2014 Series A - $23,880,000; 2014 Series B-1 - $6,740,000; 2014 Series B-2 - $20,895,000 and 2014 Series C - $49,610,000. The proceeds from these bonds were used to redeem prior bond issues and terminate a swap instrument.

The 2014 Series A proceeds were used to redeem the 2013 bond issue, payment of accrued interest and associated issuance costs.

The 2014 Series B-1 proceeds were used to fully terminate the interest rate swap agreement with Royal Bank of Canada (RBC) that were related to a portion of the 2009 D bonds and associated issuance costs.

The 2014 Series B-2 and 2014 Series C proceeds were used to redeem the 2009 D issue and associated issuance costs.

In November 2015, the District issued Refunding Series of 2015 for $9,960,000. The proceeds were used to advance refund a portion of the outstanding principal of $8,455,000 and interest thereon on the Series A of 2009 issue and payments of associated costs and expenses in connection with the issuance and sale of the Bonds.

In March 2016, the District issued Refunding Series of 2016 for $9,995,000. The proceeds were used to advance refund a portion of the outstanding principal of $8,380,000 and interest thereon on the Series A of 2009 issue and payments of associated costs and expenses in connection with the issuance and sale of the Bonds.

NOTE G - BONDS AND NOTES PAYABLE - continued

A schedule of the District's debt service requirements, which are financed by the General Fund follows:

Year ending June 30,	Principal	Interest	Totals
2017	$ 13,078,313	$ 11,687,641	$ 24,765,954
2018	9,284,313	11,012,613	20,296,926
2019	9,589,313	10,732,661	20,321,974
2020	9,849,313	10,476,231	20,325,544
2021	9,970,000	11,979,135	21,949,135
2022 - 2026	63,481,565	41,525,817	105,007,382
2027 - 2031	84,176,385	21,868,647	106,045,032
2032 - 2036	61,129,798	2,828,656	63,958,454
Totals	$ 260,559,000	$ 122,111,401	$ 382,670,401

The future principal payments scheduled above are net of the annual payments of $574,313 to the 2010 Debt Service Fund made over the past four fiscal years for the 2010 QSCB bond issue. The amount in the Fund at June 30 2016 was $2,189,000.

Interest expense totaled approximately $11,928,000 for the year ended June 30, 2016.

Changes in Bonds and Notes Payable

Changes in bonds and notes payable during the year ended June 30, 2016, follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Bonds payable:				
August 2002 issue	$ 5,104,000	$ -	$ -	$ 5,104,000
Series 2009 A issue	133,765,000	-	(16,835,000)	116,930,000
Series 2009 C issue	17,245,000	-	(6,685,000)	10,560,000
Series 2014 A issue	23,880,000	-	-	23,880,000
Series 2014 B-1 issue	6,740,000	-	-	6,740,000
Series 2014 B-2 issue	20,895,000	-	(5,000)	20,890,000
Series 2014 C issue	49,605,000	-	(110,000)	49,495,000
Refunding Series 2015	-	9,960,000	-	9,960,000
Refunding Series 2016	-	9,995,000	-	9,995,000
Notes payable:				
October 2010 issue	9,194,000	-	-	9,194,000
Total	$ 266,428,000	$ 19,955,000	$(23,635,000)	$ 262,748,000

NOTE H - SWAP TRANSACTIONS

In July 2015, the District terminated the SWAP contract associated with the 2009A bond issue. The District realized a gain on settlement of approximately $ 2,000,000. As of June 30, 2016, the District has one derivative instrument detailed here (in thousands).

		Fair Value		Changes in Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Governmental Activities:					
Cash flow hedges:					
Pay-fixed interest rate swap	$ 31,441	Deferred outflow	$(12,389)	Deferred outflow	$ 1,663

Swap Agreement

The School District currently has one interest rate swap agreement. The estimated fair value of the interest rate swap was a net unrealized loss position of $12,389,000 at June 30, 2016 and is recorded as a liability. The current notional amount for the agreement is $31,440,500.

Fair Values

Accounting Standards Codification 820, "Fair Value Measurements", provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. Accounting Standards Codification 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting Standards Codification 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Accounting Standards Codification 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. The swap is classified as Level 2 in the fair value hierarchy.

NOTE H - SWAP TRANSACTIONS - continued

Derivative Instrument Risks

Credit risk: The School District is exposed to credit risk on hedging derivative instruments that are in asset positions, which is not applicable at June 30, 2016. To mitigate the potential for credit risk, the District's policy when entering into a swap agreement is to negotiate additional collateralization requirements in the event of a ratings downgrade. Should a counterparty's credit rating fall below Aa as issued by Moody's Investor Services or AA as issued by Standard & Poor's, the counterparty is required to post collateral equal to the net amount of the fair value of derivative instruments in an asset position less the effect of any netting arrangements. The collateral is required to be U.S. Treasury securities and must be held by a third-party custodian.

Interest rate risk: The District is exposed to interest rate risk on the swap agreement. On the pay-fixed, receive variable interest rate swaps, the District's net payment decreases as LIBOR index increases. As of June 30, 2016, the weighted average interest rate on the District's hedged fixed rate debt is 5.25%, while the 63% of the one-month LIBOR plus .20% is .49% and increase of .17% from the prior year.

NOTE I - DEFINED BENEFIT PENSION PLAN

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pension Plans - an amendment of GASB Statement No. 27. This statement improved accounting and financial reporting by state and local governments for pensions. It also improved information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

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.

NOTE I - DEFINED BENEFIT PENSION PLAN - continued

General Information about the Pension Plan:

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employee of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.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 of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of services 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 creates two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

NOTE I - DEFINED BENEFIT PENSION PLAN - continued

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The School Districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% 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 $11,585,427 for the year ended June 30, 2016.

State Funding:

The District typically receives approximately 60% reimbursement from the Commonwealth of Pennsylvania for its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the District's share of these amounts. During the year ended June 30, 2016, the District recognized revenue of $7,214,769 as reimbursement for its current year pension payments.

NOTE I - DEFINED BENEFIT PENSION PLAN - continued

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

At June 30, 2016, the District reported a liability of $143,374,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was 0.3310 percent, which was an increase of 0.0298 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of $11,241,000. At June 30, 2016, 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	$ -	$ 592,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	290,000
Changes in proportions	10,111,000	11,843,000
Difference between employer contributions and proportionate share of total contributions	938,791	-
Contributions subsequent to the measurement date	10,646,636	-
	$ 21,696,427	$ 12,725,000

$10,646,636 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30:	
2017	$ (7,537,599)
2018	(7,537,599)
2019	(7,537,599)
2020	2,805,220
Total	$ (19,807,577)

NOTE I - DEFINED BENEFIT PENSION PLAN - continued

Actuarial Assumptions

The total pension liability as of June 30, 2015 as determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March, 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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.

NOTE I - DEFINED BENEFIT PENSION PLAN - continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Markets global equity	22.5%	4.8%
Private Markets (equity)	15.0%	6.6%
Private Real Estate	12.0%	4.5%
Global Fixed Income	7.5%	2.4%
U.S. Long Treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High Yield Bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute Return	10.0%	4.9%
Risk Parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	1.1%
	100.0%	

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, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contributions 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 Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	$176,722,000	$143,374,000	$115,344,000

NOTE I - DEFINED BENEFIT PENSION PLAN - continued

Pension Plan Fiduciary Net Position

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

NOTE J - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

Name of Plan:	Harrisburg School District Post-Employment Benefits Plan.
Type of Plan:	Single-employer defined OPEB plan.
Benefits:	Medical, prescription drug, dental, and vision premium assistance to qualifying annuitants.
Financial Report:	The District obtains a comprehensive bi-annual financial report that includes the actuarial valuation and required supplementary information for the plan. A copy of the report may be obtained by writing to Consulting Actuary, Conrad Siegel Actuaries, 501 Corporate Circle, P.O. Box 5900, Harrisburg, PA 17110-0900.

Funding Policy

Funding Policy Authority:	The funding policy is established by the Harrisburg City School District School Board. Funding requirements may be amended by passing a motion. GASB Statement 45 does not mandate the prefunding of post-employment benefits liability. The District currently funds these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits.
Contribution Rates:	Member Contributions: For the fiscal year ended June 30, 2016, retired employees paid $247,408. Employer Contributions: Employer contributions are made on a pay-as-you-go basis. In 2016, the amount of benefits paid was $1,698,209.

NOTE J - OTHER POST-EMPLOYMENT BENEFITS - continued

Net OPEB Obligation And Annual OPEB Cost: The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount contributed to and the changes in the District's net OPEB liability.

Annual Required Contribution (ARC)	$ 1,802,044
Interest on net OPEB obligation	(119,983)
Adjustment to ARC	211,722
Annual OPEB cost	1,893,783
Contributions	(1,698,209)
Increase in net OPEB liability	195,574
Net OPEB liability - beginning of year	3,010,998
Net OPEB liability - end of year	$ 3,206,572

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB liability is as follows:

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Liability
06/30/2011	$ 2,733,136	$2,676,058	$ 2,178,430	81.04%	$(1,265,933)
06/30/2012	2,726,142	2,676,058	2,653,508	99.16%	(1,880,300)
06/30/2013	2,649,062	2,511,705	2,662,776	106.01%	(1,866,586)
06/30/2014	2,648,013	2,511,705	1,774,199	70.64%	(2,740,400)
06/30/2015	1,896,334	1,802,044	1,625,736	90.22%	(3,010,998)
06/30/2016	1,893,783	1,802,044	1,698,209	94.24%	(3,206,572)

NOTE J - OTHER POST-EMPLOYMENT BENEFITS - continued

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/10	$ -	$ 22,202,676	$ 22,202,676	0.00%	$ 51,880,194	42.80%
7/1/12	-	18,486,095	18,486,095	0.00%	42,274,529	43.73%
7/1/14	-	14,063,577	14,063,577	0.00%	40,041,296	35.12%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective and consistent with that perspective, actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The entry age normal cost method actuarial valuation was used based upon census information provided as of November 2015. The actuarial assumptions included utilized a 4.50% interest rate and salary increases for spreading contributions over future pay. Salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators, a merit increase which varies by age from 0.25% to 2.75%. The valuation assumes a 6.5% healthcare cost trend for fiscal year 2014, reduced by decrements of .5% per year to 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

NOTE J - OTHER POST-EMPLOYMENT BENEFITS - continued

Actuarial Methods and Assumptions - continued

The District provides post-employment health care benefits for certain retirees as required by the union contracts with teachers and administrative personnel, under the District's Early Retirement Incentive Program (ERIP). The benefits vary depending on whether the retiree was a teacher, an administrative employee or support staff. For teachers and administrators, the District pays 100 percent of the allowable benefits for employees who retire with 15 years or more of total service with the District and who meet the criteria for superannuation from either PSERS or from dual or joint combined service with PSERS and State Employees Retirement System (SERS). The District pays the costs of the benefits in effect at the date of retirement until the recipient reaches the age of 65. The District's contributions will be increased at a maximum of 7 percent per year. Costs in excess of 7 percent each year are reimbursed by the retiree. Expenditures of the District are presented net of this reimbursement.

Support staff receive District paid health insurance for the employee only provided that the employee is not covered under his/her spouse's plan or any other health care insurance and the retiree has reached superannuation defined to be 35 years of credited service or a combination of 30 years of credited service and 60 years of age.

As of June 30, 2016, there were approximately 130 retirees who were receiving the premium-coverage benefit. For the year ended June 30, 2016, the District recognized expenditures of approximately $1,700,000 for health care benefits for retirees.

NOTE K - COMPENSATED ABSENCES

A summary of the District's total compensated absence liabilities for the year ended June 30, 2016 is as follows:

	Vacation, Sick and Personal Days
Beginning balance	$ 1,853,216
Net change in current year	411,355
Ending balance	$ 2,264,571

NOTE L - INTERFUND BALANCES

The fund level balance sheet reflects the following interfund receivable and payable balances at June 30, 2016:

	Due from Other Funds	Due to Other Funds
General	$ 1,758,034	$ -
Enterprise District food service	-	1,701,857
Non-major funds	-	32,779
Fiduciary funds	-	23,398
	$ 1,758,034	$1,758,034

NOTE M - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2016, consisted of the following:

Amounts due from:	
Commonwealth of PA	$ 5,432,678
Federal government as passed through the PA Department of Education	7,770,561
Other local governments	198,738
City treasurer	8,700
Total	$ 13,410,677

NOTE N - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; job-related injuries to employees; and natural disasters. The District has purchased various insurance policies to protect the assets of the District from these risks of loss. The amounts of settlements have not exceeded insurance coverage during the year ended June 30, 2016.

NOTE O - COMMITMENTS AND CONTINGENCIES

Litigation

The School District is involved in several claims and lawsuits incidental to its operation in which the likelihood of an unfavorable outcome is not yet determinable. Based upon management's assessment of these claims and lawsuits and estimated provision has been recorded.

Further, in December 2016 an appeal filed by the District was denied regarding a litigation matter. In January 2017 the District's legal counsel filed for request to review the appeal for this matter. Should the eventual outcome of this matter be found to be unfavorable for the District, the result would have a material impact on the District's financial position. Based upon management's assessment of this claim, an estimated provision has been recorded.

Grants

The School District is party to various grants with Federal and State agencies which are subject to program and compliance audits by the grantors or under the Single Audit Act Amendments of 1996. Findings and questioned costs arising out of such audits are subject to the ultimate disposition by the grantor agency.

Commitments

The District had construction contracts of approximately $1,600,000 to be completed subsequent to June 30, 2016.

NOTE P - RELATED PARTY TRANSACTIONS

The Capital Area Intermediate Unit provides special education services and other workshops to the District. During the year ended June 30, 2016, the District's expenditures relating to those services and workshops were approximately $1,200,000.

NOTE Q - DEFICITS IN FUND BALANCE OF INDIVIDUAL FUND

At June 30, 2016, the following fund had a deficit net position:

Food Service Fund	$ 3,529,635

NOTE R - HEALTH INSURANCE COVERAGE

For its health insurance, the School District uses a self-insured plan with a maximum aggregate eligible claims expense per participant of $150,000 and a maximum aggregate benefit per policy term of $2,000,000. Amounts in excess of $150,000 are covered through a separate stop-loss policy.

The School District accrues expenses Incurred but Not Reported (IBNR) through June 30, 2016 through its accounts payable. At June 30, 2016, the amount accrued in accounts payable for IBNR is $999,406.

NOTE S - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to account for real estate taxes that were not available soon enough to pay for the current period's expenditures (60 day rule), and therefore, are deferred in the general fund; however these funds are to be included in the government-wide (GASB 34) as revenues. This resulted in a positive adjustment to the beginning net position balance of the governmental activities in the amount of $3,661,306.

Net Position - June 30, 2015	$(172,552,657)
Adjustment - real estate tax revenues	3,661,306
Net Position - June 30, 2015 (restated)	$(168,891,351)

NOTE T - SUBSEQUENT EVENTS

General Obligation Bonds - Series 2016

In July 2016, the District issued General Obligation Bonds (2016A and 2016B) totaling $155,192,234. The bond proceeds derived by the District in addition to $2,000,000 funded by the District were used to refund Series 2009A in the amount of $130,539,012 and Series 2014C in the amount of $18,116,437. The District also used the proceeds from the issuance and sale of the Bonds to terminate a portion of the District's remaining SWAP in the amount of $4,911,596 and to cover the bond issuance costs.

Management has evaluated subsequent events through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HARRISBURG CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Local revenues	$ 54,361,304	$ 54,361,304	$ 52,756,812	$ (1,604,492)
State program revenues	71,434,610	71,434,610	71,581,888	147,278
Federal program revenues	9,882,240	9,882,240	11,579,731	1,697,491
Total revenues	135,678,154	135,678,154	135,918,431	240,277
EXPENDITURES				
Regular programs	48,533,460	48,533,460	50,399,121	(1,865,661)
Special programs	21,273,595	21,273,595	21,657,319	(383,724)
Vocational programs	4,375,150	4,375,150	4,069,365	305,785
Other instructional programs	2,267,045	2,267,045	4,227,461	(1,960,416)
Community/Jr College programs	565,000	565,000	479,468	85,532
Pre-Kindergarten	-	-	59,146	(59,146)
Pupil personnel services	4,037,940	4,037,940	4,521,721	(483,781)
Instructional staff services	1,762,540	1,762,540	1,821,179	(58,639)
Administrative services	6,922,870	6,922,870	9,078,115	(2,155,245)
Pupil health	1,071,780	1,071,780	939,501	132,279
Business services	1,603,020	1,603,020	1,382,449	220,571
Operation and maintenance of plant services	10,162,300	10,162,300	9,366,332	795,968
Student transportation services	4,304,580	4,304,580	3,517,996	786,584
Central and other support services	3,665,890	3,665,890	3,444,380	221,510
Other support services	2,045,000	2,045,000	1,722,295	322,705
Student activities	634,710	634,710	573,957	60,753
Community services	280,700	280,700	679,082	(398,382)
Debt service	244,500	244,500	35,046	209,454
Total expenditures	113,750,080	113,750,080	117,973,933	(4,223,853)
Excess of revenues over expenditures	21,928,074	21,928,074	17,944,498	(3,983,576)

HARRISBURG CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Proceeds from external financing	-	-	2,092,000	2,092,000
Refund prior year receipts	-	-	(336,216)	(336,216)
Transfers in	3,512,500	3,512,500	-	(3,512,500)
Transfers out	(23,725,620)	(23,725,620)	(23,392,155)	333,465
Budgetary reserve	(300,000)	(300,000)	-	300,000
Total other financing sources (uses)	(20,513,120)	(20,513,120)	(21,636,371)	(1,123,251)
Net change in fund balances	$ 1,414,954	$ 1,414,954	(3,691,873)	$ (5,106,827)
FUND BALANCE - BEGINNING			33,864,200	
FUND BALANCE - ENDING			$ 30,172,327	

HARRISBURG CITY SCHOOL DISTRICT
OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	-	$ 22,202,676	$ 22,202,676	0%	$ 51,880,194	42.80%
7/1/2012	-	18,486,095	18,486,095	0%	42,274,529	43.73%
7/1/2014	-	14,063,577	14,063,577	0%	40,041,296	35.12%

HARRISBURG CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	$ 143,374,000	$ 119,217,000
District's proportionate share of the net pension liability	0.3310%	0.3012%
District's covered-employee payroll	$ 42,585,657	$ 38,440,676
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	337%	310%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%

HARRISBURG CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
Contractually required contribution (cash basis)	$ 10,646,636	$ 8,786,412
Contributions in relation to the contractually required contribution	(10,646,636)	(8,786,412)
Contribution deficiency (excess)	-	-
District's covered-employee payroll (cash basis)	$ 41,202,152	$ 40,081,124
Contributions as a percentage of covered-employee payroll	26%	22%

SUPPLEMENTARY INFORMATION

HARRISBURG CITY SCHOOL DISTRICT
COMBINING BALANCE SHEETS -
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

ASSETS

	Capital Projects	Special Revenue	
	Series 2008 Note	Capital Reserve Fund	Total
Cash and cash equivalents	$ 244,195	$ 1,099,754	$ 1,343,949
	$ 244,195	$ 1,099,754	$ 1,343,949

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	$ -	$ 449	$ 449
Due to other funds	-	32,779	32,779
Total liabilities	-	33,228	33,228
Fund balances:			
Assigned	244,195	1,066,526	1,310,721
Total fund balances	244,195	1,066,526	1,310,721
	$ 244,195	$ 1,099,754	$ 1,343,949

HARRISBURG CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Capital Projects	Special Revenue	
	Series 2008 Note	Capital Reserve Fund	Total
REVENUES			
Local sources	$ 521	$ 2,707	$ 3,228
Total revenues	521	2,707	3,228
EXPENDITURES			
Facility acquisition and improvement	-	3,894,617	3,894,617
Total expenditures	-	3,894,617	3,894,617
Deficiency of revenues over expenditures	521	(3,891,910)	(3,891,389)
OTHER FINANCING SOURCES			
Transfers in	-	3,600,000	3,600,000
Total other financing sources	-	3,600,000	3,600,000
NET CHANGE IN FUND BALANCE	521	(291,910)	(291,389)
FUND BALANCE - BEGINNING	243,674	1,358,436	1,602,110
FUND BALANCE - ENDING	$ 244,195	$ 1,066,526	$ 1,310,721

HARRISBURG CITY SCHOOL DISTRICT
DETAILED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance With Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Local sources:				
Taxes				
Current real estate taxes	$ 36,958,539	$ 36,958,539	$ 36,665,557	$ (292,982)
Delinquent real estate taxes	4,500,000	4,500,000	4,165,978	(334,022)
Current school occupation	695,000	695,000	470,817	(224,183)
Delinquent school occupation	-	-	279,129	279,129
Earned income taxes	3,750,000	3,750,000	3,501,848	(248,152)
Real estate transfer	750,000	750,000	605,762	(144,238)
Emergency and municipal services tax	225,000	225,000	187,647	(37,353)
Payments in lieu of tax	1,900,000	1,900,000	1,921,492	21,492
Public utility realty tax	52,000	52,000	49,241	(2,759)
Amusement	300,000	300,000	360,032	60,032
Business and mercantile	1,550,000	1,550,000	2,006,094	456,094
Total taxes	50,680,539	50,680,539	50,213,597	(466,942)
Other:				
Tuition and other payments from patrons	400,000	400,000	-	(400,000)
Earnings from temporary deposits	775,000	775,000	110,764	(664,236)
Revenues from district activities	50,000	50,000	41,083	(8,917)
Rent from school and other facilities	175,000	175,000	152,380	(22,620)
Revenue received from other intermediate sources	1,300,000	1,300,000	1,636,560	336,560
Contributions from private sources	680,765	680,765	446,401	(234,364)
Miscellaneous	300,000	300,000	156,027	(143,973)
Total other	3,680,765	3,680,765	2,543,215	(1,137,550)
Total local sources	54,361,304	54,361,304	52,756,812	(1,604,492)

HARRISBURG CITY SCHOOL DISTRICT
DETAILED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND - continued
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance With Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
State sources:				
Basic instructional subsidy	$ 45,286,600	$ 45,286,600	$ 46,355,967	$ 1,069,367
Empowerment	-	-	9,851	9,851
Tuition reimbursement	125,000	125,000	92,079	(32,921)
Migratory children	1,000	1,000	1,784	784
Special education of exceptional students	5,179,900	5,179,900	5,501,485	321,585
Pre-K counts	3,500,000	3,500,000	29,962	(3,470,038)
Act 30 - PRRI	2,040,000	2,040,000	1,680,117	(359,883)
Transportation	1,610,400	1,610,400	1,429,883	(180,517)
Medical and dental services	150,000	150,000	122,091	(27,909)
Retirement reimbursement	6,009,750	6,009,750	7,228,724	1,218,974
Social security	1,757,292	1,757,292	1,943,051	185,759
Sinking fund subsidy	2,500,000	2,500,000	2,581,414	81,414
Pennsylvania accountability block grant	-	-	1,807,251	1,807,251
State property tax reduction allocation	2,774,668	2,774,668	2,774,668	-
Other state revenues	500,000	500,000	23,561	(476,439)
Total state sources	71,434,610	71,434,610	71,581,888	147,278
Federal sources:				
Payments for federally impacted areas	75,000	75,000	96,904	21,904
Education Consolidation and Improvement Act - Title I	7,497,000	7,497,000	7,155,296	(341,704)
Access	349,800	349,800	169,303	(180,497)
Education for Economic Security Act - Title II	772,000	772,000	1,061,346	289,346
Language instruction for LEP and immigrant students - Title III	305,880	305,880	204,071	(101,809)
ARRA Title I school improvements	-	-	1,217,218	1,217,218
ARRA QSCB subsidy	-	-	395,075	395,075
Other federal grants-in-aid	882,560	882,560	1,280,518	397,958
Total federal sources	9,882,240	9,882,240	11,579,731	1,697,491
Total local, state and federal sources	$ 135,678,154	$ 135,678,154	$ 135,918,431	$ 240,277

HARRISBURG CITY SCHOOL DISTRICT
FIDUCIARY FUNDS - STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

	Private Purpose Trust Funds			Agency Funds		
	Non-Expendable Trust Fund	Expendable Trust Fund	Total	Student Activity Fund	Agency Fund	Total
Cash and cash equivalents	$ 25,316	$ 86,544	$ 111,860	$ 93,028	$ 68,805	$ 161,833
Investments	-	-	-	28,875	-	28,875
Other receivables	-	-	-	1,253	6,632	7,885
	$ 25,316	$ 86,544	$ 111,860	$ 123,156	$ 75,437	$ 198,593

LIABILITIES AND NET POSITION

	Non-Expendable Trust Fund	Expendable Trust Fund	Total	Student Activity Fund	Agency Fund	Total
Liabilities:						
Accounts payable	$ -	$ 2,800	$ 2,800	$ 4,675	$ 1,820	$ 6,495
Due to other funds	-	2,000	2,000	9,483	11,915	21,398
Funds held for others	-	-	-	108,998	61,702	170,700
Total liabilities	-	4,800	4,800	123,156	75,437	198,593
Net Position						
Restricted	25,316	81,744	107,060	-	-	-
	$ 25,316	$ 86,544	$ 111,860	$ 123,156	$ 75,437	$ 198,593

HARRISBURG CITY SCHOOL DISTRICT
FIDUCIARY FUNDS - NONEXPENDABLE TRUST FUND
CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016

	Revenues	Expenses	Excess of Revenues Over Expenses	Fund Balance Beginning of Year	Fund Balance End of Year
Class of 1907 - Central H. S.	$ -	$ -	$ -	$ 303	$ 303
Class of 1917 - Central H. S.	2	-	2	1,009	1,011
Class of 1918 - Central H. S.	2	-	2	908	910
Class of 1925 - Technical H. S.	4	-	4	1,007	1,011
Class of 1930 - William Penn H. S.	-	-	-	202	202
Class of 1931 - William Penn H. S.	-	-	-	303	303
Class of 1943 - William Penn H. S.	-	-	-	202	202
Class of 1958 - John Harris H. S.	-	-	-	202	202
E. E. Miller Award	-	-	-	101	101
Robert A. Lamberton	2	-	2	1,322	1,324
W. S. Steel Memorial (Class of 1915 and 1916 - Central H. S.)	-	-	-	404	404
Frannie Zarkin Katzan Award - William Penn H. S.	1	-	1	252	253
Marte McCord Musical Achievement Award	3	-	3	1,513	1,516
William Penn High School Business Club Award	1	-	1	459	460
Annie Schlayer Award	-	-	-	531	531
Elizabeth Smith Award	-	-	-	499	499
Karen Lukens Safety Award	14	-	14	6,860	6,874
J. J. Brehm Award	1	-	1	454	455
Frank Goodyear Memorial	6	-	6	3,304	3,310
Jim Keener Memorial	1	-	1	1,064	1,065
Mary Warfield Award	1	-	1	302	303
C. Wolfgang Memorial	1	-	1	374	375
General Scholarship Fund	1	-	1	645	646
Barbara Baton Scholarship Fund	8	-	8	3,048	3,056
	$ 48	$ -	$ 48	$ 25,268	$ 25,316

HARRISBURG CITY SCHOOL DISTRICT
FIDUCIARY FUNDS - EXPENDABLE TRUST FUND
CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016

	Revenues	Expenditures	Excess (Deficiency) of Revenues Over Expenditures	Fund Balance Beginning of Year	Fund Balance End of Year
Evangeline Kimber Award	$ -	$ -	$ -	$ 1	$ 1
J.H. Class of 1951	1,000	1,000	-	-	-
Clenistine Dunson SBI Scholarship	5,465	6,350	(885)	75,956	75,071
D. Martin Memorial Scholarship Fund	-	-	-	32	32
Jack Devan Scholarship Fund	-	-	-	26	26
Woodrow Aikens Scholarship	7	1,000	(993)	4,338	3,345
John Black Scholarship	-	-	-	216	216
English Department Scholarship	1	-	1	114	115
WP Senior Scholarship	-	-	-	201	201
Sunguard Senior Scholarship	1	-	1	205	206
Scott Family Scholarship	-	-	-	12	12
James Booser Scholarship	1,507	2,000	(493)	3,012	2,519
	$ 7,981	$ 10,350	$ (2,369)	$ 84,113	$ 81,744

HARRISBURG CITY SCHOOL DISTRICT
FIDUCIARY FUNDS - AGENCY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUNDS HELD FOR OTHERS
YEAR ENDED JUNE 30, 2016

	Account Balance Beginning of Year	Receipts	Disbursements	Account Balance End of Year
Student Activity Fund				
Elementary activity	$ 42,570	$ 26,894	$ 27,459	$ 42,005
Secondary activity	53,630	64,163	50,800	66,993
Total student activity fund	$ 96,200	$ 91,057	$ 78,259	$ 108,998
Agency Fund				
High and Middle Schools:				
Admin Building Employees Account	$ -	$ 436	$ -	$ 436
Annex Coke Commission	1,115	3	-	1,118
Ben Franklin Coke Commission	9,163	1,491	8,459	2,195
Boys Basketball Club	3,380	2,915	5,552	743
Camp Curtain Commission	4,074	531	2,755	1,850
Cheerleading Booster Club	2,517	107	-	2,624
Cougar Club	860	502	1,015	347
Cougar Wrestling Club	476	1	733	(256)
Downey Coke Commission	4,137	2,965	3,351	3,751
Elementary Band Boosters	981	2	-	983
Emotional Support Spec. Ed	-	393	200	193
Explore After School	575	1	-	576
Foose Coke Commission	1,326	753	1,281	798
Girls Varsity Basketball	155	801	-	956
Harrisburg High Music Account	174	-	102	72
Harrisburg Players	17	-	-	17
Hbg High Faculty Fund	8,101	1,021	1,488	7,634
Hbg School Special Olympics	1,946	7,653	5,109	4,490
High School Band Boosters	(103)	103	-	-
Instrument Rental	649	2	-	651
John Harris Coke Commission	449	7,007	7,426	30
Kimber Basketball Tournament	2,058	1,859	2,336	1,581
Life Skills Support	697	2	-	699
Marshall Commission Account	8,783	299	3,779	5,303
Marshall Staff Account	74	2,904	2,978	-
Melrose Commission Account	595	180	342	433
Rowland Cheerleading Account	676	2	-	678
Rowland Coke Commission	1,659	1,544	1,118	2,085
Rowland Girls Basketball Account	409	2	-	411
Sci-Tech Agency Account	1	718	1	718
Sci-Tech Key Club	-	700	323	377
Sci-Tech Robotics Club	1,437	954	1,309	1,082
Sci-Tech Youth & Government	508	2	-	510
Scott Coke Commission	2,578	125	1,595	1,108
Smallwood Summer League	2,889	12,645	2,017	13,517
Special Education Autism Account	3,395	17	696	2,716
Special Education Facilitators	818	2	-	820
Track and Field Booster Club	455	1	-	456
Total agency fund	$ 67,024	$ 48,643	$ 53,965	$ 61,702

SINGLE AUDIT INFORMATION

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

Board of School Directors
Harrisburg City School District

We have audited 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, the financial statements of Harrisburg City School District, which comprise the statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated March 7, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (FS 2016-001 through FS 2016-002).

INDEPENDENT AUDITORS' 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* -
continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrisburg City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Harrisburg City School District's Response to Findings

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

Purpose of This Report

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

Stambaugh Ness, PC

York, Pennsylvania
March 9, 2017

Stambaugh Ness, PC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB UNIFORM GUIDANCE (AND OMB CIRCULAR A-133)

Board of School Directors
Harrisburg City School District

Report on Compliance for Each Major Federal Program

We have audited Harrisburg City School District's compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of Harrisburg City School District's major federal programs for the year ended June 30, 2016. Harrisburg City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Harrisburg City School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harrisburg City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Harrisburg City School District's compliance.

A Professional Corporation

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB UNIFORM GUIDANCE (AND OMB CIRCULAR A-133) - continued

Opinion on Each Major Federal Program

In our opinion, Harrisburg City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Harrisburg City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Harrisburg City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Harrisburg City School District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item SA 2016-001 that we consider to be a significant deficiency.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB UNIFORM GUIDANCE (AND OMB CIRCULAR A-133) - continued

Report on Internal Control over Compliance - continued

Harrisburg City School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Harrisburg City School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Stambaugh Ness, PC

York, Pennsylvania
March 9, 2017

SCHOOL DISTRICT OF THE CITY OF HARRISBURG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (INCLUDING STATE NUTRITION CLUSTER GRANTS)
FOR THE YEAR ENDED JUNE 30, 2016

GRANTOR PROGRAM TITLE	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at 7/1/2015	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 6/30/2016
U.S. Department of Education										
Impact Aid	D	84.041	N/A	FYE 2016	$ 32,129	$ 32,129	$ (38,176)	$ 96,904	$ 96,904	$ 26,599
Total Passed Through the U.S. Department of Education					32,129	32,129	(38,176)	96,904	96,904	26,599
Passed Through the Pennsylvania Department of Education:										
Title I Grants to Local Educational Agencies (FYE 15-16)	I	84.010	013-160184	15 SEP 30 - 16 SEP 30	5,750,135	884,636	-	4,975,980	4,975,980	4,091,344
Title I Grants to Local Educational Agencies (FYE 14-15)	I	84.010	013-150184	14 AUG 01 - 15 SEP 30	6,032,202	2,560,173	931,476	1,628,697	1,628,697	-
Title I Grants to Lea's Program Improvement Set Aside (14-15)	I	84.010	042-140184	14 AUG 01 - 15 SEP 30	647,291	138,705	114,610	24,095	24,095	-
Title I School Intervention Grant (15-16)	I	84.010	042-150184	15 JUN 02 - 16 SEP 30	639,877	479,906	-	526,524	526,524	46,618
Title I Grants to LEA's - School Improvement Grant (1003g) (15-16)	I	84.388	142-150184	15 SEP 25 - 16 SEP 30	1,732,650	799,685	-	1,217,218	1,217,218	417,533
Improving Teacher Quality State Grants (FYE 15-16)	I	84.367	020 160184	15 SEP 30 - 16 SEP 30	915,892	140,906	-	722,650	722,650	581,744
Improving Teacher Quality State Grants (FYE 13-14)	I	84.367	020 140184	13 OCT 08 - 14 SEPT 30	919,880	306,368	306,368	-	-	-
Improving Teacher Quality State Grants (FYE 14-15)	I	84.367	020 150184	14 AUG 01 - 15 SEP 30	920,599	197,018	(141,678)	338,696	338,696	-
Twenty-First Century Community Learning Centers (15-16)	I	84.287	FC4100068064	15 OCT 01 - 16 SEPT 30	400,000	145,013	-	217,871	217,871	72,858
Twenty-First Century Community Learning Centers (14-15)	I	84.287	FC4100068064	14 OCT 01 - 15 SEPT 30	400,000	300,000	124,695	175,305	175,305	-
Title III Language Inst LEP/Immigrant Students (15-16)	I	84.365	010-160184	15 SEP 30 - 16 SEP 30	223,965	34,456	-	124,677	124,677	90,221
Title III Language Inst LEP/Immigrant Students (14-15)	I	84.365	010-150184	14 AUG 01 - 15 SEP 30	233,515	50,039	4,004	79,394	79,394	33,359
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention & School Based Surveillance (13-14)	I	93.079	U87PS004151	14 MAR 25 - 18 JUL 31	2,500	-	(250)	-	-	(250)
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention & School Based Surveillance (14-15)	I	93.079	U87PS004151	14 AUG 01 - 15 JUL 31	5,000	-	(1,338)	1,338	1,338	-
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention & School Based Surveillance (15-16)	I	93.079	U87PS004151	15 AUG 01 - 16 JUL 31	5,600	5,600	-	1,793	1,793	(3,807)
Total Passed Through the Pennsylvania Department of Education					18,829,106	6,042,507	1,337,887	10,034,238	10,034,238	5,329,618
Passed Through Capital Area Intermediate Unit 15:										
Special Education - Grants to States (15-16)	I	84.027	N/A	15 OCT 01 - 16 SEP 30	1,455,456	813,983	-	1,079,213	1,079,213	265,230
Special Education - Grants to States (14-15)	I	84.027	N/A	14 JUL 01 - 15 SEP 30	1,488,119	594,924	278,661	316,263	316,263	-
Special Education - Grants to States (15-16) - Preschool	I	84.173	N/A	15 JUL 01 - 16 JUN 30	15,183	15,183	-	15,183	15,183	-
Total Passed Through Capital Area Intermediate Unit 15					2,958,758	1,424,090	278,661	1,410,659	1,410,659	265,230
Passed Through Pennsylvania State System of Higher Education:										
Gaining Early Awareness and Readiness for Undergraduate Programs (15-16)	I	84.334s	GEARUP 2016-HBG-01	15 SEPT 25 - 16 SEPT 24	638,047	128,589	-	354,210	354,210	225,621
Gaining Early Awareness and Readiness for Undergraduate Programs (14-15)	I	84.334s	GEARUP 2015-HBG-01	14 SEPT 25 - 15 SEPT 24	650,902	214,038	45,163	168,875	168,875	-
Total Passed Through Pennsylvania State System of Higher Education					1,288,949	342,627	45,163	523,085	523,085	225,621
TOTAL U.S. DEPARTMENT OF EDUCATION					23,108,942	7,841,353	1,623,535	12,064,886	12,064,886	5,847,068

U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Education:										
Temporary Assistance for Needy Families 15-16	I	93.558	FC4100060958	15 JUL 01 - 16 JUN 30	174,566	-	-	174,566	174,566	174,566
Temporary Assistance for Needy Families 15-16	I	93.558	FC4100060958	15 JUL 01 - 16 JUN 30	19,308	-	-	19,308	19,308	19,308
Temporary Assistance for Needy Families 14-15	I	93.558	FC4100060958	14 JUL 01 - 15 JUN 30	163,085	111,775	111,775	-	-	-
Temporary Assistance for Needy Families 14-15	I	93.558	FC4100060958	14 JUL 01 - 15 JUN 30	18,331	12,099	12,099	-	-	-
Total Passed through the Department of Education					375,290	123,874	123,874	193,874	193,874	193,874
Passed through the Pennsylvania Department of Welfare:										
Medical Assistance Reimbursement for Administration 14-15	I	93.778	N/A	14 JUL 01 - 15 JUN 30	50,835	50,835	50,835	-	-	-
Medical Assistance Reimbursement for Administration 15-16	I	93.778	N/A	15 JUL 01 - 16 JUN 30	138,059	71,636	-	138,059	138,059	66,423
Total Passed through the Pennsylvania Department of Welfare					188,894	122,471	50,835	138,059	138,059	66,423
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					564,184	246,345	174,709	331,933	331,933	260,297
U.S. Department of Defense:										
Passed through the United States Navy:										
Junior Reserve Officers Training Corps (FYE 15-16)	I	12.000	N/A	15 JUL 01 - 16 JUN 30	55,887	55,887	-	55,887	55,887	-
Junior Reserve Officers Training Corps (FYE 14-15)	I	12.000	N/A	14 JUL 01 - 15 JUN 30	30,398	6,738	5,643	1,095	1,095	-
TOTAL OF U.S. DEPARTMENT OF DEFENSE					86,285	62,625	5,643	56,982	56,982	-
U.S. Department of Labor:										
Passed through the Pennsylvania Department of Education:										
Career & Technical Education Grant	I	17.267	FC4100068021	15 OCT 1 - 16 JUN 30	89,000	89,000	-	77,996	77,996	(11,004)
TOTAL OF U.S. DEPARTMENT OF LABOR					89,000	89,000	-	77,996	77,996	(11,004)
Sub Total					23,848,411	8,239,323	1,803,887	12,531,797	12,531,797	6,096,361
U.S. Department of Agriculture:										
Passed through the Pennsylvania Department of Education:										
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (13-14)	I	10.561	FC4100060958	13 JUL 01 - 14 JUN 30	18,309	-	-	18,309	18,309	18,309
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (14-15)	I	10.561	FC4100060958	14 JUL 01 - 15 JUN 30	17,820	11,484	11,484	-	-	-
National School Lunch Program (FYE 15-16)	I	10.555	362	15 JUL 01 -16 JUN 30	2,991,335	2,246,809	-	2,991,335	2,991,335	744,526
National School Lunch Program (FYE 14-15)	I	10.555	362	14 JUL 01 -15 JUN 30	2,774,251	282,362	282,362	-	-	-
National School Lunch Program (FYE 15-16)	I	N/A	510/511	15 JUL 01 -16 JUN 30	193,029	125,504	-	193,029	193,029	67,525
National School Lunch Program (FYE 14-15)	I	N/A	510/511	14 JUL 01 -15 JUN 30	177,788	18,493	18,493	-	-	-
School Breakfast Program (FYE 15-16)	I	10.553	365	15 JUL 01 - 16 JUN 30	1,060,977	942,190	-	1,254,428	1,254,428	312,238
School Breakfast Program (FYE 14-15)	I	10.553	365	14 JUL 01 - 15 JUN 30	1,007,330	132,139	132,139	-	-	-
Summer Food Service Program for Children (FYE 15-16)	I	10.559	264	15 JUL 01 - 16 JUN 30	109,440	-	-	109,440	109,440	109,440
Summer Food Service Program for Children (FYE 14-15)	I	10.559	264	14 JUN 16 - 15 JULY 30	180,149	75,280	72,413	2,867	2,867	-
Fresh Fruit and Vegetable Program (14-15)	I	10.582	362	14 JUL 01 -15 JUN 30	55,940	17,780	17,780	-	-	-
Total Passed through the Pennsylvania Department of Education					8,586,368	3,852,041	534,671	4,569,408	4,569,408	1,252,038
Passed Through the Pennsylvania Department of Agriculture:										
Food Donation (FYE 14-15)	I	10.555	115-22-275-2	14 JUL 01 - 15 JUN 30	180,229	-	(15,796)	15,796	15,796	-
Food Donation (FYE 15-16)	I	10.550	115-22-275-2	15 JUL 01 - 16 JUN 30	247,384	247,384	-	240,868	240,868	(6,516)
Total Passed through the Pennsylvania Department of Agricultural					427,613	247,384	(15,796)	256,664	256,664	(6,516)
TOTAL U.S. DEPARTMENT OF AGRICULTURE					9,013,981	4,099,425	518,875	4,826,072	4,826,072	1,245,522
TOTAL ASSISTANCE					$ 32,862,392	$ 12,338,748	$ 2,322,762	$ 17,357,869	$ 17,357,869	$ 7,341,883

HARRISBURG CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Harrisburg School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Uniform Guidance (and OMB Circular A-133), *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Donated Commodities

Federal donated commodities were valued using the commodity price list (based on actual and average USDA costs of commodities purchased) provided by the Bureau of Government Donated Foods.

Component Units

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in U.S. Generally Accepted Accounting Principles, which requires a component unit to be included if the District's elected officials are financially accountable for the component unit. The District is financially accountable if it appoints a voting majority of the component unit's governing body and (1) it is able to impose its will on the component unit, or (2) there is a potential for the District to provide specific financial benefits to, or impose specific financial burdens on the component unit. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the District has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The District has evaluated its relationship with Capital Area Intermediate Unit #15 to determine if the financial information of the unit should be included in the financial statements. Based on this evaluation, the Unit has not been included as a component unit of the District's reporting entity because of the limited oversight responsibility and limited accountability for fiscal matters.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, the Organization had food commodities totaling $6,516 in inventory.

NOTE C - TEST OF 40% RULE

Total Expenditures	$ 17,357,869
Less: State's Share of National School Lunch Program Expenditures	193,029
Total Federal Expenditures	**$ 17,164,840**
Programs Selected for Testing:	
Title I Grants to Local Education Agencies (CFDA #84.010)	$ 7,155,296
Twenty-First Century Community Learning Centers (CFDA #84.287)	393,176
Special Education - Grants to States (CFDA #84.027, #84.173)	1,410,659
Total Amount Tested	**$ 8,959,131**
Percent Tested ($8,959,131/$17,164,840)	**52.2%**

NOTE D - SOURCE CODES

D = Direct Funding
I = Indirect Funding
F = Federal Share
S = State Share

HARRISBURG CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?	___	Yes	X	No
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	X	Yes	___	No
Noncompliance material to financial statements noted?	___	Yes	X	No

Federal Awards

Internal control over major programs:

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

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

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

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
84.010	Title I Grants to Local Education Agencies
84.287	Twenty-First Century Community Learning Centers
84.027 & 84.173	Special Education - Grants to States

Dollar threshold used to distinguish between type A and type B programs: $ 514,945

Auditee qualified as low-risk auditee?	___	Yes	X	No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

FS 2016-001

Significant Deficiency

Condition:

The District lacks the necessary technical accounting and financial reporting expertise to adequately address certain complex accounting issues the District faces.

The District's personnel are capable of processing and reporting monthly financial activities.

Criteria:

Authoritative guidance describes a significant deficiency as a condition that may adversely affect the District's ability to initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement within the District's financial statements is for an amount that is more than inconsequential and will not be prevented or detected.

Effect:

Lack of understanding of the proper accounting and reporting could lead to material misstatements within the District's financial statements.

Cause:

In the past, the District did not have the requisite expertise to account for, nor provide the required disclosures for these complex accounting matters.

Auditors' Recommendation:

We recommend the District provide the necessary education and guidance to individuals involved with these complex accounting matters for the District.

Auditee's Response:

The Business Office management will continue to look for ways that staff can expand their technical accounting expertise.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - continued

FS 2016-002

Significant Deficiency

Condition:

The District contracted a third party service provider to take inventory of the District's assets; however the District has not been able to reconcile the differences between their prior year schedules and the inventory taken. Due to this, the District relied on the audit team to assist in calculating the current year depreciation of fixed assets and identifying current year additions to fixed assets.

Criteria:

Authoritative guidance describes a significant deficiency as a condition that may adversely affect the District's ability to initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement within the District's financial statements is for an amount that is more than inconsequential and will not be prevented or detected.

Effect:

Lack of tracking of fixed assets could lead to material misstatements within the District's financial statements.

Cause:

Due to turnover in the District's Business Office, there was no tracking of fixed assets. The District contracted with a third party service provider to assess inventory values; however the District must reconcile their existing records to the new inventory to ensure all capitalized items are appropriately included or disposed of.

Auditors' Recommendation:

We recommend the District reconcile the fixed asset differences and then implement processes and procedures to ensure proper review and tracking.

Auditee's Response:

The Business Office staff and management will reconcile fixed assets and ensure procedures are in place for future tracking and calculating of depreciation.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding SA 2016-001
Federal agency: U.S. Department of Education
Pass-through entity: Pennsylvania Department of Education

Twenty-First Century Community Learning Centers - CFDA 84.287
(FYE 2015-2016) Contract No. FC4100068064

Significant Deficiency in Internal Control over the Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Condition:

The District failed to follow its purchase order process for expenses related to its Twenty-First Century Community Learning Centers grant.

Criteria:

As implied in OMB Uniform Grant Guidance Part 6 Internal Control for Activities Allowed or Unallowed and Allowable Costs/Cost Principles, accountability for authorization is fixed in an individual who is knowledgeable of the requirements for grant expenditures.

Cause:

The District made direct payments to the vendor without following its purchase order process due to timing.

Effect:

The District's expenses, although allowable to be charged to the grant, were not properly approved.

Questioned Costs:

Not applicable

Auditors' Recommendation:

We recommend the District ensure that its internal control procedures are followed.

Auditee's Response:

The District has stopped all practices of making direct payments and all expenses are to follow the District's purchase order approval process.

D. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Finding SA 2015-001
Federal agency: U.S. Department of Education
Pass-through entity: Pennsylvania Department of Education

Title I Grants to Local Educational Agencies - CFDA 84.010
(FYE 2013-2014) Contract No. 013-140184

Title I Grants to Local Educational Agencies - CFDA 84.010
(FYE 2014-2015) Contract No. 013-150184

Title II Improving Teacher Quality State Grants - CFDA 84.367
(FYE 2013-2014) Contract No. 020-140184

Title II Improving Teacher Quality State Grants - CFDA 84.367
(FYE 2014-2015) Contract No. 020-150184

Noncompliance and Significant Deficiency in Internal Control over the Cash Management Process

Condition:

The District earned in excess of $100 interest on Title I & Title II funds that were not remitted.

Criteria:

According to the OMB A-133 Part 4 Title I & Title II compliance supplements, interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to $100 per year may be kept for administrative expenses. Recipients of advanced federal program funds must minimize the time elapsing between the transfer of funds from the State and disbursement in accordance with A-102 Grants Management Common Rule. Federal program receipts and disbursements should be monitored in accordance with these provisions and interest earnings calculated on a quarterly basis.

Cause:

The cash management compliance requirement in regards to interest earnings was not properly followed by the District.

Effect:

The District failed to submit, on a quarterly basis, the excess interest earned on advances of federal funds.

D. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - continued

Finding SA 2015-001 - continued

Auditee Update:

The District is tracking and remitting interest earned within the appropriate timeframe.

Current Status:

This was tested in the current year and no similar finding was noted.

D. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - continued

Finding SA 2015-002
Federal agency: U.S. Department of Agriculture
Pass-through entity: Pennsylvania Department of Education

Child Nutrition Cluster
School Breakfast Program (SBP) - CFDA 10.553
National School Lunch Program (NSLP) - CFDA 10.555
Food Donation - CFDA 10.555
Summer Food Service Program for Children (SFSPC) - CFDA 10.559
(FYE 2014-2015)

Noncompliance and Significant Deficiency in Internal Control over the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management and Reporting Compliance Requirements

Condition:

The District uses the daily sales reports from the cash register system to create a monthly participation report by school, which is then used to prepare the reimbursement claim form online for each month.

We selected four months during the current year. Total meals served on the participation report were compared to the total number of meals claimed on the reimbursement request submitted.

Of the four months tested, we selected four days from each or 16 days in total, to recalculate the number of meals from the participation report to the daily sales reports.

As a result of the testing above, we noted the following:

- One school's supporting documentation could not be furnished for any of the days chosen due to the registers being down. The numbers were tallied and included with the high school numbers when submitted for reimbursement.
- For one day chosen in January 2015, there were three schools which the District could not furnish supporting documentation for amounts reimbursed.
- For January 2015, the check summary which is used to submit for reimbursement did not tie to the reimbursement claim form. The reimbursement claim form was less than the summary; therefore, they did not claim enough meals.
- For one day chosen in January 2015, there were four schools where the supporting documentation did not tie to the reimbursement.
- In March 2015, there were twelve of 44 reports missing for breakfast and ten of 44 reports missing for lunch.
- In March 2015, there was one report for breakfast and one report for lunch that did not tie to the reimbursement.

D. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - continued

Finding SA 2015-002

Auditee Update:

The District has been working with a third party service provider and the Commonwealth of Pennsylvania to ensure proper reporting.

Current Status:

This grant was not required to be tested in the current year; however, during the audit this item was followed up on and it appears the District has taken significant steps to correct this issue for the current year and going forward.

D. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - continued

Finding SA 2015-003
Federal agency: U.S. Department of Agriculture
Pass-through entity: Pennsylvania Department of Education

Child Nutrition Cluster
School Breakfast Program (SBP) - CFDA 10.553
National School Lunch Program (NSLP) - CFDA 10.555
Food Donation - CFDA 10.555
Summer Food Service Program for Children (SFSPC) - CFDA 10.559
(FYE 2014-2015)

Noncompliance and Significant Deficiency in Internal Control over the Procurement and Suspension and Debarment compliance requirement.

Condition:

The District uses a bid process to purchase food and cafeteria paper goods, through its third party service provider.

Criteria:

All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110. Select a sample of procurements and subawards and test whether the non-Federal entity followed its procedures before entering into a covered transaction.

Cause:

The District failed to furnish supporting documentation of bids.

Effect:

Due to the lack of documentation, we were unable to determine if the District followed the correct procurement procedures.

Questioned Costs:

Unknown

Auditors' Recommendation:

We recommend the District closely monitor the process being used by the outsourced service provider in obtaining and maintaining required supporting documentation for bids and related purchases.

D. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - continued

Finding SA 2015-003 - continued

Auditee Response and Corrective Action Plan:

The District will review the requirements with the outsourced service provider and monitor the processes and required document retention throughout the year.

Auditee Update:

The District has been working with the third party service provider to ensure this documentation is filed properly and available for review.

Current Status:

This grant was not required to be tested in the current year; however, during the audit this item was followed up on and it appears the District has taken significant steps to correct this issue for the current year and going forward.

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APPENDIX C

DEMOGRAPHIC AND ECONOMIC INFORMATION
RELATING TO THE SCHOOL DISTRICT OF THE CITY OF HARRISBURG

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Introduction

The City of Harrisburg (the "City") has been the capital of the Commonwealth of Pennsylvania since 1812, as well as the County seat of Dauphin County (the "County"), since the County's creation in 1785. It is the center of the Harrisburg Metropolitan Statistical Area (the "MSA"), which is composed of the three counties of Dauphin, Cumberland and Perry in central Pennsylvania. The Harrisburg area has a diverse economic base. Major employers located in or near the City include the Commonwealth of Pennsylvania, United States Government, Giant Food Stores, Penn State Hershey Medical Center, Hershey Entertainment & Resorts, The Hershey Company, Wal-Mart Stores, Inc., and JFC Staffing Associates.

Commercial Activity

The MSA has approximately 60% of its land value categorized as residential and 30% as commercial. Most of the development is located in the Harrisburg area, which is located in the central portion of the MSA and is traversed by Interstates 81 and 83, which connect to the Pennsylvania Turnpike, Interstate 76. Developments in the MSA include the Hilton Hotel and Towers, a 16-story, 341-room first class hotel/convention center; Crowne Plaza Hotel, a 10 story, 261 room hotel with 11 suites; M&T Bank's 13-story corporate headquarters and parking facility; the Pennsylvania National Insurance Company's $42 million 14-story office tower on Market Square; the Whitaker Center for Science and the Arts, a $52.7 million entertainment facility and the first facility in the country to house a science center, a performing arts theater and an IMAX theater in one complex located at the corner of Third and Market Streets; Hollywood Casino at Penn National Race Course, a thoroughbred horse racing track and casino located 17 miles east of Harrisburg; the National Civil War Museum, located in Reservoir Park, the only museum in the United States that portrays the entire story of the American Civil War; High Pointe Commons, a retail complex located along Interstate 283/83; recently completed renovations to the WITF facility which include the addition of approximately 72,000 square feet as studio/office radio/TV facility; TecPort Business Center, a retail, hotel, commercial and office campus situated on approximately 102 acres that has attracted approximately 3,500 new jobs to the County; the recently completed Market Square Plaza Tower, a retail office parking tower in downtown Harrisburg and the educational facilities tower of The Harrisburg University of Science and Technology at the corner of Fourth and Market Streets in downtown Harrisburg.

Also within the MSA are the headquarters for Hershey Foods Corporation and Hershey Entertainment & Resorts Company ("HE&R") in Hershey, Pennsylvania. HE&R owns and operates Hersheypark, which is a 60-ride amusement park, the Hotel Hershey, the Hershey Lodge and Convention Center, Hersheypark Arena and Stadium, the Hershey Museum of American Life and the Hershey Gardens with their award winning rose garden. Chocolate World, the official Visitors Center of the Hershey Company, is adjacent to Hersheypark. Also located in Hershey is the Giant Center, a 10,500 seat sports and entertainment facility adjacent to Hersheypark.

Population

Table C-1 which follows shows recent population trends for the School District, Dauphin County, the MSA and the Commonwealth. Table C-2 shows 2010 Census Bureau age composition and average number of persons per household in the School District, Dauphin County and the Commonwealth.

TABLE C-1
RECENT POPULATION TRENDS

Area	2000	2010	Compound Average Annual Percentage Change 2000-2010	2015 Estimate
School District [(1)]	48,950	49,550	0.12%	49,232
Dauphin County	251,798	268,100	0.63	271,094
Pennsylvania	12,281,054	12,702,379	0.34	12,779,559

Source: U.S. Bureau of the Census, and the Pennsylvania State Data Center.
(1) The School District is coterminous with the City of Harrisburg.

TABLE C-2
AGE COMPOSITION

	0-17 Years	18-64 Years	65+ Years	Persons Per Household
School District [(1)]	26.8%	64.1%	9.1%	2.36
Dauphin County	23.2%	63.1%	13.7	2.37
Pennsylvania	22.0%	62.6%	15.4	2.45

Source: U.S. Bureau of the Census, Pennsylvania State Data Center-2010 General Housing and Population: Pennsylvania.
(1) The School District is coterminous with the City of Harrisburg.

TABLE C-3

DISTRIBUTION OF EMPLOYMENT
(Harrisburg Metropolitan Statistical Area)

HARRISBURG-CARLISLE METROPOLITAN STATISTICAL AREA
(Cumberland, Dauphin, and Perry counties)

APRIL 2017
NONFARM JOBS (Not Seasonally Adjusted)

	Industry Employment			Net Change From:	
ESTABLISHMENT DATA	Apr 2017	Mar 2017	Apr 2016	Mar 2017	Apr 2016
TOTAL NONFARM	5,935,000	5,872,700	5,896,700	62,300	38,300
TOTAL PRIVATE	5,218,400	5,157,600	5,176,600	60,800	41,800
GOODS-PRODUCING	812,900	801,700	820,300	11,200	(7,400)
Mining and Logging	23,100	22,900	25,100	200	(2,000)
Construction	239,900	227,300	237,600	12,600	2,300
Manufacturing					
Durable Goods	325,200	327,400	335,800	(2,200)	(10,600)
Non-Durable Goods	224,700	224,100	221,800	600	2,900
SERVICE-PROVIDING	5,122,100	5,071,000	5,076,400	51,100	45,700
PRIVATE SERVICE-PROVIDING	4,405,500	4,355,900	4,356,300	49,600	49,200
Trade, Transportation, and Utilities					
Wholesale Trade	218,400	218,000	219,200	400	(800)
Retail Trade	623,700	618,200	626,500	5,500	(2,800)
Transportation and Utilities	279,800	276,800	272,900	3,000	6,900
Information	83,300	83,000	85,000	300	(1,700)
Financial Activities	315,900	316,200	314,900	(300)	1,000
Professional and Business Services					
Professional, scientific and technical services	356,700	353,300	349,700	3,400	7,000
Management of companies and enterprises	139,800	138,900	134,300	900	5,500
Administrative and waste management services	307,100	294,500	311,000	12,600	(3,900)
Education and Health Services					
Educational services	258,900	259,600	254,700	(700)	4,200
Health care and social assistance	1,003,900	1,003,100	979,500	800	24,400
Leisure and Hospitality	559,000	537,800	552,200	21,200	6,800
Other Services	259,000	256,500	256,400	2,500	2,600
Government	716,600	715,100	720,100	1,500	(3,500)

Source: Pennsylvania Department of Labor & Industry, PAWorkStats.

Table C-4 shows recent trends in labor force, employment and unemployment for Dauphin County and the Commonwealth.

TABLE C-4
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

	2012	2013	2014	2015	2016	2017 (1)
Dauphin County						
Civilian Labor Force (000)	139.0	139.1	139.4	141.1	142.6	141.3
Employment (000)	128.3	129.5	132.0	134.5	135.8	134.9
Unemployment (000)	10.7	9.6	7.4	6.6	6.9	6.4
Unemployment Rate	7.7%	6.9%	5.3%	4.7%	4.8%	4.5%
Pennsylvania						
Civilian Labor Force (000)	6,466.0	6,460.0	6,378.0	6,426.0	6,472.0	6,419.0
Employment (000)	5,954.0	5,982.0	6,009.0	6,085.0	6,120.0	6,092.0
Unemployment (000)	513.0	478.0	370.0	341.0	352.0	326.0
Unemployment Rate	7.9%	7.4%	5.8%	5.3%	5.3%	5.1%

Source: Center for Workforce Information & Analysis, Pennsylvania Department of Labor & Industry.
(1) As of March, 2017.

The School District is located within the MSA and most School District residents work within the MSA, but outside School District boundaries.

The largest employers located within or near the School District include:

Name	Product or Service	Approximate Employment
Commonwealth of Pennsylvania*	Government	21,885
U.S. Government	Government	18,000
Penn State Hershey Medical Center	Healthcare	8,849
Hershey Entertainment & Resorts	Recreation	7,500
The Hershey Company	Manufacturer of Confections	6,500
Tyco Electronics	Electronic Components	4,700
Pinnacle Health System	Healthcare	3,997
Penn State University	Higher Education	2,700
Harrisburg Area Community College	Higher Education	2,173
Capital Blue Cross	Health Insurance	1,765

Source: Capital Region Economic Development Corporation
*Pennsylvania State Government includes all state employment except the Pennsylvania State University, SEPTA and the Pennsylvania State System of Higher Education.

Income

The data on Table C-5 shows recent trends in per capita income for the School District, Dauphin County and Pennsylvania over the 2000-2010 period, along with 2015 estimates.

TABLE C-5
RECENT TRENDS IN PER CAPITA INCOME*

	2000	2010	Percentage Change 2000-2010	2015 Estimate
School District (1)	$15,787	$19,061	2.12%	$19,402
Dauphin County	22,134	28,658	2.62	29,461
Pennsylvania	20,880	27,915	2.95	29,291

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self- employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc., before deductions for personal income taxes, Social Security, etc., School District income is the population-weighted average for political subdivisions.
Source: 2010 Census, American Fact Finder and 2015 American Community Survey 5-Year Estimates.
(1) The School District is coterminous with the City of Harrisburg.

Medical Facilities

The residents of the area are served by five major medical institutions: Penn State Milton S. Hershey Medical Center and Pinnacle Health Systems which consists of four facilities within the system: Community General Osteopathic Hospital, Harrisburg Hospital, Fredricksen Outpatient Center, and Seidle Hospital.

Educational Institutions

The City and surrounding area have a number of institutions of higher learning including the Pennsylvania State University Milton S. Hershey Medical Center in Hershey, the Harrisburg Area Community College, The Harrisburg University of Science and Technology, Penn State Harrisburg Campus in Middletown, Dickinson College, Dickinson School of Law of the Pennsylvania State University, Messiah College and the University Center at Harrisburg which consists of extension programs offered by a consortium of five institutions of higher learning including Pennsylvania State University and the University of Pennsylvania. Temple University has a branch campus in Harrisburg and Widener University Commonwealth Law School is located in Susquehanna Township, Dauphin County.

The largest of these schools in terms of enrollment is the Harrisburg Area Community College ("HACC") which was the first comprehensive Community College to be established in the Commonwealth and serves the MSA. Since HACC's inception in 1964, HACC has grown from a single campus of less than 500 students to a multi-campus institution which enrolls in excess of 20,000 credit students each semester. HACC has campuses in Harrisburg, Gettysburg, Lancaster, York and Lebanon.

The Penn State Harrisburg Campus offers baccalaureate and graduate degree programs. Dickinson College, located in Carlisle, is the second oldest institution of higher learning in the Commonwealth. Approximate enrollment at this co-educational liberal arts college is 2,353 full-time students. The Dickinson School of Law, also located in Carlisle, is the oldest law school in the Commonwealth having been founded in 1834. The Dickinson School of Law merged with The Pennsylvania State University in 2000. The law school presently operates two separate campuses, with one located in Carlisle and the other in State College. Present enrollment for the three year juris doctorate program is about 547 full time students. Messiah College is a nationally ranked private liberal arts Christian college with a current student body of approximately 2,800 undergraduate students, located in Grantham, Pennsylvania, which is just 12 miles from Harrisburg. Widener University Commonwealth Law School opened in 1989 and enrollment for the juris doctorate, both day and evening divisions is about 500 students.

The Harrisburg University of Science and Technology ("HUST"), formerly known as Harrisburg Polytechnic Institute, opened in September 2005. HUST is an independent educational institution offering academic and research programs in mathematics, science, and technology designed to meet the needs of the region's youth, workforce, and businesses, and to expand, attract, and create economic opportunities in the Capital Region. HUST offers undergraduate, graduate and certificate programs in applied science and technology fields. HUST held its first formal commencement exercises on May 11, 2007. The new Academic Center, located in downtown Harrisburg, was dedicated on February 25, 2009, and includes 371,000 square feet of state-of-the art classroom space, scientific teaching labs, meeting areas, seminar rooms, parking, and a 125-seat auditorium.

Residents of the County also have access to a variety of trade and technical schools such as The Academy of Medical Arts and Business, Electronic Institutes, National Education Center Thompson Institute, Central Pennsylvania Business School and the MTA Technical School.

Utilities

Verizon, PPL Utilities, Amergen Energy, United Gas Improvement Corporation and Unity Water Company are the major non-governmental utilities, which provide service in the City.

Transportation

Harrisburg is serviced by four interstate highways: Interstate 81 is the major eastern U.S. interstate running from New York to Alabama; Interstate 78 splits from 1-81 northeast of Harrisburg and links the City to Allentown, Bethlehem, northern New Jersey, and New York City; Interstate 83 links Harrisburg to York and Baltimore to the south. The Capitol Beltway links Interstates 81 and 83 through State Route 522. Additionally, the Pennsylvania Turnpike (Interstate 76) serves as the principal connector to Philadelphia, Pittsburgh and New Jersey. Two Susquehanna River routes U.S. 11/15 and U.S. 22/322, also serve Harrisburg, U.S. 11/15 links Harrisburg with Gettysburg, Frederick, Maryland and later, via 1-270, Washington, D.C. to the south; the same highway runs north through the center of the State ultimately to Rochester, New York. U.S. 22/322 links Harrisburg to State College and points west.

Harrisburg International Airport, located in Middletown, has a 10,000-foot runway and can handle the nation's largest commercial and military aircraft. The U.S. Commerce Department has simplified export procedures for the Harrisburg Port-of-Entry, so that cargo may be flown directly from Harrisburg to foreign countries as well as any domestic point. The Airport is served by American Airlines, United Airlines, and Northwest Airlines in addition to several commuter airlines. The Susquehanna Area Regional Airport Authority ("SARAA"), which assumed ownership of HIA on January 1, 1998, completed an extensive improvement plan at HIA in 2004. HIA has a new terminal building, multi-modal transportation center and security system in accordance with new federal airport safety regulations. General aviation service is also available at the Capital City Airport, which is owned by SARAA, and three other airports in the Harrisburg Metropolitan Area.

Harrisburg is situated geographically central to major urban hubs of the Mid-Atlantic Seaboard, including Philadelphia, Atlantic City, New York, Baltimore, Washington, D.C. and Pittsburgh. These cities are within hours of Harrisburg whether traveling by car, bus or train.

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APPENDIX D

AMENDED RECOVERY PLAN
HARRISBURG SCHOOL DISTRICT

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Amended Recovery Plan

Harrisburg School District

Dauphin County Pennsylvania

Prepared by the

Chief Recovery Officer

Dr. Audrey Utley

May 2, 2016

With the Assistance of

Public Financial Management
Two Logan Square, Suite 1600
18th and Arch Street
Philadelphia, PA 19103-2770
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Table of Contents

Introduction

On December 12, 2012 the Harrisburg School District was declared to be in a state of "moderate financial recovery" under the terms of the Commonwealth of Pennsylvania's Act 141 of 2012. Under the direction of a Chief Recovery Officer (CRO) appointed by Pennsylvania's Secretary of Education, a Recovery Plan was crafted and submitted in April 2013. It was approved by the Harrisburg School Board in May 2013. The overarching goals of that Plan were to improve management of the District's finances, improve academic results, and reduce the rate of students leaving the District for charter schools. In addition to the 2013 Plan, Plan amendments in January 2014 and April 2014 further clarified the need for improved financial management and provided enhanced financial forecasts.

The current Chief Recovery Officer (CRO), Dr. Audrey Utley, was appointed in July 2015 and charged with developing a new Amended Recovery Plan that continues to stabilize the District's finances while providing for academic improvement.

This Amended Plan is based on the principle that every child in the District can be successful. Providing our children with the opportunity to succeed requires that the adults who support and operate the District think creatively, and continue to improve performance in the classroom, in the principal's office, at the Administration Building and at the School Board level. With cooperation among parents, educators, and community leaders to consistently put children first, every student in the District can be equipped with the skills not only to meet state performance standards, but to graduate and go on to college, trade school, or meaningful employment.

The Plan starts with a financial baseline, to see how much money is available to the District compared to its identified educational priorities for the next several years. These efforts are bolstered by improved operations and stable finances since the original Plan was adopted. The District has experienced moderately positive annual financial results, accumulated a substantial fund balance, and seen the number of students departing for charter schools plateau. However, academic progress has been limited, and the District will only be able to fund some of the educational initiatives it has identified as important to further educational improvement. This Plan clearly identifies areas where finances can be further improved to fund educational initiatives, and provides firm standards for academic improvement that the District must meet over the next three years.

Overview of the Harrisburg School District

The Harrisburg School District serves solely children living in the City of Harrisburg. The City of approximately 49,000 residents[1] occupies 11.4 miles along the Susquehanna River in central Pennsylvania, and is the capital of the Commonwealth of Pennsylvania, and the county seat of Dauphin County. The District is governed by a nine-member elected School Board, one of whom is selected to lead the Board as President. The Superintendent and other senior administrative officials are appointed by the Board.

The District employs approximately 900 staff members, with slightly more than one-half serving in direct instructional roles. Student enrollment in District-operated schools for the 2015-16 school year is 6,383.[2] The student population in 2014-15 was 60.7 percent African-American, 29.1 percent Hispanic and 3.3 percent Caucasian, with the remainder made up of Asian-American and other ethnic groups. The District provides education in 11 school buildings and has title to 3 closed school buildings. In addition the District owns several other small properties and parcels of land.

Over 237 District students attend the Dauphin County Vocational Technical School.[3] Approximately 817 District students also attend 14 different charter schools, including physical schools ("brick and mortar")

1 Based on 2014 American Community Survey 5-Year Estimates, U.S. Census. Due to the many state offices located in the City, it has a substantial commuter population.

2 Based on February 2, 2016 K-12 Enrollment Report from District.

3 As of March 2016.

and cyber charters.[4] Currently over 45 percent of the total charter enrollment is in cyber charters. In addition, Harrisburg school-age students attend non-public schools in and around the Harrisburg area.

The District operates on a fiscal year that runs from July 1 to June 30. The budgeted expenditures for the 2015-16 fiscal year were $136.9 million.

Statutory Basis for the Recovery Plan

On December 12, 2012, under the provisions of state legislation (Act 141 of 2012), the Commonwealth of Pennsylvania's Secretary of Education declared the Harrisburg City School District to be in a state of moderate financial recovery and appointed a Chief Recovery Officer (CRO) to improve academic performance and bring financial stability to the district. A Plan was completed in April 2013 with amendments in January 2014 and April 2014. The current CRO, Dr. Audrey Utley, was appointed in July 2015 and charged with developing this new Recovery Plan.

The CRO is responsible for taking input from the School Board and the community to develop a Recovery Plan to lead the District into financial solvency and position it for academic success. The Act requires the appointment of an Advisory Board to the Chief Recovery Officer, to meet monthly. Upon the Plan's presentation, Act 141 provides 30 days for the School's Board of Directors to review and approve the Plan.

Performance Basis for the Recovery Plan

Educational performance

Despite a significant organizational focus on school improvement and improved financial management since the April 2013 Plan, the District continues to face educational challenges including low performance on standardized tests, low graduation rates, low attendance rates, and limited success in progressing to college or vocational training.

The established District goals and priorities remain as outlined in the original 2013 Recovery Plan, but with two additional areas of emphasis to achieve academic improvement: the implementation of a standards-aligned curriculum for all subject areas offered by the District at all levels, and the establishment of coherent organizational structures and processes that promote organizational effectiveness. In addition, this Plan updates the specific educational performance results required for the District as part of its recovery.

A key indicator of District academic progress in this Amended Recovery Plan, as in the previous Plan, will be the District's improvement on the statewide Pennsylvania System of School Assessment (PSSA) and Keystone exams, on graduation rates, and on student attendance. In 2015, unfortunately, 81.4 percent of District students in grade 3 scored below proficient in reading, compared to 38.0 percent statewide. Statewide, 51.5 percent of all other students scored below proficient in math, compared to 89.6 percent of District students.[5] The District's grade 3 performance compared to all other students in the state is shown below:

PSSA Results for Harrisburg City School District, Grade 3, 2014-15
% of Students Scoring Proficient or Advanced

	English/Language Arts	Math
Harrisburg SD	18.6%	10.4%
Statewide	62.0%	48.5%

[4] Based on a February 2, 2016 Charter Enrollment Report from District.

[5] Every Pennsylvania student in grades in grades 3-8 and grade 11 is given standardized tests in reading and math. Every student in grades 5, 8 and 11 is assessed in writing, and every student in grades 4, 8 and 11 is assessed in science.

Similarly, in 2015, an average of 82.0 percent of District students in grades 4-8 scored below proficient in reading, and 93.9 percent were below proficient in math.[6] In comparison, an average of 40.4 percent of students statewide in grades 4-8 scored below proficient in reading while 62.0 percent of all other students statewide scored below proficient in math.

PSSA English/Language Arts Results for Harrisburg City School District, Grades 4-8, 2014-15
% of Students Scoring Proficient or Advanced

	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
Harrisburg SD	17.4%	18.1%	19.8%	15.5%	19.3%
Statewide	58.6%	61.8%	60.7%	58.7%	58.0%

PSSA Math Results for Harrisburg City School District, Grades 4-8, 2014-15
% of Students Scoring Proficient or Advanced

	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
Harrisburg SD	9.4%	6.2%	6.7%	3.7%	4.7%
Statewide	44.5%	42.8%	39.7%	33.1%	29.8%

In the 2014-15 school year, the District's 11th grade students completed the statewide Keystone Exams in three subjects: Algebra I, Biology, and Literature. Again, District performance lagged statewide averages by a large margin, as shown below:

2014-15 Grade 11 Keystone Exams
% of Students Scoring Proficient or Advanced

	Algebra I	Biology	Literature
John Harris High School[7]	18.1%	23.2%	10.9%
Statewide	64.5%	72.8%	59.0%

This Plan is predicated on the assumption that together, the students, teachers, administrators and parents in the District and will increase academic performance, demonstrated by improvement in these indicators and in other areas, such as graduation rates and attendance rates. Current District and Statewide graduations rates are shown below:

2014-15 Graduation Rates

	Graduation Rate
John Harris High School[8]	52.78%
Statewide	84.75%

2014-15 Attendance Rates

	Attendance Rate
Harrisburg SD	88.15%
Statewide	93.71%

More detail on the academic achievement goals in this Plan can be found in the Education chapter of this Plan.

[6] Every Pennsylvania student in grades in grades 3-8 and grade 11 is given the tests in reading and math. Every student in grades 5, 8 and 11 is assessed in writing, and every student in grades 4, 8 and 11 is assessed in science.

[7] Keystone scores do not include data for Harrisburg's Sci-Tech High School. Sci-Tech's scores in Algebra I and Literature are higher than the statewide average. The percent of Sci-Tech students scoring proficient or advanced in Biology is 42.1 percent, much lower than the statewide average.

[8] Graduation rates do not include data for Sci-Tech. Sci-Tech's rate is higher than the statewide rate.

Financial performance
The District has seen significant improvement in its financial performance since the April 2013 Plan, with the addition of a capable Chief Financial Officer and Business Manager and accumulation of a strong fund balance (which helped the District better navigate the recent state budget impasse). However, despite improvements, annual budgets are narrowly balanced and projections show a deficit in current and future years. In addition, if the District hopes to realize the desired staffing and program enhancements included in this Amended Plan, it will need to find additional revenues or operating efficiencies to accommodate the related costs. The District's fund balance can provide some buffer for projected deficits, but it is important to preserve as much as possible of the fund balance, since the District will need working capital to maintain operations and successfully manage future challenges.

Harrisburg School District Net Operating Results, FY2011-12 – FY2015-16

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Projected
Revenues	$132,060,393	$130,469,730	$130,561,571	$135,007,572
Expenditures	$121,276,577	$123,162,886	$126,657,851	$137,192,335
Surplus / Deficit	$10,783,817	$7,306,844	$3,903,721	($2,184,763)
Fund Balance	$22,653,632	$29,960,476	$33,864,197	$31,679,434

Student population
A major challenge for the District is related to fluctuations in student population and enrollment. The District has proposed plans to reopen closed buildings at significant cost and to make staff additions to address teacher continuity and professional development. Preliminary analysis of live birth rates indicate that the District may experience reduced enrollments as the effect of recent lower birth rates progress through grade levels. A significant piece of this Plan is focused on the District making strategic educational decisions based on projected live birth and enrollment trends, provided through independent analysis.

In addition, though the District has seen an end to the growth of students leaving for charter and cyber charter schools (growth leveled off in 2013-14), the financial impact of the increase in charter enrollments between 2008-09 and 2013-14 was so significant that the District must continue efforts to bring students back in to the District, especially through the District's successful in-house cyber program, the Cougar Academy.

Current Challenges

Even as it works to direct more resources to improved student performance, the District faces several structural financial constraints. First, the District's annual contribution to employee retirement funds through the Public School Employees' Retirement System (PSERS), while partially offset by State reimbursement, will grow by more than $3 million over the next several years as obligations increase to address the retirement system's unfunded liabilities.

In addition, the District has taken steps to reduce health care expenditures through adjustments to the structure of health benefit plans, increased employee contributions, and greater engagement with the District's health benefits consultant. However, health care costs will continue to grow, as will retiree health care commitments, even if overall District employment declines with lower student enrollment.

Next, the District's real estate tax rate in equalized mills is already high relative to other school districts in the Commonwealth reflecting the high proportion of tax-exempt property in the City. In 2013-14, the District ranked 52 out of 500 districts with equalized mills of 29.2. In addition, since the implementation of Act 32, earned income tax revenues have been volatile and there is uncertainty regarding their sustainability at a higher rate in the future.

Furthermore, the recent state budget impasse and debate regarding the school funding formula could have a significant impact on the District's state revenues in the future, and its federal revenues are projected to decrease in coming years.

Finally, after the 2013 Plan was adopted, the District hired extremely competent individuals to serve as Chief Financial Officer and Human Resources Director. When those people left the District, they were replaced by very able retirees serving on an interim basis. The District now must find equally strong replacements for both of these positions.

An Amended Recovery Plan for the Harrisburg School District

Developing the Plan
To develop the Recovery Plan, the CRO has combined consultation with the elected School Board, the Administration, the District's bargaining units, and the community, with analysis provided by a technical assistance team of finance and education experts. To meet the requirements of Act 141 and gain broad input, the CRO has also held meetings with an Advisory Committee of academic professionals and community leaders, and built a solid relationship with the elected School Board.

Model and Baseline Scenario
In order to understand the District's short- and long-term financial situation, the technical assistance team to the CRO built a multi-year budget model showing the District's current finances. This baseline view starts with the District's projected results for 2015-16, and assumes current trends and policies are continued and that known future events occur. The overall trends through the 2020-21 school year are as follows:

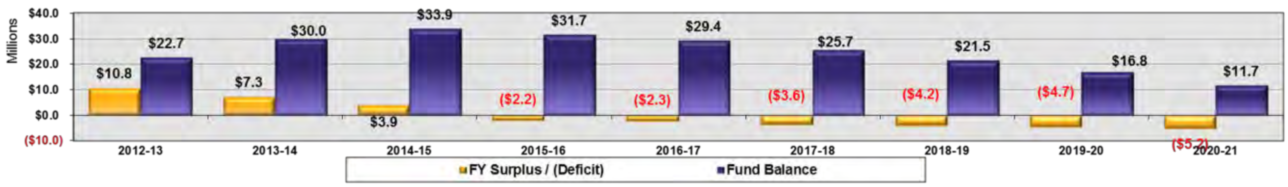
- Revenues are projected to decline slightly in 2017-18, and then grow modestly through 2020-21; over the five year Plan horizon, local and State revenues are expected to grow modestly while federal revenues are reduced by 2 percent each year; and

- Expenditures grow at recent historical rates. Health care and PSERS contributions are major cost drivers, while non-personnel expenditures increase at general inflationary rates. Salaries and charter enrollment growth are held flat.

The sum of all of these assumptions produces negative budget results in each year – a shortfall of $2.2 million in 2015-16, with a worsening deficit each subsequent year. By FY2020-21, the District would have an annual deficit of $5.2 million.

It is important to reiterate that the baseline shows the financial results if no changes are made to current policies. It does not include wage adjustments in future years. In addition, with the District engaged in contract negotiations with AFSCME and HEA, there is the potential for settlements to occur that would include wage increases for the 2015-16 school year. Any increases in 2015-16 would impact the salary and benefit expenditures in the out years and could potentially increase the budget gap shown in the baseline table below.

Baseline Projection



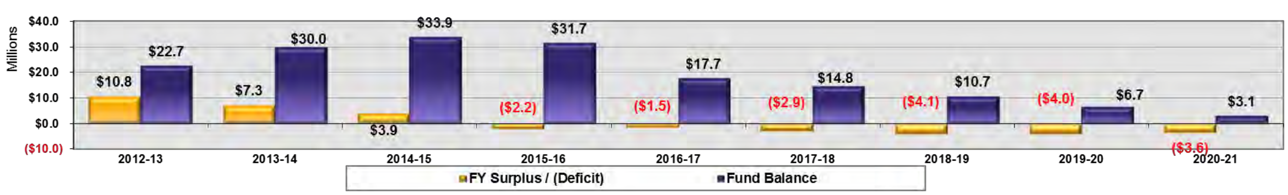
Fiscal Year Ending:	2016	2017	2018	2019	2020	2021
Revenues	$135,007,572	$137,341,985	$137,227,823	$138,932,569	$140,585,725	$141,832,670
Expenditures	$137,192,335	$139,660,788	$140,875,700	$143,128,707	$145,262,018	$147,010,034
Surplus / Deficit	($2,184,763)	($2,318,803)	($3,647,877)	($4,196,138)	($4,676,293)	($5,177,364)
Fund Balance	$31,679,434	$29,360,631	$25,712,753	$21,516,615	$16,840,322	$11,662,958

Understanding District Funding

Although the District has a strong fund balance and can absorb some negative years, it should not rely solely on the fund balance since those reserves are not recurring. Moreover, this Plan directs the District to use some of these one-time reserves for long-term investments. Instead, to address the shortfalls shown in the baseline projection, the District must use a combination of fund balance, expenditure control, and possible revenue increases to ensure long-term financial sustainability. This means that the District must continue to manage finances efficiently, increase yield from its existing revenues, and control growth in the workforce costs that make up most of its spending. Numerous initiatives in this Amended Recovery Plan address how the District can reduce costs or limit cost growth and increase revenues to succeed financially. However, even if workforce cost growth is moderate and all other efficiency measures are implemented, the District's finances will remain tenuous at current local tax rates.

The projection shown below assumes that the District implements all workforce initiatives in this Amended Recovery Plan, which include wage increases for all bargaining units, health care cost savings, and other initiatives to provide incentives for professional staff. In addition, the District is assumed to achieve all revenue and saving initiatives in the Recovery Plan, including increasing the real estate tax millage rate to the Act 1 Index amount in each year beginning in 2017-18. The projection also includes the educational priorities outlined by the CRO and a $12.5 million fund balance transfer to set aside a capital reserve and a reserve to join the Dauphin County Technical School.

Revised Projection: All Revenue, Savings, Workforce, & Priority Education Initiatives



Fiscal Year Ending:	2016	2017	2018	2019	2020	2021
Revenues	$135,007,572	$142,407,519	$143,680,569	$146,420,860	$149,174,842	$152,209,565
Expenditures	$137,192,335	$143,857,557	$146,624,841	$150,512,765	$153,131,721	$155,821,877
Surplus / Deficit	($2,184,763)	($1,450,038)	($2,944,272)	($4,091,905)	($3,956,879)	($3,612,312)
Fund Balance	$31,679,434	$17,729,396	$14,785,124	$10,693,219	$6,736,340	$3,124,028

The Amended Recovery Plan for the Harrisburg School District

The remainder of this document reviews each area of the District in detail, describes how the original April 2013 Plan addressed that area, identifies key challenges and opportunities, and puts forth a series of initiatives to reform and improve District academics and operations while controlling costs. Key aspects of this Recovery Plan that lead to the financial results shown above include:

Academic

- Increased academic accountability related to the Pennsylvania Common Core Standards, curriculum development and implementation, and student achievement, with specific PSSA and Keystone exam goals for the next three years;
- Implementation of a standards aligned curriculum for all subject areas offered by the District at all levels;
- Enhanced professional development Districtwide;
- Expansion of the in-District cyber school;
- A reorganization of current school buildings to avoid overcrowding, ensure space is being maximized in existing facilities, and offer optimum educational programs to all students;
- Greater coordination with parents and the community;
- The prompt implementation of a Career Pathways Program; and
- A greater focus on the growing population of English Language Learners.

Financial

- Recruiting a Chief Financial Officer and Business Manager to manage non-instructional District services;
- Maintaining a positive fund balance and developing a fund balance policy to achieve long-term stability and avoid short-term cash flow problems;
- Reducing absences among District staff;
- Completing and distributing Administrative and Staff Handbooks; and
- Finishing an independent review of long-term enrollment trends to drive decisions around staffing and building closings/re-openings.

Facilities

- Improved energy efficiency and better building management to provide quality facilities at a lower cost;
- Sale of unused facilities to generate funds for capital investment elsewhere in the District; and
- Development of a five-year facilities plan.

Revenue

- Generating additional revenue for the District by improving revenue collections, seeking additional aid from non-profits, continuing existing efforts to secure payments-in-lieu-of-taxes for properties placed in Keystone Opportunity Zones or receiving other tax abatement designations, increasing reimbursement for Medicaid Access, and other programs;
- Improving grant-writing and monitoring to secure additional federal, state, local and private funds for the District; and
- Balancing high local tax effort with the need for quality educational programs by requiring real estate tax increases after 2016-17 if the District is otherwise unable to balance its budget.

Workforce

- Setting wage growth at affordable levels while still attracting and retaining a qualified workforce;
- Continued moderation of District health care cost growth through extension of the 5 percent growth per year cap across all bargaining units; and
- Rightsizing of District staffing to match the student population.

Measurement & Success

- Requirement that the District achieve annual academic performance goals, with 2015-16, 2016-17, and 2017-18 targets in reading and mathematics at each grade level and similar improvement on Keystone Exams for 11th graders; and
- Requirements for increased graduation and attendance rates.

The Recovery Plan requires the immediate initiation of changes in the District, and includes many initiatives that will be complicated to implement and may be unpopular with some segments of the community. However, if promptly and properly implemented, these changes will provide an improved education for students and help improve the efficiency of the District's operations. It should be noted that the revised projection scenario does not provide for a balanced budget. In recent years, the District has successfully produced budgets that have produced positive operating results. If the revenue enhancement and cost savings initiatives included in the Amended Recovery Plan fail to address the projected structural gap in the budget, the District, in consultation with the CRO, will need to identify additional measures to eliminate annual deficits.

Other Provisions

Exit Criteria

Pursuant to section 641-A (9) of Act 141, the CRO must establish specific criteria that the District must satisfy before the Secretary may terminate financial recovery status. The District shall meet at least the following criteria in order to be released from financial recovery:

- The District has achieved financial stability by maintaining a positive fund balance of at least five percent of annual revenues for three successive years, and concluded two successive years with positive annual financial results (revenues exceed expenditures), both as reported in the District's audited annual financial statements;
- The District does not request or require an advance of its basic education subsidy;
- All employee salaries are paid when due;
- The District is not in default on any bonds, notes or lease rentals and is not subject to withholding by the Secretary under section 633 of the Public School Code;
- The District does not satisfy the criteria for determination of recovery status established in regulations promulgated under section 621-A (a) (2) of Act 141;
- The District is able to show a projection approved by the CRO and the Board that reflects annual balanced budgets for the five fiscal years after exiting financial recovery status;
- Under Section 625-A(c)of Act 141, the CRO and the Department of Education will continue oversight of the District until the City of Harrisburg is no longer under Act 47 municipal recovery status;
- Meet the academic performance, graduation rate and attendance rate milestones found in initiative ED04 of this plan for the school years 2015-16, 2016-17 and 2017-18.

Powers and Duties Under Section 642-A

Throughout this plan, the District and the CRO are directed to take actions authorized by section 642-A of Act 141, granting certain powers and duties to achieve the goals of the plan. The specific actions authorized in this plan pursuant to section 642-A shall include but are not limited to:

- Cancel or renegotiate contracts that are in conflict with or an impediment to timely implementation of the provisions of this plan (subsection 3);
- Increase tax levies (subsection 4);
- Appointment of a special collector of delinquent taxes, subject to approval by the CRO (subsection 5);
- Dispense with the services of nonprofessional employees (subsection 6);
- Employ professional and senior management employees who do not hold State certification (subsection 9);

- Enter into agreements with for-profit or non-profit organizations to provide services (subsection 10);
- Close or reconstitute a school, including the reassignment, suspension or dismissal of professional employees (subsection 11);
- Appoint managers, administrators or for-profit or nonprofit organizations to oversee the operations of a school or group of schools (subsection 12);
- Reallocate resources, amend school procedures, develop achievement plans and implement testing or other evaluation procedures for educational purposes (subsection 13);
- Supervise and direct principals, teachers and administrators (subsection 14);
- Negotiate new collective bargaining agreements to effect needed economies (subsection 15);
- Delegate powers of the CRO (subsection 16);
- Employ entities to review financial and educational programs (subsection 17).

Education

Overview

The Harrisburg School District (HSD) is responsible for providing educational services to its students in accordance with state and federal laws and regulations. Accountability for the educational program ultimately lies with the Superintendent. There are various Central Office administrators, program coordinators and consultants who provide guidance and support to the Principals and school staff. Additionally, there is a Director of Special Education and an English Language Learner (ELL) Supervisor.

Compliance with all Pennsylvania regulations and educational standards should continue to be the focus in order to provide all students with rich learning and support services. The established District goals and priorities remain the same as outlined in the original 2013 Recovery Plan. Two additional areas of emphasis in this Amended Plan are the implementation of a standards aligned curriculum for all subject areas offered by the District at all levels and the establishment of coherent organizational structures and processes that promote organizational effectiveness. In addition, this Plan updates the educational performance required in the District as part of its recovery.

Assessment

The District continues to face educational challenges that are typical of many urban school districts in Pennsylvania and the nation. These challenges manifest themselves in low performance on standardized tests, low graduation rates, and limited success in progressing to college or vocational training. This unacceptable academic performance continues in spite of a significant organizational focus on school improvement, in part as a result of slow progress on key drivers of improvement such as development and implementation of curricula.

A key indicator of District academic progress in this Amended Recovery Plan, as in the previously Plan, will be the District's improvement on the Pennsylvania System of School Assessment and Keystone exams, on graduation rates, and on student attendance.

Key Issues/Challenges

All of the schools in the Harrisburg School District, with the exception of SciTech High School, have Priority or Focus status. The designated status comes from the United States Department of Education (USDE).

A Priority School has been identified as being among the lowest performing five percent (5%) of Title I schools in the Commonwealth over the past three years, or alternatively as a non-Title I school that would have otherwise met the same criteria. The types of Priority Schools include the lowest-performing schools and schools which are part of the School Improvement Grant (SIG) program.

A Focus School is a school that has room for improvement in areas that are specific to the school. As part of the process, Focus Schools receive targeted and tailored solutions to meet the school's unique needs. The types of Focus Schools include those with low graduation rates, largest within-school gaps and lowest subgroup performance (a Focus School must be a Title I school that has the largest gaps in achievement between subgroups within the school. This means that there is a large gap between the highest-performing group or subgroup and the lowest performing subgroup(s).Examples of subgroups are English Language Learners, economically disadvantaged students, etc.).

Both Priority and Focus Schools are required to develop and submit a Comprehensive Plan to the Pennsylvania Department of Education. The Comprehensive Plan is a year-to-year course of action that assures compliance with the 7 Principles of Turnaround Schools. Comprehensive Plans, for both Priority and Focus Schools, are tightly aligned to this Recovery Plan.

Some of the key issues and challenges that impede academic growth in the District include:

- Slow development and implementation of a standards aligned curriculum;
- A highly transient student population;
- High staff turnover;
- A high number of new teachers;
- Staff attendance issues;
- Student attendance issues;
- Effective professional development; and
- Effective organizational processes and procedures.

Introduction to Initiatives

The primary focus of the education section of this Amended Recovery Plan is based on the 7 Turnaround Principles for public education as defined by the United States Department of Education. These are meaningful interventions to improve academic achievement of students. The 7 Turnaround Principles are:

- Providing strong leadership;
- Ensuring that teachers are effective and able to provide instruction;
- Redesigning the school day, week or year to include additional time for student learning and teacher collaboration;
- Strengthening the schools instructional program by providing a research-based instructional program that is aligned to the State standards;
- Using data to inform instruction for continuous improvement;
- Establishing a school environment that improves school safety and discipline; and
- Providing ongoing mechanisms for family and community engagement.

Although the Harrisburg School District has made some strides in several of these areas, the District still has a long way to go in order to meet the standards that are required to function in an average to satisfactory range. The following section of this chapter provides an update on the District's progress in meeting the initiatives in the 2013 Recovery Plan, as well as amendments of those initiatives in this Amended Recovery Plan to help guide the District in meeting the goal of providing a quality instructional program for all students.

Initiatives

ED01.	**Establish Principals in All Buildings and the Superintendent as Instructional Leader**	
	Status:	**In Progress**
	Target Outcome:	Instructional and performance improvement
	Multi-Year Financial Impact:	($30,000)
	Responsible Party:	Superintendent and academic leadership team

Original Plan
The 2013 Recovery Plan required that the Superintendent and upper level Central Office staff share the direct oversight of instruction, with Central Office administrators assigned to work with specific Principals to ensure that minimum quotas for weekly walkthroughs and formal classroom observations are completed. This monitoring system required the following steps and timelines:

- The Principals give feedback to teachers using the available electronic software within three days of observing each teacher. The same day, the Principals submit that feedback to their designated central administrator using the electronic software

- By Tuesday of each week the central administrators give electronic weekly feedback to the Principals for whom they have been given oversight, and also to the Assistant Superintendent. The Assistant Superintendent provides feedback to all pertinent central administrators and simultaneously copies all feedback to the Superintendent.

Escalating consequences follow failure to comply with any of these deadlines or the submission of unsatisfactory work. For the first offense, written reprimand; for the second offense – three-day suspension without pay; for the third offense – recommendation for dismissal to the Board or other governing entity. These expectations and consequences apply to all administrators, and teachers are required to comply with their Principal's feedback or receive the same consequences.

In addition, central administrators are required to extract observation data (reports) from Eduphoria weekly for each Principal they are assigned to monitor. Central Office administrators also have to submit a concise progress report three days after each deadline to the Superintendent, or twice per month - the fifteenth (15^{th}), and the last day of the month. The Assistant Superintendent is required to provide feedback to the central administrators supervising principals as well as a report to the Superintendent. The Superintendent is required to provide written feedback to the Assistant Superintendent. Failure to do the tasks above result in the same three step escalating discipline procedure as outlined previously. In addition, the CRO must receive monthly reports from the Superintendent summarizing the data no more than five days past the last day of each month.

Update

Members of the CRO team have confirmed that the walkthroughs are an integral part of school improvement at all schools in the District. The District has recently recommitted to providing the required reports to the CRO.

Going forward, the Superintendent and upper level Central Office staff shall continue to share the direct oversight of instruction. The system of walkthroughs and observations shall continue as outlined in the original Recovery Plan. The Principals will provide detailed feedback to the teachers within three days after each walkthrough and observation. Special attention must be given to new teachers and those that are struggling. Both Principals and Central Office staff will arrange for the appropriate interventions and support for those teachers.

A designated Central Office staff person will be in place to monitor the system of walkthroughs and observations on a monthly basis. That indicated staff person will compile a report that will be submitted to the CRO and the Superintendent by the fifth day of the following month.

All Principals at HSD shall complete the Pennsylvania Inspired Leadership (PIL) program (a statewide, standards-based continuing professional education program for school and system leaders). Any Principals who are not PIL-certified will be enrolled in a cohort class to begin the summer session 2016 or no later than the fall cohort to start in September 2016. This timeline is non-negotiable.

Each Principal will be assigned a mentor/coach who will provide them the additional support they need to become stronger instructional leaders and managers. The funding for coaches will be provided through participation in the Commonwealth's SEED program.

Additionally, the Superintendent will work with a trained coach in order to more effectively lead the District and face the growing challenges that are ahead through the recovery process. The coach should be affiliated with a credible coaching organization such as the National Institute for School Leadership (NISL). This work should begin in the spring of 2016 and continue at a minimum of one session each month throughout the 2016-2017 school year. The CRO and CRO team will assist in identifying and selecting an appropriate coach and the CRO shall have final approval over the coach.

This initiative is closely aligned to Turnaround Principle #1, providing strong leadership.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
($30,000)	$0	$0	$0	$0	**($30,000)**

Deliverables	**Deadline**
The District shall enroll new Principals in a PIL cohort.	September 2016
A coach/mentor shall be selected and assigned for each Principal.	July 1, 2016
The Superintendent shall begin working with a NISL Coach.	Summer 2016
The District shall provide classroom observation reports to the CRO.	Monthly

ED02.	**Reorganize the School Buildings**	
	Status:	**In Progress**
	Target Outcome:	More focused instructional delivery
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent and Central Office

Original Plan

The 2013 Recovery Plan required the District to reorganize school buildings to improve educational outcomes, with the following considerations:

- Using existing facilities, create one to two pre-kindergarten and kindergarten centers for all students within the district at those levels;
- Establish a grade level scheme of 1st through 5th grade or 1st through 4th grade in the three elementary schools;
- Establish a grade level scheme of 6th through 8th grade or 5th through 8th grade in the three existing middle schools;
- At the high school level both the John Harris campus and SciTech campus would remain the same.

The Plan also required the District to obtain an independent evaluation of the academic soundness of the restructuring plan and further required that costs for building realignment or restructuring, if any, be drawn from existing capital funds or capital generated through other initiatives of the Plan. In addition, in order to assess the quality of learning in the Pre-K program, the District had to require Capital Area Head Start (the provider of Pre-K services to the District) to align curriculum to the SAS portal Pre-K standards. Finally, the District was required to use the Kindergarten Entry Inventory or a similar tool to make such assessments.

Update

The District shall reorganize the current buildings to improve educational outcomes, with the following considerations:

- Replace plans to create one to two pre-kindergarten and kindergarten centers for all students at those levels within the district with the creation of centers using existing facilities;
- Carefully consider the direction and future of the Math/Science Academy at Marshall. The District shall ensure that Marshall's space is being used effectively and that it either maintains a capacity ratio comparable to the other middle schools or alleviates crowding at the other middle schools. The District shall consider the following possibilities for Marshall:
    - Expanding enrollment at the Math/Science Academy at Marshall;
    - Adding another specialty program at Marshall to grow enrollment;
    - Restructuring attendance zones to move more students to Marshall to better balance enrollment levels at the other middle schools.
- Clearly define the relationship between the Math/Science Academy at Marshall and SciTech.

A current configuration of District buildings, their enrollment, and capacity is detailed below.

Building	Grades	Enrollment as of 2/2/16	PlanCon 85% Occupancy Recommendation	Capacity Max.*
Ben Franklin School	Pre-K, K-4	818	809	952
Camp Curtin School	5-8	698	901	1,060
Downey School	Pre-K, K-4	391	632	744
Foose School	Pre-K, K-4	486	746	878
John Harris High School	9-12	1,142	2,254	2,652
Marshall School and Math Science Academy	5-8	416	616	725
Melrose School	K-4	624	563	662
Rowland School	5-8	801	901	1,060
SciTech High School	9-12	303	446	525
Scott School	Pre-K, K-4	574	610	718
Cougar PAWS @ Hamilton School	K-5	26	510	600
Cougar Achieve Academy @ Hamilton School	6-8	72		
Cougar Excel at Hamilton School	9-12	32		

**Ben Franklin, Camp Curtin, Downey, Foose, Marshall, Melrose, Rowland, and Scott capacity numbers are based on Hayes Large Architects 2003 Master Plan calculations included in the April 2013 Plan; John Harris, SciTech, and Hamilton numbers were provided by the District.*

Costs for building reopening, realignment, or restructuring, if any, would be drawn from existing capital funds or capital generated through other initiatives in this Plan.

The District has discussed potentially reopening Steele School in 2017-18. The District shall provide rigorous justification for opening based on enrollment trends (see AF14 for information on an enrollment study), expenses related to re-opening the school building, and expenses related to staffing the School. The CRO shall have final approval regarding the decision to open the School.

In order to assess the quality of learning in the Pre-K program, the District shall require Capital Area Head Start (the provider of Pre-K services to the District) to align curriculum to the SAS portal Pre-K standards. Furthermore, the District shall use the Kindergarten Entry Inventory or a similar tool to make such assessments.

Deliverables	**Deadline**
The District shall formulate a plan for the Math/Science Academy and SciTech High School to present for Board approval.	June 2016
The District shall require a Capital Head Start Curriculum Agreement Letter.	July 2016
The District shall complete a kindergarten entry inventory summary report.	September 2016
The District shall complete an elementary school enrollment report.	September 2016

ED03.	**Adopt New Educator Effectiveness System**	
	Status:	**Completed**
	Target Outcome:	Improved teacher and principal performance
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent, Central Office, and Principals

Original Plan
The 2013 Recovery Plan required the District building level administrators to use a common set of lenses as they observe classroom instruction and student engagement to ensure that feedback to teachers is consistent and useful for improving student performance. To achieve this consistency, administrators needed to engage in professional development focused specifically on classroom instruction as well as the principles of teaching, learning, and curriculum. In order to achieve this goal, in turn, the 2013 Plan required that adequate time for professional growth and development be built into the school calendar so that teachers are capable of meeting the basic requirements of their profession.

During the 2012-13 school year only School Improvement Grant schools, Phase III Pilot schools, and Race to the Top districts were required to participate in the Pennsylvania educator effectiveness initiative.

By July 1, 2013 the District was required to develop a comprehensive plan to fully implement the Pennsylvania educator effectiveness system beginning in the 2013-14 school year. This involved establishing accountability for teacher practices associated with student achievement with the components of the Danielson Model kept at the forefront. Those components included preparation/planning, classroom environment, instruction, and professional responsibilities.

Update
By using the Danielson Model, Principals are now viewing teaching and learning through the same set of lenses. The significant components of the model that continue to be in focus are: preparation/planning, classroom environment, instruction, and professional responsibilities. The Danielson Model provides a consistent method of documentation and feedback for teachers that offers direction in areas of instruction that need attention or areas they are progressing at a satisfactory or above level. It is essential that all new building administrators are trained immediately in the use of the current instrument so that there is no loss of rigor in the system. Continuing the use of the new system with fidelity is a critical component of

improving student performance. This initiative is closely aligned to Turnaround Principle #2, which ensures that teachers are effective and able to improve instruction.

Deliverables	Deadline
The District shall ensure new Principals/Assistant Principals are trained in the Danielson Model.	As needed

ED04.	Increase Academic Accountability (Formerly "Implement a Standards Based Curriculum")	
	Status:	**In Progress**
	Target Outcome:	Improved student performance
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent and Director of Curriculum

Original Plan

The 2013 Recovery Plan required all administrators and teachers to become familiar with and use the resources of the Commonwealth's Standards Aligned System (SAS) portal for professional development. The HSD Director of Curriculum and Instruction was required to contact and rely on the Capital Area Intermediate Unit (CAIU) to help develop a plan for technical assistance, using the PDE Comprehensive Planning Tool as the basis for beginning the work. Using this tool was also intended to allow the District to comply with Chapter 4 planning requirements and Title I school improvement plan requirements.

In addition, the Plan required the District's Directors of Elementary and Secondary Curriculum, the Superintendent, Assistant Superintendent, Director of Special Education, Supervisor of ELL, and the building Principals to lead the development of programs and opportunities for students to complete a standards-based curriculum and to lead professional development around analysis of student performance data to develop targets and strategies for continuous improvement.

The same corps of administrators were also required to shift toward thematic learning through small learning communities (SLCs) at the middle schools and high schools with a plan to move forward with a Harrisburg application of the SLC concept developed for Board approval by June 30, 2013.

The 2013 Recovery Plan further required that the District ensure that all students served had access to curriculum, instruction, and assessments aligned to Pennsylvania's academic standards and related exams by August 15, 2013.

In order to demonstrate success, the 2013 Recovery Plan intended for the CRO to measure the District's performance across all grades on the Pennsylvania System of School Assessment (PSSA) tests for mathematics and reading, 11th grade performance on the Keystone Exams, and improvements in the rate of graduation and overall student attendance. Finally, the District was required to monitor and publicly report on progress on these measures, SAT performance, teacher proficiency, and other measures identified by the CRO, the Superintendent, and the Board.

Update

SAS Portal

The Pennsylvania Common Core Standards are intended to provide a consistent, clear understanding of what students are expected to learn, so teachers and parents know what they need to do to help children. PDE provides substantial resources to achieve this goal through the SAS portal, found at http://www.pdesas.org.

Curricula

The District failed to meet any of the milestones in the 2013 Recovery Plan for curriculum development and implementation. In late 2014 and 2015 the District purchased curricula from Evans Newton Inc. in the areas of Mathematics, English/Language Arts, and Science. The three curricula span grade levels Kindergarten through Grade 12, and were implemented at various points in the 2014-15 and 2015-16 school years. Although these three areas are in place, the District is still well behind the timelines indicated in the original Recovery Plan for having a comprehensive K-12 curriculum. A comprehensive curriculum is essential to expose children to a well-rounded education that will match their interests and better prepare them for college or the pursuit of their career pathway.

By the start of school year 2016-2017 the District shall ensure that all students served have access to a Social Studies curriculum that is standards aligned. The Social Studies curriculum will be approved by the School Board at its regular meeting in June 2016. This timeline should help the District with budgeting and professional development for easier implementation.

By the start of the 2017-2018 school year the District will ensure that all students served have access to a complete comprehensive standards aligned curriculum in all subjects for all grade levels K-12. New curricula in remaining subject areas will be approved by the School Board at its regular meeting in May 2017.

Each year following the 2017-2018 school year the District will form a committee to upgrade, modify or change the curriculum to conform to any changes in the Pennsylvania State Standards. Those changes will be approved at the May School Board meeting each year as needed.

Small Learning Communities (SLC)

The SLC or “Pathways Program” has been in process since the inception of the original Recovery Plan. Although the District has begun to offer some components of this initiative, it is far from being fully implemented. See ED17 for more information regarding the Pathways Program.

Student Achievement

The targeted outcome for initiative ED04 is improved student performance. In order to demonstrate success the District shall achieve improved student performance across all grades on the Pennsylvania System of School Assessment (PSSA) tests for mathematics and reading as shown in Tables A-C below, using the 2014-2015 results as the baseline. The new baseline figures are a result of significant changes to the test.

- By June 2018, the Harrisburg School District shall eliminate the gap between the District’s 3rd grade ELA and Mathematics PSSA achievement scores and the current State PSSA average scores for third grade (Table A).

- By June 2018, the Harrisburg School District shall close the gap, by 50 percent of the difference between the District’s ELA and Mathematics PSSA achievement scores and the current State PSSA average scores in grades 4 through 8 (Tables B and C).

Students in the 11th grade at John Harris High School shall achieve improved performance in the Keystone Exams as shown in Table D below, using the 2014-15 results as a baseline. The new baseline figures are as a result of significant changes to the test.

- By June 2018, the Harrisburg School District’s John Harris High School, will close the gap, by 50 percent of the difference between the District’s Keystone Proficiency Rate in Algebra I, Literature and Biology and the current State Keystone achievement average (Table D).

Students in the 11th grade at Sci-Tech High School shall achieve improved performance in the Keystone Exams as shown in Table E below, using the 2014-15 results as a baseline. The new baseline figures are as a result of significant changes to the test.

- By June 2018, the Harrisburg School District's Sci-Tech High School, will close the gap between the District's Keystone Proficiency Rate in Biology and the current State Keystone achievement average (Table E).

The 11th grade students have scored significantly below the state average on the Keystone Exams. Districts are required to provide Keystone Remedial Classes for underperforming students. Although the Harrisburg School District currently offers Keystone Remedial Classes, these courses are not offered in the regular school schedule. The result has been low and inconsistent attendance.

- Beginning with the 2016-2017 school year, the District's high schools shall have Keystone Remedial Classes built into the master daytime school schedule with the appropriately certified teachers.

In addition, in order to adequately serve its students and achieve the other academic goals, the District needs to ensure that students attend school and graduate on time. HSD must achieve significant and progressive improvement in the rate of graduation and overall student attendance as noted in Tables F and G.

- By June 2018, the Harrisburg School District will eliminate the gap between the District's cohort graduation rate and the State average graduation rate (Table F).
    - Note: graduation rates do not include data for Sci-Tech High School. Sci-Tech has already met at least a 90 percent rate and is expected to meet or exceed that standard in all years covered by the Amended Recovery Plan.

- By June 2018, the Harrisburg School District will eliminate the gap between the District's attendance rate and the state average attendance rate to less than 2 percentage points difference (Table G).

Finally, the District shall monitor and publicly report progress improvement on student performance measures, including PVAAS growth for each school, SAT performance, teacher proficiency, School Performance Profiles (SPP) and other measures identified by the CRO, the Superintendent and the Board.

Table A: Minimum Performance, PSSA Grade 3, 2015-16 to 2017-18
% of Students Scoring Proficient or Advanced

School Year	ELA	Math
2014-15 PDE State Average	**62.0%**	**48.5%**
2014-15 HSD Results	18.6%	10.4%
Gap	43.4%	38.1%
Annual Growth Target (% increase per year)	14.5%	12.7%
Required Annual Score		
2015-16	33.1%	23.1%
2016-17	47.6%	35.8%
2017-18	62.0%[1]	48.5%

[1] Summing of growth rate and annual scores may appear a tenth or two-tenths of a percentage off due to rounding.

Table B: Minimum Performance by Grade, Math PSSA, 2015-16 to 2017-18
% of Students Scoring Proficient or Advanced

School Year	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
2014-15 PDE State Average	**44.5%**	**42.8%**	**39.7%**	**33.1%**	**29.8%**
2014-15 HSD Results	9.4%	6.2%	6.7%	3.7%	4.7%
Gap	35.1%	36.6%	33.0%	29.4%	25.1%
Annual Growth Target (% increase per year)	5.9%	6.1%	5.5%	4.9%	4.2%
Required Annual Score					
2015-16	15.3%	12.3%	12.2%	8.6%	8.9%
2016-17	21.2%	18.4%	17.7%	13.5%	13.1%
2017-18	27.1%	24.5%	23.2%	18.4%	17.3%

Table C: Minimum Performance by Grade, English/Language Arts PSSA, 2015-16 to 2017-18
% of Students Scoring Proficient or Advanced

School Year	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
2014-15 PDE State Average	**58.6%**	**61.8%**	**60.7%**	**58.7%**	**58.0%**
2014-15 HSD Results	17.4%	18.1%	19.8%	15.5%	19.3%
Gap	41.2%	43.7%	40.9%	43.2%	38.7%
Annual Target (% increase per year)	6.9%	7.3%	6.8%	7.2%	6.5%
Required Annual Score					
2015-16	24.3%	25.4%	26.6%	22.7%	25.8%
2016-17	31.2%	32.7%	33.4%	29.9%	32.3%
2017-18	38.1%	40.2%[2]	40.3%[3]	37.1%	38.8%

[2] Summing of growth rate and annual scores may appear a tenth or two-tenths of a percentage off due to rounding.
[3] Ibid.

Table D: Minimum Performance Improvement, Keystone District Target, 2015-16 to 2017-18
% of Students Scoring Proficient or Advanced – John Harris High School

School Year	Algebra I	Biology	Literature
2014-15 PDE State Average	**64.5%**	**72.8%**	**59.0%**
2014-15 HSD Results	18.1%	23.2%	10.9%
Gap	46.5%	49.6%	48.1%
Annual Target (% increase per year)	7.7%	8.3%	8.0%
Required Annual Score			
2015-16	25.8%	31.5%	18.9%
2016-17	33.5%	39.8%	26.9%
2017-18	41.2%	48.1%	34.9%

Table E: Minimum Performance Improvement, Keystone District Target, 2015-16 to 2017-18
% of Students Scoring Proficient or Advanced – Sci-Tech High School

School Year	Algebra I	Biology	Literature
2014-15 PDE State Average	**64.5%**	**72.8%**	**59.0%**
2014-15 HSD Results	71.4%	42.1%	73.7%
Gap	-6.9%	30.7%	-14.7%
Annual Target (% increase per year)	0.0%	8.3%	0.0%
Required Annual Score			
2015-16	71.4%	52.3%	73.7%
2016-17	71.4%	62.6%	73.7%
2017-18	71.4%	72.8%	73.7%

Table F: Minimum Graduation Rate, 2012-13 to 2017-18
Graduation % Rate – John Harris High School[4]

School Year	Minimum Graduation Rate
2012-13 (actual)	45.10%
2013-14 (actual)	42.69%
2014-15 (actual)	52.78%
Required Rate	
2015-16	63.44%
2016-17	74.09%
2017-18	84.75%
2014-15 PDE	**84.75%**

Table G: Minimum Attendance, 2012-13 to 2017-18
Attendance % Rate

School Year	Grades K-8	Grades 9-12	All Grades (Weighted Avg.)
2012-13 (actual)	91.45%	79.19%	87.68%
2013-14 (actual)	90.51%	80.00%	87.28%
2014-15 (actual)	90.44%	83.00%	88.15%
Required Rate			
2015-16	92.00%	84.00%	89.54%
2016-17	93.50%	85.00%	90.88%
2017-18	95.00%	86.00%	92.23%
2014-15 PDE – All Grades	93.71%		

As part of the efforts to improve scores on Keystone exams, as funding becomes available, the District shall consider hiring two additional teachers to provide Keystone Remediation Classes during school hours. The financial impact of the additional teaching staff would be approximately $150,000 per year.

If the District fails to achieve the minimum improvement shown above or show significant progress in each building towards the academic goals set forth in the Plan by the end of the 2017-18 school year, or does not implement the educational reforms described earlier in this initiative, the CRO and the Secretary

[4] Graduation rates do not include data for Sci-Tech High School. Sci-Tech has already met at least a 90 percent rate and is expected to meet or exceed that standard in all years covered by the Amended Recovery Plan.

of Education shall take the necessary steps to appoint a Receiver effective for the 2018-19 school year, and transfer District-educated students to schools under external management effective for the 2019-20 school year. Authorization is provided by section 642-A of Act 141, specifically subsections (2), (7), (11), (12), (13), (16) and (18).

Deliverables	Deadline
The District shall have a Social Studies curriculum ready for Board approval.	June 2016
The District shall have a comprehensive curriculum ready for Board approval.	May 2017
The District shall implement the Pathways Program at both high schools.	August 2016
The District shall ensure that Keystone Remedial Classes are built into master schedule at the high schools.	August 2016
The District shall meet 2015-16 PSSA, Keystone, graduation and attendance goals.	Data released late summer/early fall 2016
The District shall meet 2016-7 PSSA, Keystone, graduation and attendance goals.	Data released late summer/early fall 2016
The District shall meet 2017-18 PSSA, Keystone, graduation and attendance goals.	Data released late summer/early fall 2016
The District shall meet complete an annual curriculum review.	To begin April 2018

ED05.	**Develop a District-Wide Team-Building Initiative**		
	Status:	**Completed**	**In Progress**
	Target Outcome:	School-to-school collaboration	
	Multi-Year Financial Impact:	N/A	
	Responsible Party:	Superintendent, Central Office, Principals, and Teachers	

Original Plan

The 2013 Recovery Plan noted that team-building typically has a positive impact on group attitude and behavior, as well as on organizational change. In school districts, team-building helps staff increase communication, promotes trust, and gives teachers a sense of belonging to something larger than themselves. If used correctly, teaming can increase the productivity and adaptability of schools. The knowledge base and skills needed for team-building are not in place in most traditional school settings.

The 2013 Recovery Plan found that though there were many active working groups in the Harrisburg School District, there was a need for more effective teams with a clear vision guiding their work. These teams needed strategies that are clearly aligned to achieving goals, with benchmark measuring points and adjustments made wherever necessary.

Therefore, the Plan required that the District adopt a system to develop a spirit of learning for the learner(s), the teacher(s), and school administrator(s). This pedagogy needed to be experience-based, allowing the process to embody and model the values of compassion, consensus, and cooperation instead of competition.

By July 1, 2013 the Central Office staff in cooperation with the building Principals were required to develop a progressive plan to build professional learning communities strongly focused on team-building throughout the District. The following components were to be incorporated into that plan:

- Professional development for Central Office staff, school building administrators, teachers and support staff that will teach the dynamics of team-building and how to work collaboratively within a team;
- The application of team-building at all levels to include Central Office to Principals, Principals to teachers, teachers to students, and students to students;
- School master schedules to be analyzed and structured so that teams are able to meet and work together;
- Professional development and new structure in the building(s) to enable teaming both horizontally and vertically for grade levels in the schools;
- Scaffolded dialogue/articulation from grade level to grade level in the school, but also progressively from pre-school to elementary, elementary to middle, and middle to high school;
- A provision within the plan that at each level there would be a hard stand taken against those that are unwilling participants or low performers in the professional learning/teaming concept.

Update
This initiative is closely aligned to Turnaround Principles #3 and #5, which address redesigning school time to include additional time for student learning and teacher collaboration, and using data to inform instruction for continuous improvement. Based on recent observations, it is apparent that many working groups are active in the Harrisburg School District and that school schedules have been created that enable teams of teachers and administrators to meet and collaborate on both academic and behavioral improvement. In addition, Professional Learning Communities (PLCs) analyze data and develop action plans that will improve students' behavior and academic performance.

This initiative was started in the original Recovery Plan and shall continue to be refined in the schools. In particular, while scaffolded dialogue/articulation takes place in the schools grade level to grade level, it is important to expand the dialogue/articulation from elementary to middle and middle to high school.

Deliverables	**Deadline**
The District shall create systems to ensure dialogue and articulation take place on a school-to-school level.	August 2016

ED06.	**Plan and Structure District-Wide Professional Development Initiative**	
	Status:	**In Progress**
	Target Outcome:	Improved teaching and learning
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent and Central Office

Original Plan
The 2013 Recovery Plan required that the District improve its provision of professional development by adopting an organizational structure that facilitates "the identification, development and use of instructional resources." Examples provided in the Plan included:

- Common learning time for subject/or grade level teachers;
- Common learning time for building Principals;
- Common learning time for instructional assistants;
- Formal instructional leadership roles and organizational mechanisms that foster teacher collaboration;
- Learning from peers and communication patterns that develop a shared understanding of teaching practices that are linked to student learning.

The Plan also cited the most crucial areas where extensive professional development was needed, including:

- PIL training for Principals – in particular Courses 1 and 4. This training can be arranged with the PDE in order for the Principals to be certified (see ED01 for an updated PIL requirement);
- SAS training for Principals and teachers – the training can be arranged through the PDE and/or Capital Area Intermediate Unit (CAIU);
- Training for classroom assistants – the training can be arranged through CAIU or by using resources within the District.

Additionally, the 2013 Recovery Plan required the District to explore the development of an instructional coaching model provided by the Pennsylvania Institute for Instructional Coaching (PIIC). This model requires one to two instructional coaches in each building, preferably one for literacy and one for numeracy, with coaches hand-picked by the Superintendent and immersed one day each week in training on the best and most effective instructional practices. The other four days the coaches work in the buildings with teachers in the classrooms and during planning time to refine their skills. The Plan required that training for the coaches had to be provided by a recognized outside group or organization and training would be a two- year process.

The Plan required that the Directors of Curriculum present a comprehensive professional development plan to the Superintendent and CRO at the June 17, 2013 School Board meeting. The professional development plan had to include summer training and the strategic use of Act 80 days and scheduled in-service days throughout the 2013-14 school year.

The Plan also required that by July 15, 2013 the Principals, working with the Directors of Curriculum and Central Office staff, structure their buildings so that the professional development could occur. Restructuring included a master schedule enabling vertical and horizontal planning opportunities, regular early dismissal days, and creative schemes to provide opportunities for professional development (e.g. a schedule within a schedule to free up grade levels).

Update
One of the most critical components of this recovery initiative is a well thought out, clearly articulated, and well-implemented professional development plan across the District. The Harrisburg School District continues to have an extremely high number of teachers and administrators that are new to their positions. Many of the teachers lack the fundamental skills that are required to transform the District into an organization that functions in the average to satisfactory range.

Unfortunately, not all aspects of the original Recovery Plan professional development initiative were drafted or implemented. Therefore, in July 2016 the District Administration shall present a two-year comprehensive professional development plan to the Board of School Directors for approval. The Plan will be approved by the CRO before submission to the Board. The plan will provide professional development detail for the 2016-17 and 2017-18 school years. There will be three components to the plan: a detailed induction strategy for new teachers, a summer professional development curriculum, and in-service content for early dismissal days and Act 80 days throughout the school year.

Once the plan is submitted and approved by the Board, no changes or modifications may be made without the approval of the CRO.

In June 2016, the District shall survey the teaching staff, Principals and Assistant Principals to gain a better understanding of the professional development needs of the District in order to develop the two year plan. Areas that should receive serious consideration in developing the plan include:

- High impact instructional strategies;
- Strategies and interventions for working with ELL students in the regular classroom;
- Co-teaching for regular and special education teachers;
- Understanding the standards;
- Differentiated instruction for all teachers;
- Cultural sensitivity;
- Positive school climates.

These fundamental topics should be revisited on a regular basis and cannot be viewed as once and done. It is important to note that the staff development related to familiarization with the new curricula shall be included in the two year plan as well.

The District will, wherever possible use the resources available to them through PDE, CAIU and the Pennsylvania Training and Technical Assistance Network (PaTTAN). These resources are available free of charge or at a low cost to the District.

Given the recent growth in English Language Learner (ELL) enrollment, as additional funding becomes available the District will aim to lower the staffing ratio for ELL to between 25-1 and 35-1, thus enabling a better opportunity for the success of this subgroup. See initiative ED18 later in this chapter for more information on the creation of a full-time ELL coordinator position to support ELL staff and programs.

Research strongly indicates that a well-coordinated coaching initiative is a powerful tool in developing strong teachers and administrators, particularly in urban education. The District has a coaching initiative that is enabling teachers to improve their practice with 7 coaches serving 11 schools, including the Cougar Academy. Currently, coaches are split between schools, which is less than ideal. Given the significant number of new staff and administrators in the District each year, it is essential that the District strive to have at least one full time coach in each building. Ideally, two coaches should serve each building; one for English/Language Arts, and one for Mathematics. This expanded staffing shall be explored as funding becomes available and Federal funds may be used, as appropriate, towards this effort. The financial impact of four additional coaches (one per building) would be approximately $300,000 per year.

This initiative ED06 is closely aligned to Turnaround Principle #2 which is focused on ensuring that teachers are effective and able to improve instruction.

Deliverables	**Deadline**
The District shall conduct a professional development survey of teachers and building level administrators.	June 2016
District Administration shall present a two-year professional development plan to the Board for approval after CRO signoff.	July 2016

ED07.	Develop a District-Wide Parent Involvement Initiative	
	Status:	**In Progress**
	Target Outcome:	Increased parental involvement
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent/Building Principals

Original Plan
The 2013 Recovery Plan required each school in the District to have an organized parent group to support the schools and parents to create an environment where children can succeed academically and behaviorally.

The 2013 Recovery Plan mandated that the Principal of each school identify a parent to serve as the president of the parent organization in the school by August 1, 2013 (if there was already an active PTA/PTO, the Principal would defer to that existing leadership). Additionally, the Superintendent was required to implement a Superintendent's Advisory Committee (SAC) composed of the presidents of the school organizations to meet monthly with the Superintendent to discuss and review the progress of the parent involvement initiative.

Update
Each school in the District needs to have an organized parent group to support the schools, provide resources for parents, and to build stronger partnerships with the community. The strongest and most consistent predictors of parent involvement at school and at home are specific school programs and teacher practices that encourage parent participation in school activities and assist parents in creating a supportive learning environment at home.

Parent involvement components are required by the federal Elementary and Secondary Education Act (ESEA). Although each HSD school has a Parent Liaison, and a District Parent Engagement Coordinator was recently hired, HSD parent involvement continues to be inconsistent and requires an organized, well-orchestrated approach. Not all schools in the District have a parent involvement initiative. Additionally, the Superintendent's Advisory Committee did not come to fruition as indicated in the original Recovery Plan. Advisory meetings were held on a quarterly basis, and the District did not create a formal reporting to outline the progress of the overall parent involvement initiative.

By August 2016 the Principal of each school shall identify a parent who will serve as the president of the parent organization in the school. Some schools may already have an active PTA/PTO. The president and the Principal will work toward the development or further development of the parent organization. Additionally, the Superintendent will reconstitute the Superintendent's Advisory Committee (SAC). The Committee will be composed of the presidents of each of the individual school organizations and shall meet at least quarterly with the Superintendent to discuss and review the progress of the parent involvement initiative. Through the Committee, the organizations will become acquainted with the services that the District can offer parents in order to overcome obstacles that impede their involvement in their children's education. A regular face-to-face meeting with the Superintendent will demonstrate the District's commitment to the initiative. The Title I State Parent Advisory Council (SPAC) will provide guidance and support at little cost to the District.

This initiative is closely aligned with Turnaround Principle #7, providing on going mechanisms for family and community engagement.

Deliverables	Deadline
Each Principal shall identify a lead person for their parent organization.	August, 2016
The Superintendent shall meet monthly with the Superintendent's Advisory Committee.	Monthly starting September 2016

ED08.	District Must Comply with All Statutory Requirements	
	Status:	**Completed**
	Target Outcome:	Effective programs for all students
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent, Director of Special Education, and Principals

Original Plan
The 2013 Recovery Plan included resources to serve all students of the District, including those with special education needs, those assigned to alternative schools, and those attending vocational education or other programs. The terms of the Plan do not eliminate or modify the District's requirement to comply with all relevant statutes governing the education of children in the District.

Update
In 2014 the District received a letter from PDE indicating that all compliance areas in Special Education are in the satisfactory or above category. Under the direction of the Director of Special Education, the compliance monitoring is done regularly with fidelity. The District faces the same challenge as other districts in finding certified content level teachers at the high school level.

Deliverables	Deadline
The District shall engage in continuous compliance monitoring.	2016-17 school year

ED09.	Secure Outside Funding for Educational Enrichment and Other Programs	
	Status:	**In Progress**
	Target Outcome:	Increased academic and non-academic enrichment opportunities
	Multi-Year Financial Impact:	($466,288)
	Responsible Party:	CRO, Superintendent, and CFO

Original Plan
The 2013 Recovery Plan required District senior leadership to work with the Harrisburg Public Schools Foundation to expand its support of programs to enhance academic and non-academic offerings. These could include, but were not to be limited to music, art and language supplements; field trips and special visitors; supplemental college counseling, college access support and test preparation; after-school academic (instruction, tutoring, homework help) and non-academic opportunities (from chess to athletics);

summer academic and non-academic activities; day care support; and teacher development. Funds may also be solicited to reward student and teacher performance.[5]

In addition, the 2013 Recovery Plan required the District to undertake an aggressive program to develop, expand, and promote in-District cyber school options for its students, including, but not limited to:

- The development of a knowledge base on current and potential cyber students;
- The designation of a single person responsible for the success of the District's cyber school;
- An evaluation of the current program in relation to the assessment of needs;
- The modification or expansion of the Cougar Academy based on the needs assessment;
- The active promotion of the Cougar Academy through communication with target customers;
- Continuous outreach to cyber students and parents to assess satisfaction with the program and to identify and implement opportunities for improvement.

The goal of the 2013 Plan was to increase the number of cyber students from the District who choose to attend the Cougar Academy with a target of 100 new students in 2014-15, and 50 new students per year in 2015-16, 2016-17, and 2017-18 for an eventual total of 250 new students over 2013-14 cyber school enrollment.

Update

The District is fortunate to have the Harrisburg Public Schools Foundation to generate community support for its programs. The Foundation serves as the District's EITC conduit to solicit and allocate charitable contributions to benefit the District and its children. It also encourages a wide variety of direct and in-kind contributions to the District. While this Plan does not include specific programmatic directives or fund-raising targets for the Foundation (as it is an independent organization), the senior leadership of the District shall continue to work with the Foundation to expand its support of programs to enhance academic and non-academic offerings. The District shall annually present to the CRO a plan, developed with the Foundation, with specific areas the Foundation intends to support each school year. To the extent that the Foundation declines to fund some of the initiatives described above, the District shall identify other sources of funding.

In this regard, the District shall pursue more creative fundraising possibilities to begin, expand, and enrich the programs they provide for students. By the August 2016, the District will obtain the services of a qualified grant writer with experience in procuring funds for educational purposes. The grant writer can be a full- or part-time position with the District, or one that operates as a purchase of service on a commissioned basis. The grant writer will pursue funding opportunities that tightly align with District initiatives that can be sustained. The estimated financial impact below is based on hiring a full-time grant writer with the District. A part time or contracted person would have a smaller financial impact. See RV07 for the revenues associated with the grant writing position and ED17 with additional discussion of potential ways in which the grant writer may leverage partnerships with local and national foundations to support the Career Pathways program.

As described above, the original 2013 Recovery Plan initiative also focused specifically on improving educational outcomes through the further expansion of the District's in-house cyber school, the Cougar Academy. Since the last Plan, the District has been successful in growing Cougar Academy enrollment, though there are still opportunities for improvement. See ED10, ED11, ED12, and ED13 for more information.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
($88,261)	($91,385)	($94,452)	($95,663)	($96,527)	**($466,288)**

[5] Authorization for this initiative is provided by Section 642-A(16) of Act 141, *inter alia*.

Deliverables	Deadline
The District shall obtain the services of a qualified grant writer.	August 2016

ED10.	Development of a Database of Current and Potential Cyber School Students	
	Status:	**Completed**
	Target Outcome:	Develop a complete understanding of the factors causing Harrisburg parents and students to seek cyber education
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent and Director of Cougar Academy

Original Plan
The 2013 Recovery Plan required the District to undertake an effort to develop a complete understanding of the needs and goals of students and parents who are selecting cyber education by surveying current and prospective students through direct outreach and statistically valid surveying of the target consumers of cyber services in 2012-13 and again in 2016-17.

Update
The District has refined its database for tracking current and potential cyber school students. All Harrisburg School District students are tracked and as cyber programs close, the District is able to recruit students back to the District. The Director of the Cougar Academy is able to extract up-to-date data through the E-School system to be used for recruitment and tracking purposes. Each year beginning June 30, 2016 the Director of the Cougar Academy shall submit an annual report to the Superintendent and CRO indicating the number of Harrisburg Students that are enrolled in non-District cyber programs across the Commonwealth (including the programs in which they are enrolled), that status of outreach and recruitment initiatives, and an update on key program issues and costs. The report will also indicate which programs they attend.

Deliverables	Deadline
The Director of the Cougar Academy shall submit an annual report of the cyber school program to the Superintendent and the CRO.	June 30, 2016 and each year thereafter

ED11.	Employ a Staff Person who is Fully Dedicated to Development and Expansion of the Cougar Academy	
	Status:	**Completed**
	Target Outcome:	Create focus and accountability for the success of the Cougar Academy
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent

Original Plan

The 2013 Recovery Plan required the District (with the approval of the CRO) to select and designate a qualified person to oversee the development and success of the Cougar Academy program. This individual was to be the Director of the Cougar Academy, reporting directly to the Superintendent on a three year contract with an option for renewal based on performance. In addition, the Director's performance objectives were contingent on the growth and development of the enrollment in the Cougar Academy.

Update

The District has employed a staff person who is dedicated to the development and expansion of the Cougar Academy. This staff person also has oversight of all English Language Learner programs throughout the District. The position reports to the Superintendent.

With the growing need for greater resources for English Language Learners (ELL), the District shall reassess the role of the staff person currently leading the Cougar Academy. The District needs a full-time leader available to oversee Cougar Academy operations and expansion, one who is not splitting their time with ELL programs. Similarly, with the growth in ELL students, the District needs to build additional capacity to better serve students in the population. See ED18 for more information.

Therefore, the District will develop an appropriate title for the position held by the leader of the Cougar Academy. In addition to being able to focus attention strictly on Cougar Academy, having a staff person solely dedicated to the Academy will enable that individual to have more time to market the Cougar Academy to students who are currently attending other area cyber schools and charter schools. See initiatives ED12 and ED13 for more information.

Deliverables	**Deadline**
The District shall hire a full-time Cougar Academy staff person or relieve current staff person of ELL program duties.	July 2016
The District shall expand Cougar Academy marketing efforts.	January 2017

ED12.	**Modification and Expansion of Cougar Academy**	
	Status:	**In Progress**
	Target Outcome:	Based on user survey and other outreach, adapt the Cougar Academy to meet the needs of students and parents in order to increase participation
	Multi-Year Financial Impact:	($719,843)
	Responsible Party:	Director of the Cougar Academy

Original Plan

The 2013 Recovery Plan required that the District adapt the Cougar Academy concept with the goal of increasing enrollment in the program, based on best practices, including, but not limited to:

- The creation of hybrid in-seat and cyber education;
- The opportunity for graduation acceleration through cyber study;
- The provision of funds to parents to cover educated related costs of the cyber program;
- Complete participation in District extracurricular activities by cyber students;
- Supplemental guidance and counseling services for cyber students;
- Direct access to instructional staff for supplemental educational support.

Update
The Cougar Academy has grown to include grades 1 through 12. Part of this expansion allows for siblings to attend the same school to eliminate hardships and attendance issues.

The population of the program continues to grow toward the goals indicated in the original Recovery Plan. Every effort should be made by the Administration to maintain the Cougar Academy at its present central location and convert office spaces to classrooms wherever possible.

Growth and Expansion of Cougar Academy

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Starting Enrollment	0	45 (prior year)	130 (prior year)	188 (prior year)	235
Growth Target	50	100	50	50	50
Actual/Projected Enrollment	45 (actual)	130 (actual)	188 (estimated)	235	285

If the population of Cougar Academy grows according to the expansion plan listed above, the Academy may require additional teaching to maintain the current student-teacher ratio at approximately 27 students per teacher. In addition, various administrative and support positions were identified by the Director of the Cougar Academy, including a secretary, counselor, and part-time nurse. The financial impact table below includes the estimated program costs for these positions and potential additional savings due to reduced cyber charter enrollment.

Financial Impact

	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Program Costs	($172,596)	($331,931)	($422,318)	($427,963)	($444,198)	**($1,799,007)**
Charter Tuition Savings	$92,658	$188,610	$263,918	$266,067	$267,911	**$1,079,164**
Total Financial Impact	**($79,938)**	**($143,322)**	**($158,401)**	**($161,896)**	**($176,286)**	**($719,843)**

Deliverables	**Deadline**
The Director of Cougar Academy shall submit a student enrollment report to Superintendent and CRO.	Annually in October

ED13.	**Promotion and Communication in Relation to Cougar Academy**	
	Status:	**In Progress**
	Target Outcome:	Increase awareness of Cougar Academy among current and prospective cyber students and their parents
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Director of the Cougar Academy

Original Plan
The 2013 Recovery Plan required that the District immediately develop a program to communicate the positive qualities of the Cougar Academy to prospective attendees and parents, using a variety of media and techniques including written material, public meetings, commercial advertising and one-on-one meetings with parents and students.

Update
The competitive environment in public education requires that the District not only create a great cyber school program, but also promote that program to the current and potential consumers of the service. Currently the District uses Survey Monkey, Survey Messenger, written materials at the enrollment center, written materials distributed as needed by Guidance Counselors and signage outside of the schools. The District should better utilize the service of its Community Relations Office and a variety of media techniques for promotion and communication regarding the Cougar Academy.

Deliverables	Deadline
The District shall update the Cougar Academy Media Plan and Documents.	Annually in July

ED14.	Outreach and Evaluation	
	Status:	**In Progress**
	Target Outcome:	Continuously evaluate and revise Cougar Academy based on outreach to current and prospective students and their parents
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Director of the Cougar Academy

Original Plan
The 2013 Recovery Plan required the District to develop a comprehensive program of outreach and evaluation regarding the Cougar Academy. The information gathered from this process would be used to modify and adapt the program to meet the needs of students and parents, and to adapt to the changing market for cyber education.

Update
The District shall continue to develop a comprehensive program of outreach and evaluation regarding the Cougar Academy. The information gathered from this process will be used to modify and adapt the program to meet the needs of students and parents, and to adapt to the changing market for cyber education. The Supervisor of the Cougar Academy will be responsible for this effort and will report quarterly to the CRO on the outreach efforts and the changes to the Cougar Academy program that will be made as a result of the outreach and evaluation effort.

The staff at the Cougar Academy must have a more specialized professional development initiative due to the nature and needs of the students that are enrolled. A professional development plan for the staff at the Cougar Academy shall be developed and incorporated into the District's two-year professional development plans to be submitted to the Board of School Directors for approval at their June 2016 meeting. In order to develop the plan, the staff at the Cougar Academy will be surveyed in order to determine the professional development needs of the program. This survey will be completed in July 2016.

Given the critical role of the Cougar Academy careful attention needs to be paid to the changing need for teachers and specific types of teachers as enrollment grows. The Superintendent and the Director shall report to the CRO monthly to ensure that the Cougar Academy has the right mix and right number of teachers to begin the 2016-17 school year.

This initiative is closely aligned to Turnaround Principle #2 which is ensuring that teachers are effective and able to improve instruction.

Deliverables	Deadline
The District shall produce a Cougar Academy operational report.	Quarterly
The District shall create a professional development plan specifically for Cougar Academy.	June 2016
The District shall create a staff professional development survey for Cougar Academy.	July 2016
The Director of Cougar Academy and the Superintendent shall submit a staffing report to the CRO.	Monthly beginning July 2016

New Initiatives

ED15.	Organizational Structure	
	Status:	**New**
	Target Outcome:	Guidance and direction through clear communication
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent and Central Office Administrators

Organizations must establish coherent structures, processes, and policies that promote their effectiveness. The Superintendent and Central Office administrators are responsible for the creation of District regulations that communicate clear procedures, action steps, and strategies for the implementation of Board policy. Lack of clear communication and the absence of written administrative procedures contribute to a lack of consistency across the district.

Administrative regulations aligned with Board policies and procedural handbooks provide new and experienced staff with guidance, direction, and assistance in decision-making. School handbooks and department procedural manuals should be developed to ensure a systematic approach to District-wide communication, performance management, and resource alignment.

To ensure strategic alignment of policies, procedures, practices, and structures within the District, several administrative documents and procedural manuals shall be developed, coordinated, and distributed to appropriate district staff.

Deliverables	Deadline
The District shall issue a Curriculum Management Handbook.	July 2016
The District shall release a Professional Development Plan (2016-2018).	July 2016
The District shall issue an Administrative Regulations and Handbook.	August 2016
The District shall issue a Child Accounting Procedural Manual.	August 2016
The District shall release a District Data Management Plan.	September 2016
The District shall release an Educational Technology Plan.	May 2017

ED16.	Alternative Education for Disruptive Youth	
	Status:	**New**
	Target Outcome:	Providing a quality AEDY program for disruptive students
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent or Designee

Pennsylvania's Alternative Education for Disruptive Youth (AEDY) rules require a combination of intense, individual academic instruction and behavior modification counseling in an alternative setting to assist students in returning successfully to their regular classroom. Program approval is required for any Local Education Association (LEA) implementing an internal program or utilizing an approved private provider. Programs are required to meet minimum requirements in order to obtain approval. The 2013-2015 AEDY Guidelines must be followed.

Currently the Harrisburg School District provides a multi-tiered AEDY program:

- Pupils Achieving With Success (PAWS) which serves students in grades kindergarten through grade 5;
- Cougar Achieve for students in grades 6 through 12;
- Excel, a program for students in grades 9 through 12 who are overage and require credit recovery.

The District uses Camelot Education as the AEDY provider, which is approved by PDE. The programs are provided in the Hamilton building. The District shall continue to use an outside provider for these services.

The expectation is that the program will continue to function by following all AEDY guidelines and that all students will receive the mandated educational and counseling services to include special education and English Language Learners.

On a quarterly basis the Superintendent and CRO shall receive an enrollment report indicating the number of students that have been admitted to or discharged from the indicated programs, and an update on key program issues and costs.

Deliverables	Deadline
The District shall submit an Enrollment/Discharge, Issues and Financial Report on students in the program.	Quarterly, beginning August, 2016

ED17.	Promptly Implement a Career Pathways Program	
	Status:	**New**
	Target Outcome:	Increase student achievement, improve career readiness increase postsecondary attainment
	Multi-Year Financial Impact:	($3,491,040)
	Responsible Party:	College and Career Academy Program Coordinator

The 2013 Recovery Plan included a goal focused on improving instruction and achievement, and required a standards-based curriculum (see initiative ED04). To meet those goals, the Secondary Education Reform Taskforce recommended an educational reform model based on career development education. Since then, the District has developed a framework for improved career education starting in kindergarten and extending through 12th grade. The framework includes career awareness programming in grades K-4, career self-assessment and exploration opportunities in grades 5-8, and career planning and preparation activities in grades 9-12, including the ROAR College & Career Academy Program which will offer students' career oriented programs of study from 10-12th grade.

The goal of the ROAR program (high school career academy model, sometimes also referred to as "Career Pathways" or the Small Learning Communities program) is threefold:

- Increase student achievement;
- Reduce drop-out rate;
- Increase post-secondary attainment.

The Academy model will offer students career-related electives, academics integrated with career development content, and opportunities such as job shadowing and career exploration, dual enrollment in college courses, and career focused cooperative education placements or internships. The ROAR College & Career Academy's programs of study will include the following academies:

- Business, Industry, Finance & Information Technology Academy;
- Arts, Communication and Media Technology Academy;
- Health & Human Services Academy;
- STEM/STEAM Academy.

Progress on the Career Pathways project has been steady but slow. In order to meet the academic performance targets of this Plan, it is critical that the program be launched in the next school year. Therefore, by the beginning of the 2016-17 school year, the District shall ensure that ROAR is fully implemented with qualified staff and a completed curricula.

ROAR will require some new investment but will also utilize existing resources repurposed for the program. Four new teachers will need to be hired to lead new courses under the Academy structure. The District will also use current teachers to teach new courses and have current teachers continue to teach current courses that fit in to the Academy model. Many teachers have been identified as having relevant background expertise or training in the necessary career clusters, but the District shall continue to assess course scheduling needs, assess staffing, and ensure that teachers receive the necessary professional development on ROAR programs of study. In addition, the ROAR program will also require one additional counselor position to support the instructional staff.

In the initial phase of the program, the District will not need to significantly modify its current facilities. However as the ROAR program develops, the District shall revisit program needs, including the option of adding or dropping programs, and reassessing space and facility needs based on the programs being offered.

The program also requires the development of twelve new curricula. The District believes it can create curricula frameworks using existing outside resources and expertise. In addition, the District is working to integrate the program with the ongoing implementation of differentiated instruction and to provide support and programming for ELL students who will participate in the academies.

To supplement current and potential future costs of ROAR, the Distract shall explore a partnership with the Greater Harrisburg Foundation to provide a channel for local businesses to provide financial contributions to the program. The District shall also explore additional grant funding through sources such as the Bill and Melinda Gates Foundation. Additionally, a public relations campaign should be initiated so the public and particularly businesses and industry are aware of the Academies in order for them to be supportive. See ED09 and RV07 for additional information.

In addition, the District shall continue to form partnerships with local employers for both financial and program contributions. For example, a local employer may want naming rights to one of the academies for a donation, or may can help develop relevant curriculum that is targeted toward the local industry needs.

The ROAR Academy has been included in the District's 2016-17 budget. Expenditures for the program going forward are included below. The ROAR program's professional development and textbook and equipment costs will also be supplemented by the District's fund balance. See AF15 for more information.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
($860,886)	($628,187)	($649,817)	($665,787)	($686,363)	**($3,491,040)**

Deliverables	**Deadline**
The District shall complete an assessment of the required staffing compliment, course schedules, and facilities.	January/February 2016
The District shall develop a course of professional development training for Counselors and Teachers.	January 2016 (counselors); February 2016 (teachers)
The District shall begin recruitment for four teaching positions.	Start Date April 2016 - deadline of August 2016
The District shall identify and purchase equipment, supplies, and instructional materials.	May/June 2016
The District shall finalize curriculum for new and revised existing courses.	June 2016
The District shall launch ROAR College & Career Academy.	August 2016
The District shall explore additional grant and funding opportunities.	January 2017

ED18.	Create a Full-Time English Language Learner (ELL) Coordinator Position	
	Status:	**New**
	Target Outcome:	Increase ELL student achievement
	Multi-Year Financial Impact:	($527,101)
	Responsible Party:	Superintendent and ELL Coordinator

Given the growth in the population of English Language Learners (ELL) (see table below), the District shall create a full-time ELL coordinator position to focus on improving instruction of ELL students and to coordinate professional development for teachers with ELL students. In addition, a full-time ELL coordinator can support the District in its adaptation of the curriculum for ELL instruction. There is currently an ELL position budgeted on a supplemental contract, and ELL direction is provided on a part-time basis by the Director of the Cougar Academy. The District may be able to use existing Title III funds to support professional development for teachers with ELL students. This may require the District to review the current use of Title III funding and re-align spending to reflect the District's priorities for academic programs.

As funding becomes available, the District shall consider hiring additional ELL teachers to reduce the student-to-teacher ratio and enhance ELL programs. The financial impact of the additional teaching staff varies based on the number of teachers hired but to reduce the current ratio to 30:1, the District would have to add 11 ELL teachers, which would cost approximately $800,000 per year.

The District's current and historical enrollment of ELL students is listed in the table below.

School Year	ELL Enrollment Level
2012-13	680
2013-14	750
2014-15	765
2015-16	861
2016-17 Projected	950

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
($99,772)	($103,303)	($106,770)	($108,140)	($109,116)	**($527,101)**

Deliverables	Deadline
The District shall create a job description for a full-time ELL Coordinator.	July 2016
The District shall hire a full-time ELL Coordinator.	August 2016
The District shall begin to adapt the curriculum for ELL students.	September 2016

ED19.	Supplement Specialist Teaching Staff	
	Status:	**New**
	Target Outcome:	Reduced reliance on Specials teachers for classroom coverage
	Multi-Year Financial Impact:	($2,334,964)
	Responsible Party:	Superintendent and Building Principals

Issues related to absenteeism also impact the District's Special Area Teachers. Special Area Teachers are frequently removed from their classroom assignments to provide classroom coverage for absent teachers, which reduces the time available for Special Area Teachers to plan and support students. The District has already taken steps to reduce staff absenteeism and shall implement a comprehensive program focused on reducing staff absenteeism (see AF04 for more information). However, the District will require 6 additional Special Area Teachers across the District even if absenteeism is reduced to appropriate levels. The District shall hire 6 additional Special Area Teachers to begin work in the 2016-17 school year.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
($427,593)	($448,908)	($470,006)	($484,264)	($504,192)	**($2,334,964)**

Deliverables	Deadline
The District shall hire 6 Special Area Teachers.	August 2016

The following initiatives were included in the Amended 2014 Plan. One of these initiatives has been completed; the other initiative is still in progress. An update on both initiatives is included below.

ED20.	Restore Full Day Kindergarten	
	Status:	**Completed**
	Target Outcome:	Expand kindergarten to the full school day beginning in 2014-15
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Administration

2014 Amended Plan

The 2014 Amended Plan required the District to fund an additional 15 teachers and related costs to expand kindergarten to the full school day for all students beginning in the 2014-15 school year. The expansion was estimated to cost $1.25 million per year.

Update

Per the amended Act 141 Plan, the School Board approved the operation of a full day kindergarten program in the District commencing in the 2014-15 school year. The District now has approximately 630 students participating in full day kindergarten programs.

ED21.	Improve District Education and Limit Growth in Charter School Enrollment	
	Status:	**In Progress**
	Target Outcome:	Reduce rate of growth in charter school enrollment below baseline 13.7%
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Administration

2014 Amended Plan

The 2014 Amended Plan addressed challenges the Harrisburg School District faced in terms of the growth in local charter schools. The original Recovery Plan focused on competition from brick-and-mortar and cyber charter schools due to the rapid growth in charter school enrollment. The 2014 Plan noted how vital it is that the entire Harrisburg school community focus on improving its academic performance and presenting itself in a manner that will retain students in the face of the alternatives offered by charter schools. The 2014 Amended Plan set target growth rates for charter school enrollment with a goal of lowering the tuition payments made to charter schools.

Update

In addition to the overall improvement of the District's academic performance, the objective of this initiative was to slow the growth of charter school enrollment and to provide an in-house alternative for students and parents who wanted to become involved in cyber education.

There has clearly been a reduction in the growth of charter school enrollment, and growth targets set by this initiative have been exceeded. In fact the most recent projections show a slight decline in total charter school enrollments. To a degree these trends have been fueled by charter schools closing; however, the trends have also been impacted by the growth in enrollment in the Cougar Academy. As shown in the table below, while cyber charter enrollment has declined by 95 between 2012-13 and projected 2016-17 and total charter enrollment has decreased by 148 over the same period, Cougar Academy enrollment has increased by almost 200 students.

This trend in charter school enrollment versus Cougar academy enrollment has led to substantial savings to the District. As can be seen in the chart below, the projected 2016-17 cost per student in a charter school is $14,135 while the cost per student in Cougar Academy is projected to be only $4,149. Based on this cost per student if the 235 Cougar Academy students projected next year had instead gone to a charter school, the District's costs for 2016-17 would be approximately $3.3 million higher than now estimated.

Harrisburg School District
Enrollment and Expense Trends Charter Schools vs. Cougar Academy

Fiscal Year	Actual 2012-13	Actual 2013-14	Percent Change 12-13 to 13-14	Actual 2014-15	Percent Change 13-14 to 14-15	Projected 2015-16	Percent Change 14-15 to 15-16	Projected 2016-17	Percent Change 15-16 to 16-17
Enrollment									
Brick and Mortar Charter	202	369	82.7%	413	11.9%	445	7.7%	445	0.0%
Cyber Charter	430	429	-0.2%	404	-5.8%	368	-8.9%	335	-9.0%
Total Charter	632	798	26.3%	817	2.4%	813	-0.5%	780	-4.1%
Cougar Academy	0	45	NA	130	188.9%	188	44.6%	235	25.0%
Expenditures									
All Charter Schools	$ 8,957,658	$ 9,937,574	10.9%	$ 9,382,735	-5.6%	$ 10,225,000	9.0%	$ 11,025,000	7.8%
Cougar Academy	0	$ 91,290	NA	$ 267,680	193.2%	$ 536,500	100.4%	$ 975,000	81.7%
Exp. Per Student Charter Schools		$ 12,453.10	NA	$ 11,484.38	-7.8%	$ 12,576.88	9.5%	$ 14,134.62	12.4%
Exp. Per Student Cougar Academy		$ 2,028.67	NA	$ 2,059.08	1.5%	$ 2,853.72	38.6%	$ 4,148.94	45.4%

The District should continue to make strides in improving its overall academic performance to retain students who would otherwise go to a charter school and shall continue to promote the Cougar Academy as an alternative to other cyber schools.

In growing the Cougar Academy, the District should also carefully monitor the cost per student of the Academy. As can be seen from the chart above, the expenditure per student in the Academy is projected to increase to over $4,000 per student approximately, doubling since 2013-14. The expenditures are obviously driven by the need to expand in both teachers and technology in order to support the enrollment growth, however, one would expect to see a leveling off or decline in the expenditures per student as economies of scale are reached in the operation.

Deliverables	Deadline
The CFO in conjunction with the Superintendent and the Director of the Cougar Academy shall prepare a 5 year plan for the growth of the Cougar Academy which includes: enrollment projections, expenditure projections, and strategies to promote the program.	September 2016
Annually as part of the budget presentation to the BFF, the CFO shall present an analysis of the enrollment trends of Harrisburg students attending charter schools and of the cost to the District of the charter school payments. The analysis shall include a list of all the charter schools that receive Harrisburg students and the location of the schools.	Annually in January

Administration and Finance

Overview

The two key elements of the original Act 141 Recovery Plan for the Harrisburg School District were to improve academic performance and strengthen the administration and finances of the District. For the latter, the Recovery Plan contained thirteen initiatives that all dealt with improving the business and operating infrastructure of the District, with a focus on administrative leadership in the business, finance, and human resources functions.

Progress towards this goal has been documented in two updates to the original Recovery Plan. The District put in place a Chief Financial Officer (CFO) who, along with the interim Business Manager, made significant strides in improving business operations, budgeting, reporting, and planning. Additional achievements are highlighted in the Facilities, Revenue, Food Service, and Debt chapters of this Plan. Overall, the improvements have resulted in better communications with the Board, increased efficiency in operations, more accurate budgeting, and a better environment for educating students.

The District has had some setbacks in its efforts to improve the Human Resources operations. A new Human Resources Director was hired and she made strides in dealing with a variety of issues including the perception of the human resources function. Unfortunately, that individual resigned to take another position. The Human Resources office is now being overseen by a very experienced, but interim Human Resources Director. An Assistant Director has been hired and that person is expected to become the director after a period of mentorship by the interim Director.

The challenge for the future is to consolidate the gains that have been made in administration and finance and to maintain a high level of competency in the business and operational functions of the District so that it can continue to improve in these areas and continue to support needed academic progress.

Key Issues/Challenges

Many of the initiatives outlined in the Administration and Finance chapter of the 2013 Recovery Plan have been completed. As outlined below, there are several initiatives that are in progress, and there should be immediate action to bring these to a conclusion. In addition, this Plan update contains several new initiatives which are vital to continuing to improve administration and finances in the District. These initiatives are described in detail below, but in summary the key areas of focus are:

- Hire and maintain highly qualified individuals for the CFO, Business Manager and Human Resources Director positions;
- Formalize and commit to writing the District's administrative policies and procedures;
- Develop and implement a process for managing the District's fund balance;
- Focus on planning strategically for the future of the District and developing data systems to support decision-making;
- Continue to achieve operating savings to more closely match future District revenues and expenses; and
- Operate the District in a fashion that allows the Superintendent optimum time to focus on academic improvement.

Initiatives

AF01.	**Retain a Permanent Chief Financial Officer (CFO)** (this initiative formerly carried the title "Create and staff the position of Chief Executive Officer (CEO) for the District")		
	Status:	**Completed**	**In Progress**
	Target Outcome:	Improve the overall administration of the District while implementing the initiatives of the CRO's Recovery Plan to achieve long-term fiscal stability and academic achievement	
	Multi-Year Financial Impact:	($1,054,201)	
	Responsible Party:	Board and CRO	

Original Plan

The 2013 Recovery Plan required the District to hire a Chief Executive Officer to improve operations of the non-academic aspects of the District and to free the Superintendent to focus on academic improvement. The CEO was intended to work closely with the Superintendent of Schools in the management of the District, and non-instructional senior personnel such as the Business Manager and the head of Human Resources were to report to the CEO. A specific job description was developed, but the Recovery Plan noted that the duties of the CEO were to include, but not be limited to:

- Oversight of the implementation of the Recovery Plan;
- Development of annual budgets;
- Preparation of monthly and annual financial reports;
- Management of the District's Human Resources department and Payroll Office;
- Make hiring and firing recommendations to the School Board in relation to any district staff;
- Management of the Business Office and the Transportation, Food Service and Facilities departments;
- Management of the federal grants;
- Liaison with the District's foundation and other outside donors of funds and services;
- Implementation of new revenue initiatives;
- Oversight of debt and debt issuance; and
- Management of the collective bargaining process.

By the end of the third year in the position, the CEO was required to document to the School Board and CRO that she or he had attained sufficient savings in District operations to cover the total salary and benefits of the position on an annual basis.

Update and New Initiative

As a result of modifications contained in subsequent Plan updates and amendments, the position of CFO was developed and filled instead of a CEO. The CFO has broad powers in relation to the operation and finances of the District including, but not limited to:

- Development of annual budgets;
- Preparation of monthly annual financial reports;
- Management of the District's Human Resources department and Payroll Office;
- Management of the Business Office and Transportation, Food Service and Facilities departments;
- Management of fiscal aspects of federal grants;
- Liaison with the District's foundation and other outside donors of funds and services;
- Implementation of new revenue initiatives;
- Oversight of debt and debt issuance; and
- Management of the collective bargaining process.

The person originally hired to fill the position of CFO was successful but resigned after approximately 20 months on the job, and for the past year the position has been held by an interim CFO who is an experienced, retired school business administrator. Due to restrictions on this individual's PSERS retirement, the interim CFO may not be able to continue in this capacity beyond June 30, 2016.

The existence of the CFO position is one of the major factors that has led to the improvement in the finances, budgeting and operation of the District, as the CFO along with the Business Manager made significant strides in accomplishing many initiatives found elsewhere in this Recovery Plan. In order to continue the progress in finance, budgeting, and operations, the District shall continue to employ a CFO along with a Business Manager. The CFO shall have, at a minimum, those responsibilities outlined above from the 2013 Recovery Plan and its updates and amendments. The responsibilities of the CFO shall be the same whether there is an interim or permanent CFO. In order to continue to be relevant to the current situation in the Harrisburg School District, as well in the area of school administration, the job description for the CFO shall be reviewed and updated, and the CRO shall have final approval authority over the content of the CFO job description and the individual appointed to the position.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
($199,544)	($206,606)	($213,539)	($216,279)	($218,233)	**($1,054,201)**

Deliverables	Deadline
The interim Human Resources Director shall review the CFO job description and suggest edits to the CRO. In reviewing the job description, the Human Resources Director shall review other CFO job descriptions from other school systems and public sector positions both in Pennsylvania and nationally.	June 2016
The CRO shall review the suggested edits to the CFO job description and make any changes deemed necessary.	June 2016
The CFO job description shall be presented to the School Board for final review and approval.	June 2016

AF02.	Recruiting Process for the CFO Position		
	Status:	**Completed**	**In Progress**
	Target Outcome:	Fill the position of CFO as soon as possible	
	Multi-Year Financial Impact:	N/A	
	Responsible Party:	Board, Superintendent and CRO	

Original Plan
The School Board was directed to work with the CRO to immediately develop an appropriate plan for the recruitment of the CFO, employing a professional services firm to conduct the search if desired.

Update
After a search and interview process, the District hired Peggy Morningstar to fill the revised position of CFO in August 2013. Ms. Morningstar resigned from the position in April 2015. Since then, the CFO position has been filled by William Gretton on an interim basis.

Based on the assumption that Mr. Gretton will not be able to continue indefinitely as Interim CFO, the District shall undertake a national search to fill the position of CFO permanently. The CFO search can be managed internally by the District, however the process must involve national and statewide advertising and outreach using such sources as ASBO, PASBO, PSBA, and NSBA. The job advertisement shall be consistent with the job description for the position which will be approved by the CRO. The focus of the search is to identify and interview a group of well-qualified and experienced school finance and operations professionals. The internal interview team for the District shall be broad based and include at a minimum: the CRO, the Superintendent, the interim Human Resources Director, the interim CFO, and the Chairperson of the Board's BFF Committee. The interview team shall recommend one or more candidates for the CFO position to the School Board and the Board shall make the final selection from among the candidate(s) recommended by the interview team. The individual selected must be approved by the CRO.

The cost of recruitment will be minimal and will be absorbed within the 2015-16 and 2016-17 budgets.

Deliverables	**Deadline**
The CRO and Superintendent shall identify the District interview team for the position of CFO.	June 2016
Using the CFO position description and other resources the interview team shall develop a position advertisement and a list of places to circulate the advertisement.	June 2016
Using the job description and other resources the interview team shall develop an interview process for CFO candidates including rating criteria and priorities.	June 2016
The interview team shall advertise for the CFO position.	July 1, 2016
The interview team shall conduct interviews.	August 1, 2016
The interview team shall recommend a finalist for the CFO position to the School Board.	September 1, 2016
The School Board shall select a new CFO.	September 15, 2016

AF03.	**Assess Absences Among District Staff and Develop an Action Plan**	
	Status:	**In Progress**
	Target Outcome:	Document the number and type of absences by staff member for both instructional and non-instructional staff
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Human Resources Director and CFO

Original Plan

During the drafting of the 2013 Recovery Plan, excessive absences among both instructional and non-instructional staff was identified as an issue for the District. Based on the examination of available records, the study team saw multi-year evidence of high absenteeism District-wide, but with concentrations in certain buildings. From the 2009-10 school year through March of the 2012-13 school year, there were over 80,000 absences, averaging 118 per school day. Based on prevailing staffing at the time of the 2013 Recovery Plan, this implied that the average number of days of absence per staff person in 2012-13 was 24. Year to date when the Plan was drafted, approximately 12 percent of the staff was absent on any given school day.

The 2013 Recovery Plan noted that absenteeism at this level has a number of negative impacts on the organization:

- It hurts the overall productivity of the District and creates bad morale among the staff who have to pick up an extra workload;
- It has a negative impact on students and their education, in that short-term substitutes have limited ability to quickly adapt to the curriculum and lesson plans in order to have a productive class session;
- It provides a poor model for students who observe the accepted pattern of frequent absence; and
- It creates fiscal impacts due to the need to fund substitutes and overtime.

In addressing this issue with the District Administration, there did not appear to be a high level of recognition of the severity of the problem. In fact, the Administration did not seem to think they had reliable data on absenteeism. Therefore, the Plan directed the District to immediately establish a reliable and sustainable data system to record staff absences and create a series of daily and monthly reports that could be used by management to monitor and track staff absences. The monthly reports were to be presented to the School Board and the CRO.

Update

Although some concerns remain regarding the frequency of absences by professional and non-academic staff, the District has taken some steps to implement corrective action after little progress during the first year of recovery. Under the direction of the interim Human Resources Director, the District has made recording and tracking absences a priority of the administration.

Beginning in the 2014-15 school year, the District developed reporting functions to track absence data for instructional and non-instructional staff. Human Resources personnel corrected data entered into the E-Finance system and received training with the Aesop system (which manages and tracks absences and alerts substitutes). However, the District continues to encounter issues with data quality because Aesop is not fully integrated with the E-Finance system. These issues are discussed in more detail in Initiative AF04.

Beginning on March 14, 2016, all supervisors were required to use the Aesop system to record employee absences and indicate whether or not the position would require the District to hire a substitute to fill the position for the duration of the absence. The current Human Resources Director provided training to employees on this system in each building. Employees are required to report any usage of paid leave by entering requests into the Aesop system, and professional staff absence reporting is tied to the substitute calling service. Also, as of that date the HSD required building administrators to review absences at the start of each school day.

In addition, the District has attempted to improve the schedules for activities that fall during the work day (for example, IEP team meetings, full/half day meetings for one child, etc.) to help reduce absenteeism due to these other commitments. The District has also made changes to the professional development schedule, moving from half-day to full day professional development sessions.

In order to build on this progress, the District shall develop an absentee action plan that includes building-level targets to continue to track and reduce absenteeism, which will be tied to specific initiatives and concrete deadlines. The action plan should include the following, by building, as well as District-wide:

- Generation of monthly reports by building;
- Review of monthly absence reports with building administrators;
- Objectives/plans for reducing absenteeism by building;
- Absence reduction goals by building; and
- Absence reduction goals District-wide.

This initiative will be supported by AF09 and ED15, which include the development of Administrative and Staff Handbooks. In these Handbooks, the District shall develop and state all policies related to the use of paid and unpaid leave. Having these rules in writing will allow administrators to consistently enforce policy and reduce instances where staff members believe specific individuals are being targeted by random enforcement.

Deliverables	Deadline
The District shall establish a regular meeting with the CRO to review the District absence report.	July 2016
The District shall develop policies for the usage of paid and unpaid leave to be incorporated in the administrative and staff handbooks.	July 2016
The District shall develop an action plan with building targets and deadlines designed to track and reduce absences District-wide and by building.	July 2016

AF04.	Develop a Comprehensive Program to Reduce Staff Absenteeism with a Focus on Cost Savings and Academic Improvement	
	Status:	**In Progress**
	Target Outcome:	Decrease absenteeism through establishing policies, processes and accountability for tracking and dealing with unwarranted levels of absenteeism
	Multi-Year Financial Impact:	$500,000
	Responsible Party:	Superintendent, Human Resources Director, and CFO

Original Plan

In the 2013 Plan, the District was tasked with using the information gathered through the creation of the absenteeism database and reports to develop a comprehensive plan to address absenteeism using best practices, including, but not limited to the following:

- Developing and distributing to all staff the District's policy on absences, one that includes specific consequences for abuse of leave;
- Addressing issues of absences with union leadership and appropriately modifying work rule provisions of contracts;
- Providing daily and monthly staff absence reports to supervisors and principals;
- Requiring staff taking unscheduled leave to directly contact their supervisor;
- Requiring written physician documentation for medical leave beyond three days;
- Requiring supervisors to discuss each instance of unscheduled leave with staff; and
- Developing an appropriate incentive program to reduce absenteeism that might involve additional credited sick leave for those staff that do not use sick leave for a defined period.

Update

The District is in the process of implementing best practices and policies to reduce the frequency of staff absences under the leadership of the interim Human Resources Director. The Director has regularly reviewed the absence reports in order to compare the District's progress to the previous year. Building principals have received training from Human Resources staff members on the District's rights and responsibilities in ensuring that staff complies with attendance policies and procedures. Though building principals have been receptive to the support from the Human Resources department, these efforts will need to be ongoing in order to reinforce understanding of the District's policies and procedures and to make sure the policies are clearly communicated to all employees. The completion of the Administrative and Staff Handbooks, as outlined in AF09 and ED15, will support the communication of the District's attendance policies and procedures for enforcement. When the Administration identifies staff members who are abusing leave time, the cases are handled through the District's disciplinary process.

During the tenure of the previous Chief Financial Officer and the Human Resources Director, the Administration met with representatives of the non-instructional union to discuss vacancy issues and contract provisions. As with the absentee training program provided to building principals, the District should continue meeting with representatives of the collective bargaining units to engage all employees in the process of addressing the negative operational impact of excessive absences.

Although the District has made progress in developing effective systems to report on absence data, the District continues to experience difficulties integrating the Aesop and E-Finance systems. Under the current configuration of the systems, staff members must manually enter absence data into the E-Finance system. The interim Human Resources Director is aware of these issues, and he has taken steps to put controls in place. Staff members have received training on both systems, and processes have been developed to ensure data is entered accurately. Seamless integration between Aesop and E-Finance may require the investment of additional resources, and the District may want to consider such a project in order to improve staff efficiency and the timely production of absence reports.

In addition to the changes noted above, the District has also taken the following steps to address absences, including:

- Reducing the number of staff absences related to in-service days through improvements to the organization of the professional development calendar;
- Improving the quality of District facilities:
    - Camp Curtin – improved building controls;
    - Scott – mitigated building flooding;
    - Sci/Tech – fixed steam leak;
    - Roland – issues with chillers to be addressed in Summer 2016;
    - John Harris – facility renovations to be completed through ESCO project.

The District shall also review the amount of leave without pay taken by employees. In addition, the District shall continue to negotiate with HEA regarding a sick leave incentive program. In previous bargaining sessions with HEA, representatives of the bargaining unit expressed reservations about such a structure because they felt that varying building conditions could make the program uneven and unfair across the employee base. Since the District has taken steps to improve the quality of facilities, the District may want to consider revisiting the proposal in future bargaining sessions.

All of the improvements noted above, in combination with the further development of a strong management system to address the absence issues, will be supported by an effective attendance reporting system and a building-by-building action plan described in AF03.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$100,000	$100,000	$100,000	$100,000	$100,000	**$500,000**

Deliverables	Deadline
The District shall formally adopt interim policies governing data management for Aesop and E-Finance.	July 2016
The District shall establish a timeline to conduct ongoing meetings with collective bargaining representatives.	July 2016
The District shall develop an ongoing training and outreach program to inform building principals of absence management policies and procedures.	August 2016
The District shall review employee leave without pay time.	August 2016

AF05.	Act 141 Financial Transition Recovery Loan	
	Status:	**N/A**
	Target Outcome:	Borrow $6.44 million from the Act 141 Transitional Loan Fund and repay the funds over a ten year period
	Multi-Year Financial Impact:	N/A
	Responsible Party:	N/A

Original Plan
Act 141 established a Financial Recovery School District Transitional Loan Fund to be used by school districts in financial recovery status. The funds are borrowed interest-free from the fund and repaid over time. Transitional Loan funds are only available if they are included in the Recovery Plan and the Plan is adopted by the School Board and subsequently approved by the Secretary of Education.

The 2013 Recovery Plan for the Harrisburg School District included borrowing $6,435,153 from the Act 141 Financial Recovery School District Transitional Loan Fund to help achieve several key initiatives described elsewhere in the plan, including:

- Retention and three years of salary for a Chief Executive Officer (see AF01 and AF02 for more detail);
- Survey, staffing and promotion for the Cougar Academy (see ED10, ED11, ED12, and ED13 for more detail); and
- Transitional funding for the increased transportation required to reorganize school buildings and upgrade early childhood programs. This amount was intended to cover the one-year lag between the beginning of higher transportation costs and their partial reimbursement by the Commonwealth (see ED02 for more detail).

Update
The District determined that borrowing from the Transitional Loan Fund was not necessary and funding for the priorities listed above could be covered within the District's regular budget.

Business Services

The District's Business Services office manages a variety of important non-instructional areas including budgeting, financial reporting, payroll, accounts payable, grants, food service, facilities and maintenance, and transportation. In the 2013 Recovery Plan, the project team's interaction with Business Services identified that it had an appropriate infrastructure to serve the District and had acceptable software and systems to support its operations, but that there was "significant room for improvement." The most significant concern that the review team cited was the lack of experience and institutional knowledge in the office, in part because of overly strong central control of the office that limited the staff's development and initiative. The District had a succession of business administrators, with three in the prior decade. However, the Business Manager in place at the time was found to be capable and dedicated, but new to the position and relatively new to the District.

As a result of these facts and the complexity of the financial and operational issues of the Harrisburg School District, the mentorship and direction of an experienced Chief Executive Officer was required by the Plan to allow the Business Manager and Business Services to focus more effectively on core services.

Update
The project team continues to believe that the Business Services office has an appropriate infrastructure, including acceptable software and systems to support its operation. Currently the office is led by an executive who is concurrently filling the Business Manager and CFO positions. The Business Manager and CFO is supported by an Assistant Business Administrator who was appointed in the 2015-16 school year.

The full implementation of the initiatives included in this Recovery Plan will require the leadership of an experienced school business administrator supported by a team that can resolve financial and operational issues facing the District. Although the interim Business Manager and CFO brings a depth of experience to the position, the project team remains concerned about the lack of institutional knowledge in the office. As noted in the 2013 Recovery Plan, the District had experienced significant turnover in the business administrator position during the past decade. The Business Services office may benefit from the addition of skilled staff members, particularly in the finance functions of the office. When coupled with a comprehensive succession plan for the Business Administrator and CFO positions, the additional investments in Business Services staff will position the office to focus on delivering core services.

Human Resources Department

The 2013 Recovery Plan identified concerns about staff downsizing, restructuring, school building closures, and staff reassignments, all of which had put a severe strain on the time and efforts of Human Resources (HR) staff. In addition, the District's collective bargaining agreements contained benefits and past practices that complicated the recruitment, hiring, and placement of staff, and required significant attention from HR personnel. Recent rounds of layoffs had resulted in bumping and the enforcement of the terms of collective bargaining agreements affecting employee benefits, work ethics, time reporting, absences, and other areas as the Human Resources Director enforced policies, rules, and contracts that were not adhered to in the past.

These changes in staff and leadership, new policies and procedures, layoffs, staff assignments and negotiations generated additional supervisory and clerical work in the department. The Human Resources Director and staff at the time appeared to be managing these transitions and the increased workload, and had good working relationships with most administrators, other department heads, and building staff. In addition, the rapport between the Payroll office and the Human Resources department had improved significantly.

The previous Plan also identified the need to modify the revolving door intrusive type of entry to the Human Resources office, and the need to complete an administrative handbook, and the completion of training and greater utilization of the E-Finance and Cognos computer software.

Update
The operational components of the Human Resources department include but are not limited to organization and management; policies and procedures; recruitment/employment; compensation and benefits; employee/labor relations including collective bargaining; staff development through human resources programs; employee support and management of an employee assistance program; development and maintenance of a personnel handbook; records management; and oversight and

training for the District's security personnel and crossing guards. The department currently has six employees, including one Human Resources Director, one Assistant Human Resources Director, one Human Resources Manager, two Human Resources Administrative Assistants, and one Secretary Assistant. The department is one of the primary users of the District's E-Finance and Cognos software for finance, budgeting, accounting and human resources. The project team believes the department should continue to improve its financial management practices by focusing on knowledge and use of these software packages by HR staff.

Prior to the development of the 2013 Recovery Plan, the series of operational changes experienced by the District reduced the number of Human Resources staff and strained the resources available to remaining staff members. In particular, the changes generated supervisory and clerical work in the department which further reduced staff capacity to manage competing priorities. Furthermore, the department shifted to a new approach that focused on the enforcement of policies, rules, and contracts that were not adhered to in the past.

Since the 2014-15 school year, the Human Resources department has recruited strong leaders and started the process of realigning the skills of its staff members. The interim Human Resources Director brought a depth of experience to the Department, including knowledge of industry best practices, and the Human Resources Manager continues to focus on improving the department's communication with stakeholders. Staff members have been cross-trained in the policies and systems used across the department. Despite these improvements in staff capacity, a number of critical items remain in the process of completion. These tasks include completing an Administrative Handbook, updating ADA-specific position descriptions, and full utilization of the E-Finance and Cognos computer software.

Initiatives

The following initiatives shall be completed by the Human Resources Director, his staff and others.

AF06.	**Complete Training On and Utilization of the E-Finance and Cognos Software**	
	Status:	**In Progress**
	Target Outcome:	Complete expert training on the E-Finance and Cognos software for all Human Resources staff including the Human Resources Director
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Human Resources Director and IT Department Staff

Original Plan
The 2013 Recovery Plan found that the Human Resources and Payroll staff were not fully trained on or fully utilizing the E-Finance or Cognos computer software and the District's IT department was investigating alternative administrative software packages to replace the E-Finance and Cognos software.

Update
Since the development of the 2013 Recovery Plan, the District determined that alternative software would not be pursued immediately, and Human Resources staff members have received training in the E-Finance and Cognos systems. However, it remains to be seen whether all staff are fully trained and using the systems regularly.

The District should continue to make progress to ensure current staff members and new hires receive the proper training to make full use of the capabilities of the software packages. In addition, the District shall develop a formal plan to incorporate the functions of the software into its financial management practices, including position control, federal program administration, and program budgeting for grant-funded programs. See WF11 for recommendations regarding position control.

Deliverables	Deadline
The District shall establish an ongoing training program for current staff members and new hires.	July 2016
The District shall develop a list of routine reports.	July 2016
The District shall create a plan to fully utilize all of the functions available through Cognos.	August 2016

AF07.	Consider a Complete Rightsizing Study for the Human Resources Department	
	Status:	**In Progress**
	Target Outcome:	Proper staffing of the Department; better utilization of staff and better service to District Staff
	Multi-Year Financial Impact:	($192,222)
	Responsible Party:	Superintendent, Board, and Human Resources Director

Original Plan

In 2013, the review team found that the Human Resources department had lacked stability for several years due to downsizing, furloughs, resignations and transfers. The new Human Resources Director consolidated the essential duties and responsibilities among the remaining positions, with the goal of adding one additional Act 93 staff position to the department. The 2013 Recovery Plan also recommended that as District finances improved, the District should consider whether a comprehensive evaluation of the Human Resources department could result in further efficiencies and improved performance with a different staffing configuration.

Update

Since the development of the 2013 Recovery Plan, the Human Resources department has taken steps to fill key leadership positions and to realign the skills of existing staff members. The department hired an interim Human Resources Director and a permanent Human Resources Manager in the 2014-15 school year. Under the leadership of the Director and Manager, the department has begun to realign position duties and to require cross-training between positions. Current staffing levels include one Human Resources Director, one Assistant Human Resources Director, one Human Resources Manager, two Human Resources Administrative Assistants and one Secretary Assistant.

The department Director and manager have sought an additional secretary position (associated costs included below in Financial Impact) to perform key functions that are outside of the job description of the current Human Resources Secretary due to confidentiality requirements and the need to have a position assigned to the front desk. In addition, the department faces new responsibilities to implement new laws that came into effect in 2015 requiring the department to begin tracking new clearances for all staff members every three years, and to provide other districts with information on employees who transfer to or from the HSD. The department should continue to review staffing levels and the capacity to manage workloads. In the meantime, this Plan includes the cost of an additional secretary, as shown below.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
($36,132)	($37,594)	($39,046)	($39,547)	($39,904)	**($192,222)**

Deliverables	Deadline
The District shall meet with the CRO team to discuss staffing levels.	July 2016
The HR Director shall hire an additional secretary if the position is deemed necessary.	August 2016

AF08.	Transfer the Oversight and Training of the Security and Crossing Guards to the Facilities or Transportation Department	
	Status:	**Completed**
	Target Outcome:	To place the responsibility for this service within the proper department
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Board, Superintendent, Human Resources Director, Director of Facilities, Supervisor of Transportation, and Student Services Supervisor

Original Plan
The Human Resources Director assumed the responsibility for the security staff and school crossing guards during the downsizing and furloughing process because no other department stepped up to take on their supervision. However, this service function did not belong in the Human Resources department and the 2013 Recovery Plan directed that the position be moved to a more appropriate department.

Update
Responsibility for crossing guards has been transferred to the Transportation department. Responsibility for security has been transferred to the Student Services Supervisor.

AF09.	Create and Distribute an Administrative Handbook and a Staff Handbook	
	Status:	**In Progress**
	Target Outcome:	To provide Administrative personnel and all staff with an instructional guide to the policies, requirements, forms and procedures in Human Resources within the District
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Human Resources Director

Original Plan
An Administrative Handbook had been partially developed in 2012 by a Principal on sabbatical leave, the Payroll Supervisor and Human Resources Director. However, the document was never completed, approved, or distributed to employees.

Update
The District has made partial progress toward completing the Administrative Handbook and the Staff Handbooks. The Superintendent's cabinet members have assumed the lead in developing sections of the Administrative Handbook based on their area of expertise. At the end of January 2016, the District was about halfway through completing a prioritized list of Board policies and administrative regulations as well as the curriculum management sections of the Handbook.

At the time of the completion of this Amended Recovery Plan, the custodial services and food services sections of the Staff Handbook had been completed, and the safety and security monitor section was in progress. The District has a targeted completion data for the remainder of the Handbook of June 30, 2016. Once the Administrative Handbook is completed, the District will also create a Staff Handbook that will draw from the administrative regulations included in the Administrative Handbook.

The target date for completing the Staff Handbook is August 15, 2016 so that it is in place in time for 2016-17 staff induction and in-service days that start the week of August 21, 2016. The District should prioritize the completion of the Handbooks to reduce staff confusion regarding policies and administrative regulations, as well as improving process management.

Deliverables	Deadline
The District shall complete development of the Administrative Handbook.	June 2016
The District shall formally adopt an update calendar for the Handbooks.	July 2016
The District shall complete development of the Staff Handbook.	August 2016

AF10.	All Position Descriptions Should Be Reviewed and Updated and be ADA Compliant	
	Status:	In Progress
	Target Outcome:	Position Descriptions will be current and ADA compliant
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Human Resources Director and Human Resources Manager

Original Plan
Many of the District's older position descriptions had not been updated and were not compliant with the Americans with Disabilities Act (ADA). The 2013 Recovery Plan directed that the Human Resources Director draft new uniform ADA-specific position descriptions or consider hiring an outside Human Resources consultant to assist with the development of District-wide uniform ADA-specific position descriptions.

Update
Although the Human Resources department missed an internal deadline to complete the review of the position descriptions during the summer of 2015, the staff continues to complete the requirements of this initiative. Human Resources staff members have reviewed and updated the position descriptions for compliance as the District has reopened positions for hiring; however, limited staffing capacity and competing priorities have limited the progress of completing the full review and update.

In addition, the District may want to consider contracting with PSBA to conduct a review of the positions covered by Act 93 and to compare the District's compensation levels with surrounding school districts. See WF11 for more information.

Deliverables	Deadline
The Human Resources Department shall continue to review and update job descriptions as positions come open.	Ongoing
The Human Resources Department shall update non-open position descriptions as staff time becomes available.	Ongoing

AF11.	Communications and Access to Human Resources Staff at All Levels Must be Improved	
	Status:	**Completed**
	Target Outcome:	Improved access to the Human Resources office and staff; Improved Communication at all levels
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Human Resources Director and Director of Facilities

Original Plan
The 2013 Recovery Plan found that the department's strict policy of appointments and the design of the Human Resources office created a perception that it was difficult to reach the Human Resources Director and staff. The Plan recommended that the door to the Human Resources office be replaced with clear glass and that one of the spare offices be renovated into a waiting room/lounge for staff and others who had arrived to meet with the Human Resources Director, Human Resources Manager or either of the two Administrative Assistants. In addition, it was directed that one of the Administrative Assistants should meet visitors in the outside lobby of the building and bring them into the Human Resources lounge.

Update
Although there has been turnover in the position of Human Resources Director, there has been progress in improving the perception of the Human Resources office among the District employees. The move of the District's administrative offices has allowed changes in the physical appearance of the Human Resources office which make it appear more open and welcoming. In addition, the operating mode of the office has changed and it is now perceived more as a service agency to the employees of the District.

The Human Resources department has also improved the level of engagement with District staff members under the direction of the interim Human Resources Director and his predecessor. Department leaders have emphasized the importance of customer service, and the Human Resources Director has maintained an open door policy for all visitors to the department. In addition, the Human Resources Manager has supported these efforts by monitoring the timeliness of responses. The department has listed the job responsibilities of each department staff member to facilitate connections with the appropriate contact. In the past, a significant backlog of grievances was the source of tension with the District's bargaining units. The Human Resources Director took initial steps to improve labor relations by offering standing weekly or bi-weekly meetings with the HEA President and frequent communication with AFSCME representatives. In order to improve the process of addressing new grievances, the Human Resources Director enlisted an AFSCME "grievance chair" to assess the grievances prior to submission to the Department. Since the arrival of the interim Human Resources Director in the 2014-15 school year, the backlog of grievances has decreased, and the department continues to make progress to address the remaining grievances.

Payroll Office

As noted earlier, at the time of the 2013 Recovery Plan, the District had recently gone through a period of staff downsizing, restructuring, school building closures, and staff reassignments due to budget restraints. This process occurred as the staff in the Payroll office had been working to accurately set up and maintain position controls. At the time, the Assistant Payroll Officer and Payroll Secretary were both fairly new and experiencing the learning curve typical of employees in new positions. However, under the leadership of the Payroll Supervisor, the office was meeting and surpassing expectations.

The 2013 Recovery Plan also noted that though the Payroll office appeared to have a strong working relationship with most administrators, department heads, and building staff, there were some disgruntled employees as the Payroll office staff members were enforcing policies and procedures that were ignored in the past. The Plan found that the rapport and cooperation between the Payroll office and the Human Resources department had improved significantly since the hiring of the new Human Resources Director, and a trustful relationship existed between these operational offices.

Update

The operational purpose of Harrisburg School District's Payroll office is the timely and accurate payment of wages and salary; income tax withholding, retirement plan withholding, reporting and filing including Public School Employee Retirement System and 403(b) tax shelter annuity plans; reconciliation of payroll accounts to the general ledger; reconciliation of all payroll bank/financial accounts; and the development and maintenance of payroll policies and procedures. The Payroll office currently has three employees, including one Payroll Supervisor, one Assistant Payroll Officer, and one Payroll Secretary. Along with the Human Resources Department, the Payroll office is one of the primary users of the District's E-Finance and Cognos software for finance, budgeting, accounting and payroll. Although all Payroll staff have received training in the E-Finance and Cognos systems, the office should continue to provide ongoing training to make use of new updates and features for the systems and to properly prepare new hires.

Prior to the development of the 2013 Recovery Plan, the series of operational changes experienced by the District reduced the number of Payroll staff and strained the resources available to remaining staff members. The Assistant Payroll Officer and Payroll Secretary have become familiar with the responsibilities, procedures, and systems of the positions since they were assigned to their roles. Under the leadership of the Payroll Supervisor, the office has focused on performing key functions effectively and building rapport with other administrators, department heads and building staff. Staff members have endeavored to ensure that payroll policies and procedures are fair and consistent. The Payroll office has developed a strong relationship with the Human Resources department, which has facilitated cooperation between the offices.

In 2012, the Payroll Supervisor completed an initial draft of the District's Administrative Handbook, which included a compilation of the administrative policies and regulations that apply to the Human Resources department and the Payroll office. Although the District has completed several portions of the Handbook, the final product has yet to be completed, approved, and distributed as required in the 2013 Recovery Plan. See AF09 for more information.

Initiatives

The following initiatives shall be addressed by the Payroll Supervisor, her staff and others.

AF12.	**Complete Training On and Utilization of the E-Finance and Cognos Software**	
	Status:	**In Progress**
	Target Outcome:	Complete expert training on the E-Finance and Cognos software for all Payroll office staff including the Payroll Supervisor
	Multi-Year Financial Impact:	N/A
	Responsible Party:	CFO, Payroll Supervisor, and IT department Staff

Original Plan
At the time of the 2013 Recovery Plan, the Payroll office Staff was not fully trained on or fully utilizing the E-Finance or Cognos computer software. The Payroll office had also experienced recent downsizing, furloughs, resignations and transfers. Many administrators felt that another person was needed in this office to properly carry out its operational responsibilities. The review team concluded that once the two new employees in this office had more experience in their respective positions, no additional staff would be needed.

Update
All current employees of the Payroll office have received training in the E-Finance and Cognos systems. As mentioned in AF06, the District should continue to ensure that future training sessions are scheduled to provide proper training to newly hired employees. A change was made in staffing to remove a secretary position and replace it with an accounting position. The Payroll office is currently fully staffed and operating as expected with current staffing levels, and employees are trained on key systems like E-Finance and Cognos. Plans are in place to continuously train and cross train staff so that the full capabilities of the systems can be utilized.

Deliverables	Deadline
The District shall establish an ongoing training program for current staff members and new hires.	July 2016
The District shall develop a list of routine reports.	July 2016
The District shall create a plan to fully utilize all of the functions available through Cognos.	August 2016

AF13.	Consider a Rightsizing Study for the Payroll Office	
	Status:	**Completed**
	Target Outcome:	Proper staffing of the office; better utilization of staff and better service to District staff
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent, Board, Human Resources Director, CFO, and Payroll Supervisor

Original Plan
As noted above in initiative AF12, at the time of the 2013 Recovery Plan the Payroll office had experienced downsizing, furloughs, resignations and transfers, but the review team concluded that once the two new employees in the office gained experience in their respective positions no additional staff would be needed.

Update
A change was made in staffing to remove a secretary position and replace it with an accounting position. The Payroll office is currently fully staffed and operating as expected with current staffing levels, and employees are trained on key systems like E-Finance and Cognos. Plans are in place to continuously train and cross train staff so that the full capabilities of the systems can be utilized.

New Initiatives

AF14.	Complete an Enrollment Study	
	Status:	**New**
	Target Outcome:	Obtain a professionally prepared study of District enrollment trends as to numbers and composition
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent, CFO and Board

The District faces a number of key decisions regarding its operation, staffing and physical make up. There are plans to reopen closed buildings at significant costs. There are staffing additions being made to address current class room size issues. There are assumptions being made regarding the source and location of new enrollments to the District and the continuation of those trends into the future. However the District does not have any independent analysis of its student enrollment and the likely trends of student enrollment and composition into the future, nor does it have a student census process or system. In order to inform these key decisions it is imperative that the District immediately obtain an independent professional analysis of its student enrollment. The analysis should include: count of current enrollment by class level and other relevant characteristics; use of live birth, cohort survival and immigration trends to project enrollment for a 10 year period. The enrollment study should also create maps of the residence of current students and forecasts of student residences into the future. The cost of this enrollment study ($16,000) is being absorbed into the 2015-16 budget.

Deliverables	Deadline
CFO developed an RFP for the enrollment study and the School Board approved a contract for the recommended provider.	Winter 2016
The BFF shall receive the enrollment report from the provider and ultimately participate in a presentation of the results to the full Board.	Spring 2016
The CFO shall develop a recommended process to conduct an annual student census for the District and recommend a policy on student census to the School Board.	July 1, 2016
The School Board shall adopt a policy on conducting an annual student census.	September 2016

AF15.	Establish a Formal Fund Balance Policy and Designate Existing Fund Balance	
	Status:	**New**
	Target Outcome:	Develop a comprehensive policy governing the establishment and use of the District's fund balance
	Multi-Year Financial Impact:	Reductions to Fund Balance
	Responsible Party:	Board, CFO

A strong fund balance policy can help school boards emphasize to the community the importance of an appropriate financial reserve, manage District funds to maintain that reserve, and provide assurance to the Commonwealth, creditors and bond rating agencies that the District will be able to meet its obligations. Without a strong policy and consistent enforcement of the policy, school districts are vulnerable to economic pressure that can have a negative impact on educational programs. In particular, the fund balance provides liquidity, as in 2015-16 when the fund balance has been essential to the District in managing the impact of the State budget crisis.

The District has accumulated a substantial fund balance and the efficient and effective management of that fund balance is a critical challenge going forward. In particular, the District needs to make sure to use the fund balance for one-time investments, and not rely on it to support ongoing operating expenses, which will not be supportable in future years.

As part of the long-range planning process for the District, and in consultation with the CRO, the Board and Administration shall immediately develop and adopt a comprehensive fund balance policy that at a minimum addresses the size of the fund balance, the uses of fund balance, designation of portions of the fund balance and the necessary analysis and justification required in order to spend the fund balance. In developing this policy, the Board and Administration should refer to the numerous model policies available from sources such as PASBO, PSBA, ASBO and GFOA. The Board shall also be required to approve any dollars being set aside as a committed reserve.[1]

As part of this Plan, the Board shall designate funding for the following items from the fund balance, reserving at least 8.0 percent of budgeted annual expenditures as a committed reserve, and transferring $6.5 million to the District's Capital Reserve account to match expected spending, $1.0 million to an OPEB trust fund, and $5.0 million towards the buy-in contribution to the Dauphin County Technical School.

Fund Balance Allocation		
Description	**Amount**	**Designation**
Transfer to Capital Fund	$6,500,000	Transferred
OPEB Trust Fund	$1,000,000	Transferred
Buy-In Contribution to County AVTS	$5,000,000	Transferred
Working Capital Fund (Rainy Day Fund)	$11,200,000	Committed
Veteran Teacher One-Time Payment Incentive*	$200,000	Committed
Teacher Retention Pilot Program*	$1,000,000	Committed
ESCO	$2,000,000	Assigned
Technology Upgrades	$1,500,000	Assigned
Professional Development**	$500,000	Assigned
Textbook and Equipment Replacement**	$500,000	Assigned
Unassigned	$4,284,200	Unassigned
Total 2014-15 Fund Balance	**$33,684,200**[2]	

**See WF08 for more information regarding a pilot program to incentivize new teachers to stay in the District beyond five years. Refer to WF09 for more information on a one-time payment incentive for veteran teachers.*
***Professional development and textbook and equipment replacement related to the development and implementation of the Career Pathways program is included in these totals.*

[1] Accounting rules require that fund balance be designated as non-spendable (items such as inventories or pre-paid rent), restricted (sources that are governed by external rules, such as those imposed by constitution, creditors or laws and regulations of non-local governments), committed (self-imposed limitations set by formal action of the Board), assigned (designations made by the administration to indicate intended use of resources) and unassigned (the remaining resources after funds have been identified in the first four categories).

[2] The 2014-15 fund balance was taken from the District's independently audited financial statements. Any differences between this figure and the 2014-15 fund balance shown elsewhere in the Plan is due to rounding.

Revised Fund Balance	
Starting Fund Balance	**$33,684,200**[3]
Transferred to Other Funds	($12,500,000)
Remaining Fund Balance	**$21,284,200**
Committed Fund Balance	$12,400,000
Assigned Fund Balance	$4,500,000
Unassigned Fund Balance	$4,284,200
Total	**$21,284,200**

Deliverables	Deadline
The CFO shall develop a draft policy on fund balance for the BFF Committee.	July 15, 2016
The BFF shall analyze and recommend to the full School Board a fund balance policy.	July 30, 2016
The CFO shall annually prepare a report for the BFF, in conjunction with the preparation of the District's annual budget, a report on the District's fund balance and adherence to the fund balance policy.	Each January
The School Board shall designate funds in the 2014-15 fund balance as committed and restricted to achieve the objectives in the Fund Balance Policy.	August 2016
The School Board shall revise the Fund Balance Policy to reflect the objectives established in the commitment and restrictions of the 2014-15 fund balance.	August 2016

AF16.	**Retain a Permanent Business Manager**	
	Status:	**New**
	Target Outcome:	Employ an appropriately trained and experienced business manager to fulfill oversight of business and operational functions of the District
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Board, Superintendent, CFO, and CRO

The District has made strides in improving its business, financial and operating functions. These improvements have been driven by the employment of professionally-trained and experienced individuals who have put in place processes and procedures found in high-functioning school districts. However, the District has lost its permanent CFO and has an interim CFO in place. The interim CFO, who is exceptionally well-qualified to perform his duties, is a retiree and may face limitations on his service based on PSERS rules. It is imperative that the District continue to have well-trained and experienced individuals in the business and operational functions. Harrisburg School District is a large and complex urban school system that needs a seasoned individual in the business manager position, especially given past financial issues which contributed to the District's distressed designation. The position shall be held by a person who has substantial prior experience and success as a school business manager or administrator at a smaller or similar-sized district. The District shall undertake a professional search for

[3] Ibid.

the person to become the permanent business administrator and only hire an individual who possesses a successful, documented track record of overseeing a similar school business operation. The CRO shall approve the Board's selected candidate for business administrator.

Deliverables	Deadline
The CRO, Superintendent and CFO shall develop a job description for the position of Business Manager which shall be written after consultation with state and national organizations who provide models for such job descriptions. The job description shall be written in a way as to require the individuals who apply to have direct and relevant experience as a Business Manager or administrator in a school system that is of similar size to Harrisburg. The job description shall require at least five years of experience in such a position.	September 1, 2016
A group including the Chair of the BFF committee, the Superintendent, the CFO, the interim Human Resources Director and the CRO shall conduct interviews and take other steps to identify qualified candidates.	October 1, 2016
The group listed in the preceding deliverable shall identify one or more candidates for the position and recommend that person to the full School Board provided.	November 1, 2016
The School Board shall approve the new Business Manager for the District.	January 1, 2017

AF17.	Retain a Permanent HR Director	
	Status:	**New**
	Target Outcome:	Install a permanent Human Resources Director who is properly prepared to perform all the duties of a school district human resources director
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Board, Superintendent, CFO, and CRO

After a previous Human Resources Director resigned to take another position, the District engaged an interim Director to oversee the Human Resources department. The interim Human Resources Director can perform in this capacity for a period of time under contract with an outside agency but ultimately the District must have a Human Resources Director who is an employee for the District. The District has hired an individual who will eventually take the position of Human Resources Director. This individual, although experienced in human resources in the private sector, has no experience in school district human resource functions. The Administration has a plan for the Human Resources Director designee to be mentored by the interim Director and eventually assume the position.

The plan for placing a permanent Human Resources Director has merit and can be pursued. However, for a District of the size and complexity of Harrisburg, the Board, Administration and CRO must be assured that the Human Resources Director is fully trained and educated on the specific laws, regulations and requirements for human resource management in Pennsylvania schools. The training must include School Code requirements, collective bargaining requirements and limitations, certification requirements, requirements related to student safety and access by adults, and specific provisions of school employee benefits including retirement benefits.

The individual being groomed to assume the position of Human Resources Director should only take the position when the Board, the Superintendent and the CRO are satisfied that the individual has completed a course of training necessary to perform the role. Therefore, this initiative deals largely with the process for training and development of the Human Resources Director designee.

Deliverables	Deadline
The interim Human Resources Director shall develop and present to the Superintendent and CRO a written professional development plan for the Human Resources Director designee. The written plan should outline specific activities the Director-elect should undertake to learn the position and a timeline for process. In addition, the written plan should contain a list of specific skills that must be mastered to assume the Human Resources Director position.	July, 2016
The professional development plan shall contain both on-the-job activities and outside professional development activities provided by higher education organizations, professional associations such at PASBO or PSBA and other appropriate workshops, conferences or training sessions.	July, 2016
Upon the completion of the professional development plan, the Human Resources Director designee shall be interviewed by a panel of people and the panel shall agree that the individual is ready to assume the position of Human Resources Director. The interview panel shall consist of: the interim Director; the CFO; the Superintendent; the CRO; and at least one additional District human resources professional who has at least five years of experience as a Pennsylvania school district Human Resources Director.	Based on final date of professional development plan for Human Resources Director

AF18.	Retention of Senior Management Team Members	
	Status:	**New**
	Target Outcome:	Undertake a series of actions designed to develop a strong District management team and to retain team members
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent and CRO

The Harrisburg School District is a large and complex enterprise. This complexity is amplified by the academic, financial and operational issues facing the District, as well as its location in the capital of the Commonwealth. Turning around a large urban school system is a challenge and it requires a strong, motivated, and consistent leadership team.

The Harrisburg School District has experienced considerable turnover in its leadership team both in academic and operational areas. A certain amount of turnover is natural in any school district, but it is vital to the continued progress of the District and its students that it achieves a high degree of consistency and continuity in the leadership team. Achieving this consistency and continuity is no easy task and it requires a multi-pronged approach. A stable leadership team will be the result of the right combination of hiring the experienced professionals, developing internal candidates to fill key positions, providing clear and consistent direction, conducting regular evaluations and providing feedback, offering competitive compensation, and creating a strong and real sense of team, shared responsibility, and accountability for the organization's success. In addition, this team must be committed to urban education reform, embrace accountability, be willing to work collaboratively, have a sense of urgency, and have the ability to create enthusiasm throughout the organization.

Ultimately in a school system, it is the Superintendent's responsibility to build and lead the senior management team. The work of the Superintendent in this regard must be supported by the School Board.

The purpose of this initiative is to create an ongoing process for the development and retention of the District's senior leadership team and to set accountability for retention of the senior leadership team.

Deliverables	**Deadline**
The Superintendent shall designate the positions in the District that comprise the senior leadership team.	July 2016
The Superintendent, in conjunction with the CRO, shall develop a multiyear plan for the development and retention of the senior leadership team. The multiyear plan shall include at a minimum: an assessment of the reasons for turnover among senior leadership; a specific set of actions to be taken to reduce turnover with a designation of responsible persons or organizations; the specific and measurable goal(s) for retention; a temporary succession and permanent replacement plan for any vacancies that do occur; and specific timelines for each step in the multiyear plan.	July 2016
The Superintendent shall meet with the CRO annually to review the status of the plan and present specific information regarding action steps in the plan and progress toward retention goals.	Annually
The Superintendent shall establish a process for conducting an exit interview with every departing member of the senior leadership team. The exit interview process shall be approved by the CRO. The result of the exit interview shall be shared with the CRO and the Chairperson of a designated committee of the School Board.	April 31, 2016

AF19.	**Continue to Pursue Buy-In for Dauphin County Technical School**	
	Status:	**New**
	Target Outcome:	Continued partnership with Dauphin County Technical School
	Multi-Year Financial Impact:	See AF15
	Responsible Party:	Superintendent and CFO

The District has seen an increase in the number of students attending Dauphin County Technical School (DCTS), with continued interest from students with the recent addition of a dental program. In 2014-15, HSD paid $4.08 million in tuition to DCTS for an average daily membership of approximately 248 students. This was a noticeable increase from 2013-14, when HSD paid $3.19 million in tuition to DCTS for an average daily membership of approximately 196 students. The DCTS' 2013-14 audited financial statements indicate that outside tuition was $3.26 million while member contributions were $9.04 million, indicating that a substantial portion of DCTS' local income was generated from tuition paid by HSD.

Currently, the Harrisburg School District is not a member of the DCTS consortium. Rather, the District pays an annual tuition rate to DCTS for each student who attends. This rate is higher than that of member districts, since those districts invested up front in the DCTS building and various other assets of the consortium. If the Harrisburg School District were to make a membership contribution and join the DCTS consortium, it would be eligible for lower, member per pupil rates.[4] Such a contribution may well save HSD money in the long term, with the amortized value of the one-time contribution balanced against lower annual per student tuition.

The District has had preliminary conversations with the DCTS about this process, but because the District has fund balance resources right now, this is the time for it to make such an investment. The District shall move toward reaching a conclusion in its discussions with DCTS, with resources from the fund balance as a source of the substantial capital contribution to DCTS that will be needed (see initiative AF15 for related information). It is most preferable for HSD students to attend DCTS. However, if DCTS is not willing to let HSD join the consortium, or cannot make a decision by the end of calendar 2016, HSD shall consider sending some or all of its students to other career and technical students in the region.[5]

Deliverables	**Deadline**
The District shall pursue a buy-in with the Dauphin County Technical School	July 2016
The District shall pursue alternatives to sending students to DCTS	January 2017

AF20.	**Consider Providing Busing to Students Living 3/4 of a Mile or More From Their School**	
	Status:	**New**
	Target Outcome:	Reduce commuting burden on students and their families
	Multi-Year Financial Impact:	($3,447,156)
	Responsible Party:	Superintendent, CFO, Supervisor of Transportation

The District currently provides busing for students living 1.5 miles or more from their school. As funding becomes available, the District shall consider reducing the mileage to 0.75 miles to reduce the walking distance for students or commuting burden for families. The cost of providing this additional bus service, net reimbursement, is approximately $700,000 per year. Therefore, this change may not be affordable fo the District given educational priorities and limited funding.

Deliverables	**Deadline**
The District shall consider providing busing to students living 0.75 miles or more from their school	School Year 2016-17 or 2017-18

[4] Note that the member school rate would probably rise somewhat if Harrisburg joined the consortium, since Harrisburg's students allow lower rates for students for member districts, reflecting their up front and ongoing investments in the facilities and other assets.

[5] One possibility would be to issue an RFP to multiple career and technical schools in the area that might be able to accommodate some or all of the HSD vocational education students, and determine which offers the most competitive tuition and programming.

AF21.	Create and Implement Performance Measures to Meet Operational Goals	
	Status:	**New**
	Target Outcome:	Ensuring the District meets targets and holds staff and contractors accountable
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent and Central Office Administrators

To complement the District's efforts in improving educational results and organizational structure (see ED04 and ED15), the District shall develop performance measures for the Administration, for operations, and for consultants who work with the District. The District shall identify targeted outcomes based on these measures and develop a rubric and timeline for ensuring it meets these goals.

As part of this process, the District shall also reduce its reliance on consultants, with a goal of consulting projects lasting no more than 2 years. The District shall do bi-annual assessments of consultant work to ensure they are on track to complete the project in the estimated timeframe. In addition, the District shall ensure that consultants are not providing overlapping services and also see if there are ways to connect consultants to one another to enhance collaboration and project outcomes. This could be done through quarterly provider meetings or through individual or provider subgroup discussions.

Deliverables	Deadline
The District shall develop performance measures for the Administration and operations.	August 2016
The District shall develop performance measures for consultants.	August 2016
The District shall review current District consulting contract work and determine if there are any overlaps	August 2016
The District shall review the progress of consultants toward completing the objectives and deliverables outlined in engagement agreements.	At least bi-annually
The District shall provide a report to the Board on overall Administration and operations performance goals and results.	Annually

Facilities and Operations

Overview

The District has made significant progress in addressing the facility issues that it faced when it originally entered Act 141 status. Schools and classrooms have been reorganized to make more efficient use of buildings and to align the use of buildings with the current academic structure. The District vacated a leased facility that housed its administration and moved to a vacant academic building; this not only saved money on a recurring basis but also better used an existing asset. Although delayed by bidding and contractual issues, the District has undertaken projects to improve energy efficiency in its buildings and to create a better physical environment for students and staff. Outsourcing the oversight of maintenance and custodial services has improved the cleanliness and function of facilities.

Key Issues/Challenges

The District continues to face challenges both in maintaining the buildings it uses and in determining the best disposition for unused or underutilized buildings. The ESCO process that the District began two years ago has completed Phase I, however not all buildings have been upgraded in terms of energy efficiency. In addition the District continues to face failures in HVAC systems and other systems that are critical to the smooth operation of the educational process.

A second major challenge for the District is the lack of a comprehensive plan for the utilization of its facilities. There appear to be *ad hoc* decisions being made regarding reopening closed schools, reopening portions of closed schools, and determining what facilities will be used for various functions. Although there may be legitimate arguments for the decisions being made on facility utilization, there is clearly no long term data-based plan that is being followed. A major concern is that the District will waste resources in reopening schools when long term there is no need for the additional space and better alternatives for dealing with short-term enrollment changes or educational priorities are available.

Initiatives

FA01.	**Consolidate buildings**	
	Status:	**Completed**
	Target Outcome:	Rightsize the District in terms of enrollment and reduce building operating costs while potentially obtaining one-time revenue from building sales
	Multi-Year Financial Impact:	N/A (sale proceeds to capital; operating savings reflected elsewhere in the Plan)
	Responsible Party:	CFO, Superintendent, and Board

Original Plan

The 2013 Recovery Plan considered building consolidation in conjunction with an educational initiative (ED02) to realign the District's educational program, creating kindergarten and pre-kindergarten centers and grouping early grades and middle grades in separate locations.

Renovations & additions: The 2013 Recovery Plan noted that the District had completed a series of building renovations and additions in the 2000 to 2005 period at Ben Franklin, Downey, Camp Curtin, Foose, John Harris, Lincoln, Marshall, Melrose, Scott, and SciTech schools. These renovations and subsequent school closings affected the District's Facilities Department; these buildings became easier to clean and maintain, required less custodial and maintenance effort, and consumed less energy.

The 2013 Plan found that the schools that remained open were generally in good physical condition, with some poorer conditions in the older non-renovated facilities. A handful of important roof, control, and chiller projects were identified as potential projects in the bond financing that had recently closed. The Plan also identified a number of other minor facilities issues.

Closed schools: The 2013 Plan noted that the District's closed, inactive facilities were in widely-varying condition. It noted that the William Penn High School was in very poor condition and was zoned Open Space Recreational (OSR), which would be very restrictive for other potential uses. The Woodward School was also found to be in very poor condition and zoned Residential (R5) which would also be restrictive to alternative uses. The other inactive schools - Hamilton, Lincoln, Shimmell and Steele - were in relatively good condition and were being maintained at a reduced heat level to preserve interior conditions.

Update

The District completed the reorganization of its schools and moved the administrative offices from a leased facility to the Lincoln School; thus better utilizing the available space. In addition, the District sold the Shimmell School and reopened the Hamilton School as an alternative education site. However, the District needs to continue to transition supplies and furniture from closed buildings, as time allows with other priorities. In addition the District continues to face challenges in both disposing of unused facilities and in making decisions about reopening certain closed buildings. These issues are covered in initiative FA13. Finally, several properties remain unsold, and are discussed in initiative FA02.

FA02.	**Sell unused buildings**[1]	
	Status:	**In Progress**
	Target Outcome:	Obtain one-time revenue from building sales
	Multi-Year Financial Impact:	N/A (sale proceeds to capital; operating savings reflected elsewhere in the Plan)
	Responsible Party:	CFO, Superintendent, and Board

Update

The District has engaged a realtor to assist it in assessing and marketing unused buildings. The Shimmell School has been sold but there have been false starts on certain other sales. The sales process has been hampered by a lack of decisiveness in making determinations about how and if certain vacant buildings will be used. There is an argument that some of the most valuable District real estate has not been marketed because of a lack of firm decisions on its use. The completion of this initiative is dependent on the completion of initiative FA13.

Remaining properties that could be marketed include the William Penn High School, the Woodward School, and several houses near Rowland School. Land the District owns on Cameron Street is being sold, but the revenues will not offset related legal fees. The District also controls property in Susquehanna Township, but it is owned by the Commonwealth of Pennsylvania and cannot be sold. Although it is desirable to market all remaining property if appropriate offers are forthcoming, this Amended Plan does not assume any revenue from further sales. Proceed from any sales that do occur shall be deposited in the District's Capital Reserve account.

[1] Authorization for this initiative is provided by Section 642-A(11) of Act 141, *inter alia*.

FA03.	Terminate Lease on Administration Building and Relocate Administrative Offices	
	Status:	**Completed**
	Target Outcome:	Terminate lease on administrative office and relocate administration to vacant space in a District-owned building in order to reduce costs
	Multi-Year Financial Impact:	Net savings of $1.38 million
	Responsible Party:	CFO, Superintendent, and Board

Original Plan
The 2013 Recovery Plan directed that the District advance its plan to move its administrative offices from a rental property to one of the empty schools for recurring savings of over $375,000 per year in rental costs.

Update
The District moved its administrative offices to the former Lincoln Elementary School, achieving the annual lease savings with minimal renovation costs. The Board and Administration should be commended for the seamless and businesslike fashion in which this significant initiative was accomplished.

FA04.	Achieve Cost Reduction by Renegotiating Energy Contracts	
	Status:	**Completed**
	Target Outcome:	Renegotiate Electric and Gas Purchase Contracts
	Multi-Year Financial Impact:	$259,834
	Responsible Party:	CFO, Superintendent, and Board

Original Plan
The 2013 Recovery Plan proposed to reduce the District's annual energy expenditures by renegotiating the electric and gas purchase contracts, which were expiring at that time. The District had engaged an energy consulting firm to conduct a preliminary purchasing analysis to estimate the potential savings that would accrue to the District, and the consultants found the District could save approximately $150,000 on the electric and a minimum of $50,000 on the gas purchasing contracts. In addition, it appeared that the District had over budgeted for energy.

Update
In July 2013 the District achieved the expected savings, signing three-year contracts for energy with a new vendor in July 2013 with the option to renew for a two-year extension. Public Financial Management (PFM) conducted a review of the savings during the completion of the February 2015 Recovery Plan Update and found that they were expected to continue for the duration of the implementation of the Recovery Plan. The electricity contract was renewed recently for a two year period with further expected savings. The District shall review and possibly rebid its gas contract in July 2016.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$48,348	$50,093	$51,901	$53,775	$55,717	**$259,834**

FA05.	Increase Building Energy Efficiency	
	Status:	**In Progress**
	Target Outcome:	Reduce cost of building energy by employing energy saving techniques using the NRG digital building control systems
	Multi-Year Financial Impact:	$433,056
	Responsible Party:	CFO, Superintendent, and Board

Original Plan
The 2013 Recovery Plan analyzed electric and gas usage at District buildings and estimated that energy usage savings of approximately $130,000 per year were achievable by better existing building control systems and prioritizing energy management within the Facilities Department.

Update
In the 2014-15 school year, the District engaged an energy service company (ESCO) to take a series of actions over two years to achieve energy savings at various buildings. Although the process for engaging the ESCO was unnecessarily long and complicated, the project has reached the second phase. Phase 1 consisted of maintenance to the building envelop and energy efficiency improvements for lighting and water systems for 5 out of the 11 District schools in operation, as well as the completion of a study to determine the projects for Phase 2. In order to fund the project, the District transferred $3 million from fund balance to the Capital Fund.

The contractor selected for Phase 1 of the project presented the findings of the study to the School Board in February 2015. During the presentation, the representative of the contractor used vivid language to describe the dire condition of the systems maintaining air quality in several District schools. Members of the School Board, administrators, and several community members believed the language of the report did not accurately reflect the condition of the schools. The contractor issued an apology to the District and conducted follow-up air quality tests. The results of the tests did not indicate serious air quality issues in the District schools, and the contractor remediated any instances of moldy tiles discovered in classrooms. Among the other findings noted in the study, the contractor found that the District lacked a routine maintenance schedule, which in some cases resulted in the poor quality of equipment.

In April 2015, the District selected a contractor to begin Phase 2 of the project, although work did not begin until August due to several delays in the engagement process. Phase 2 of the project includes the completion of the building envelope and lighting and water improvements for the remaining District buildings as well as additional upgrades to all of the buildings, including improvements to the HVAC systems. Progress has continued through the remainder of the 2015-16 school year, albeit at a slower pace than originally planned.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$80,580	$83,488	$86,501	$89,625	$92,861	**$433,056**

Deliverables	Deadline
The District shall complete Phase II of the ESCO project.	December 2016

FA06.	**Reduce Energy Consumption by Upgrading Selected Lighting Systems**	
	Status:	**In Progress**
	Target Outcome:	Install energy saving lighting in gym and high ceiling areas of the District
	Multi-Year Financial Impact:	N/A
	Responsible Party:	CFO, Superintendent, and Board

Original Plan
The 2013 Recovery Plan identified various potential savings by upgrading lighting in the schools and trading the cost of the initial capital investment for the upgrades for multiyear operating savings.

Update
This initiative is linked to the ongoing improvements to District facilities provided by the ESCO contractor, and should be read in conjunction with FA05. The contractor completed the installation of lighting fixtures in 5 of the 11 District schools during Phase 1 of the project. The remaining buildings will receive lighting improvements in Phase 2 of the project. Refer to FA05 for Deliverables and Timelines.

FA07.	**Improve Daily Management of Automated Building Control Systems**	
	Status:	**In Progress**
	Target Outcome:	Realize better customer comfort and reduce energy costs by properly using existing equipment
	Multi-Year Financial Impact:	N/A
	Responsible Party:	CFO, Superintendent, and Board

Original Plan
There were multiple elements to initiative FA07 in the 2013 Recovery Plan, including a description of the District's recently-completed $2.2 million building controls upgrade, The Plan noted that properly operated control systems are a key component of any energy efficiency program and are critical to the comfort conditions in school buildings, further pointing out that it is not unusual for a school district to have a mechanic trained as an operator/monitor/troubleshooter of the system who is fully dedicated to the job. The benefit of this approach is both financial (energy savings) and educational (reduced comfort complaints allowing staff and students to focus on education). FA07 recommended that the District dedicate more time the daily management of the automated building control systems.

FA07 also reviewed the structure of the Facilities Department, the results of a customer satisfaction survey of facilities maintenance and custodial service, and a summary of facilities and maintenance expenditures.

Update
This initiative is linked to the ongoing improvements to District facilities provided by the ESCO contractor, and should be read in conjunction with FA05. Phase 2 of the project will include upgrades to the HVAC systems in the District schools.

The District will maintain its energy use and cost information in the Energy Star Portfolio Manager system, a national energy benchmarking system that provides the ability to determine energy efficiency in comparison with high performing schools. The District shall consider a student engagement program to promote the energy management initiatives. These programs have proven that student participation can lead to higher performance more quickly as well as providing opportunities for student leadership development and STEM training.

The District will need to coordinate with supervisors in the Facilities Management Department to ensure all maintenance staff members are fully trained in the operation of the building control systems, and the District will need to adopt formal energy management policies to set clear guidelines for the operation and use of District building controls. Refer to FA05 for Deliverables and Timelines.

FA08.	**Reinstate Position of Supervisor of Custodians**	
	Status:	**Completed**
	Target Outcome:	Improve the quality of building upkeep and reduce involvement of building principals in routine maintenance and operations issues
	Multi-Year Financial Impact:	($552,563)
	Responsible Party:	CFO, Superintendent, and Board

Original Plan

The 2013 Recovery Plan recommended the Supervisor of Custodians position be filled with someone very experienced in custodial methods and materials, and most importantly, with relevant experience in employee relations/supervision. The new supervisor's work schedule was to be primarily directed towards second shift management, with the position held by a non-union "working supervisor." The new head was expected to revise job descriptions and assignments based on industry-standards, and revised custodial staffing as described in initiative FA09.

Update

The Supervisor of Custodians has been restored through the Aramark contract working a 12:00 p.m. to 9:00 p.m. shift. This position reports to the Director of Facilities who also has a Supervisor of Maintenance. The Management Rights Provision, Article 31, of the existing AFSCME contract shall be reviewed and revised so as not to restrict the capability to outsource these management positions. In addition, the District shall ensure continued quality through a customer satisfaction survey of building leadership.

Deliverables	**Deadline**
The District shall compare District cleaning area assignments with industry standards.	July 2016
The District shall complete a customer satisfaction survey of building Principals.	Annually in January

FA09.	Reduce Custodial Staffing	
	Status:	**Completed**
	Target Outcome:	Reduce the cost of custodial operations by bringing staffing in line with standards
	Multi-Year Financial Impact:	$1.1 million
	Responsible Party:	CFO, Superintendent, and Board

Original Plan
In a 2001 review of District facilities there were 68 custodians in the District covering 15 schools, an average of 19,438 square feet per custodian. The 2001 review used several formulas to determine appropriate custodial staffing levels for each school and recommended a reduction of three custodians overall, which would have yielded 20,443 square feet per custodian. With school closings and budget constraints since 2001, at the time of the 2013 Recovery Plan the District had 59 custodians covering 10 schools at a lower square foot per custodian.

Based on a comparison of District custodial staffing with the PASBO benchmarking report, the Plan directed the District to reduce four additional custodial positions. These changes to the custodial work force were expected to require significant redistribution of work areas on day, evening, and night work shifts and save over $200,000 per year. The Plan noted that while custodial salaries were below those in the PASBO survey, fringe benefit costs were very high compared to typical Pennsylvania school district levels.

Update
The District reduced custodial staff per the recommendations of the initial recovery plan. In addition, the District has outsourced the management of the custodial staff to Aramark which has responsibility for providing high quality custodial services on an ongoing basis and for managing staff accordingly.

FA10.	Evaluate Contracting out Custodial Services	
	Status:	**Completed**
	Target Outcome:	Evaluate the pros and cons of contracting out custodial services by conducting a formal RFP process among qualified bidders
	Multi-Year Financial Impact:	N/A
	Responsible Party:	CFO, Superintendent, and Board

Original Plan
Based on prior contractor proposals and the analysis of District custodial costs, the 2013 Recovery Plan suggested that the District investigate contracted cleaning services as an alternative to continued use of District employees on the night shift.

Update
The District entered into a contractual agreement with Aramark to manage custodial services for the District. In December of 2014, based on an interpretation of the governing labor contract, Aramark was granted permission by the District to replace district employed custodial staff with Aramark employed staff as there is attrition in District employed custodial staff. This will eventually result in the complete transfer

of staff from District employees to employees for the management company, effectively accomplishing the intent of this initiative.

Deliverables	Deadline
The Business Manager shall prepare an annual report to the School Board discussing the status of the custodial services in the District. The report should include the following information: the number of total staff; the employment status of employees in terms of District employment versus employment by the management company; the cost of custodial services including the cost of the management contract; and the evaluation of the quality of custodial service by the faculty and staff.	Annually by June 30

FA11.	**Reduce Maintenance Staff**	
	Status:	**Completed**
	Target Outcome:	Eliminate a net of four positions in the maintenance area to bring staffing in line with standards
	Multi-Year Financial Impact:	$1.3 million
	Responsible Party:	CFO, Superintendent, and Board

Original Plan

The 2001 review of HSD facilities identified 24 FTE (full time equivalent) building and grounds maintenance staff employed in the District. At the time of the 2013 Recovery Plan, two supervisors and 17 staff remained, consisting of eight building maintenance staff (two HVAC, one electrician, and five building maintenance personnel), three painters, and six grounds crew (including two foremen). The lower levels since 2001 were a result of building closures and budget constraints.

Using the PASBO survey parameters for comparison with other Pennsylvania school districts, the 2013 project team found that salaries in the District were generally below typical school district rates, but not for the skilled trade positions, and that the District was comparatively well below the median benchmark in supervision and in contracted services. The Plan concluded that the District was shortchanging more technical contracted maintenance on building HVAC and control systems. The benchmarks were also found to indicate excessive staffing in some areas of the department, particularly painters and ground positions. The Plan noted that other districts had combined grounds with other duties such as painting, general building maintenance, and warehouse support, and had allocated trimming and hand mowing around schools to the Head Custodians (thus leaving machine mowing and athletic field preparations to the grounds staff, and freeing up their time for other central maintenance work). Other school systems had eliminated full time painter positions in favor of summer painting only, either through the use of reassigned staff or temporary help.

As a result, the Plan directed the District to eliminate the three full-time painter positions and two grounds positions, with hand mowing/trimming duties reassigned to Head Custodians at each school. One of the five eliminated positions was to be retained so that the District could hire a skilled maintenance mechanic dedicated to the monitoring and management of building controls, energy management, and preventive maintenance. The total annual savings for the elimination of four positions was estimated at $235,000 to $267,000 based on then-current wage rates and fringe costs.

Update

The maintenance staff was reduced in August of 2013, and District maintenance is now managed by Aramark. In 2014, the District provided an opinion regarding the pertinent labor agreement that the management company could under certain conditions replace District employed staff with staff that are employed by the management company.

FA12.	Acquire an Automated System to Manage Building Maintenance Issues	
	Status:	**Completed**
	Target Outcome:	Acquire the "School Dude" system to manage work order systems and improve communications on building maintenance issues
	Multi-Year Financial Impact:	($29,600)
	Responsible Party:	CFO, Superintendent, and Board

Original Plan
At the time of the 2013 Recovery Plan the Buildings and Ground Department used an in-house automated maintenance work order system. The system provided automated transmittal of maintenance requests and periodic reports generated by the Coordinator. However, it did not have a preventive maintenance (PM) function, and little documented PM was being accomplished by the Department. The existing software also appeared to lack the ability to effectively track individual maintenance worker productivity and to provide on line access to work order status, and employees used cell phones rather than the work order system. The Plan identified an inexpensive, integrated and comprehensive alternative automated maintenance management system with full management capability, used by thousands of schools internationally. It was recommended that the District consider this system to better document, track, report, and evaluate maintenance work, and to provide a documented PM program.

Update
The District ultimately developed its own maintenance management system using in house programming staff to meet the objectives of this initiative. To date, the District has not conducted a customer satisfaction survey to determine if reporting timing and maintenance has improved. However, the District CFO plans to survey school Principals to do so and shall continue to survey Principals annually.

Deliverables	Deadline
The District shall survey Principals regarding maintenance satisfaction	Annually in January

New Initiatives

FA13.	Develop a Five-Year Facilities Plan	
	Status:	**New**
	Target Outcome:	Development of a multi-year plan to guide the Board and Administration on the best use of district facilities to meet educational and financial goals
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Superintendent, CFO, and BFF

The District has a very uneven history in its use of facilities. At the turn of the century the District went through a period when it undertook substantial capital improvements to its buildings. The capital improvements not only addressed deferred maintenance, but also anticipated enrollment growth. Subsequently the District went through a period of major budget and staff reductions, which resulted in mothballing some of the recently renovated buildings. The cut backs and staff reductions were driven by both financial concerns and a decline in student enrollment.

The 2013 Recovery Plan called for the disposal of unneeded buildings, but there has been limited action in this regard. The Shimmell School has been sold. The District's administrative offices were moved to the previously mothballed Lincoln Elementary, resulting in substantial savings from terminating the lease for private space for District administration while also providing a home for the Cougar Academy. The Hamilton School has been partially reopened to house alternative education programs. More recently there have been discussions regarding reopening the Steele School and concerns about the need to relocate Cougar Academy because of its growth. In the meantime, the need for the maintenance of existing buildings creates ongoing expenditures, expenditures that will grow as the buildings age.

In order to avoid the types of costly capital expenditure mistakes made in the past, the District must develop a Five-Year Facility Plan to guide the Board and Administration in decisions about building utilization and capital expenditures. The Plan should be driven by factors such as enrollment projections (addressed in AF14), educational delivery plans, capital maintenance assessments and the overall financial condition of the District. The Plan should specifically identify the current and projected uses of each district building, and any costs related to maintaining them in current condition or adapting them to new uses.

Once completed, the Facility Plan shall be reviewed and formally adopted by the School Board as the official Facility Plan of the District. The Plan shall be updated on a five-year cycle. During the Plan period, changes to use of facilities or capital expenditures to facilities that are inconsistent with the Plan will require board action to change the plan.

Deliverables	**Deadline**
The District shall complete the enrollment projection per AF14.	Spring 2016
The CFO shall compile information about all the existing building facilities including: current status and usage; rated pupil capacity; assessment of physical condition; estimate of capital cost to maintain the building.	August 2016
The CFO in conjunction with the District's realtor shall prepare a market assessment of all District buildings.	September 2016
The Superintendent shall develop, based on the enrollment projection and academic plans, a five year plan for grade structures and building uses.	December 2016
The BFF shall hold two public hearings on the Five-Year Plan for the use of District buildings.	February 2017
The BFF will provide a recommended Five-Year Facility Plan to the School Board and the Board shall take formal action to adopt it.	April 2017
Changes to individual building use during the five-year term of the Plan shall require Board action.	As needed
The School Board shall review the Facility Plan every five years. At each five year interval the Administration shall review and update the existing Plan and present the updated Plan to the BFF. The BFF shall hold two public hearings on the Plan and make a recommendation to the School Board.	2021

FA14.	**Pursue Composting Alternatives**	
	Status:	**New**
	Target Outcome:	Continued reductions to trash collection and disposal costs
	Multi-Year Financial Impact:	N/A
	Responsible Party:	CFO and Building Level Administrators

The District's laudable recent efforts towards increasing recycling and minimizing trash volume in its buildings has led to significant cost savings to partially offset the spike in trash disposal charges from the City of Harrisburg. To continue to sustain these cost savings, the District shall continue its examination of the feasibility of composting. In doing so, the District should work with the contracted food service providers to ensure that structures are in place to compost and promote composting efforts in each building, as well as the potential for a District-wide composting site. In addition, the District should work with existing staff resources already engaged in the recycling program, and explore engaging students in the promotion process and in the actual process of composting, potentially tying it in with the Career Pathways program in ED17.

Deliverables	Deadline
The District shall evaluate the feasibility of expanding the composting program.	December 2016

Food Service

Overview

The District provides breakfast and lunch each school day for approximately 6,400 students in 11 buildings. The Food Service department is managed for the District by The Nutrition Group (TNG). TNG uses a combination of district staff and TNG personnel to operate the service. There are approximately 70 staff people involved in the food service operation and the unit has an operating budget in excess of $6 million. The food service operation has had a history of operating deficits for nearly a decade. Actions by the Board and the Administration including engaging TNG in 2012 have helped to eliminate the annual shortfalls. In the 2014-15 school year, the food service program generated a positive operating result of approximately $250,000. The District has developed a three-year plan to eliminate an accumulated Food Service Fund debt to the General Fund. The remaining debt at the end of the 2014-15 was approximately $600,000.

Key Issues/Challenges

The District is continuing to convert the management and operation of the Food Service department to a private entity. Using an RFP process, the District selected TNG to manage the program in 2012, shortly after the original Act 141 plan was adopted. In 2014, the District determined that under its ASFCME labor agreement that food service staff employed by the District could be replaced by TNG staff on an attrition basis. In order to achieve and maintain an efficient and effective food service operation, the District must continue to convert staffing to TNG, maintain adequate fees for food service and adopt management improvements offered by TNG while maintaining high levels of customer service.

Initiatives

FS01.	**Rightsize the Food Service Operation and Repay Prior Subsidy**	
	Status:	**Completed**
	Target Outcome:	Reduce number of labor hours at three schools and repay debt to General Fund
	Multi-Year Financial Impact:	$400,000
	Responsible Party:	CFO, Human Resources Director, and Food Service Director

Original Plan
The 2013 Recovery Plan directed the District to rightsize the food service operation in SciTech High School, John Harris High School, and Rowland Middle School. A detailed analysis identified the three schools as being overstaffed given enrollment, number of meals served, and programs offered. Reductions in the number of hours worked by employees were projected to eliminate annual deficits in the Food Service Fund (and resulting General Fund subsidy) and to ultimately repay a portion of prior General Fund subsidies.

Update
In 2012, the District hired TNG to oversee the food service operation, and subsequently reduced food service staff which included moving some staff from a full-time to part-time status. In 2014, TNG was authorized by the District to replace food service staff who were District employees with staff who work for the Nutrition Group on an attrition basis. Eventually, the entire staff of the food service operation will work for TNG.

In addition to this staffing change, the District in conjunction with TNG have made significant improvements to the efficiency of the food service operation, with the food service program generating an operating surplus in the 2014-15 school year. There is a three-year plan to eliminate a $600,000 debt that the Food Service Fund owes the District's General Fund. Now that staff has been realigned and there is a competent food service management program in place, the ultimate measure of efficiency in the food service operation is the ability to produce a balanced food service budget on an annual basis. The secondary objective is to eliminate the Food Service Fund's debt to the District's General Fund that resulted from prior year Food Service Fund deficits.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$200,000	$200,000	$0	$0	$0	**$400,000**

Deliverables	Deadline
On an annual basis, the CFO and the food service management company shall take the necessary action to produce a positive operating result from the food service operation.	June 30 of each year
The CFO shall develop a multi-year plan to identify and capture in the Food Service Fund all appropriate costs of operation related to the food service program.	June 30, 2016
The District shall use any positive operating result from the Food Service Fund to eliminate prior year debts to the General Fund.	June 30, 2018

FS02.	**Increase Paid Meal Price to Comply with Healthy Hunger Free Kids Act**[1]	
	Status:	**Completed**
	Target Outcome:	Increase lunch price
	Multi-Year Financial Impact:	$22,483
	Responsible Party:	CFO, Human Resources Director, and Food Service Director

Original Plan

The 2013 Recovery Plan required that the District perform a paid meal equity calculation each year to determine if the paid lunch price needs to be increased. In the graph below, the calculation used for the first five years is the formula for the 2013-14 school year, which is 2.00 percent plus 2.93 percent. Using this formula, the paid meal lunch price was expected to increase by $0.10 each year. This figure was expected to change each year, along with the paid lunch participation.

[1] Paid Lunch Equity: School Year 2013-2014 Calculations and Tool, USDA

School Year	K-8 Price	9-12 Price	Annual Impact
2012-2013	$1.75	$1.90	Current
2013-2014	$1.85	$2.00	$4,683
2014-2015	$1.95	$2.10	$4,600
2015-2016	$2.05	$2.20	$4,500
2016-2017	$2.15	$2.30	$4,400
2017-2018	$2.25	$2.40	$4,300
TOTAL (cumulative)			$22,483

Update
The District has adjusted prices for meals and has instituted universal free breakfast and lunch for students. In addition, the District has added technology to the food service operation to better account for meals served and to improve the quality and efficiency of reporting to various government agencies.

Deliverables	Deadline
The District shall calculate and publish a report of paid meal factors.	May 30 of Each Year

FS03.	Operating Efficiencies	
	Status:	**In Progress**
	Target Outcome:	Align job descriptions to reflect proper personnel responsibilities
	Multi-Year Financial Impact:	N/A
	Responsible Party:	CFO, Human Resources Director, and Food Service Director

Original Plan
The District was directed in the 2013 Recovery Plan to revise prevailing job descriptions for the entire Food Service Department. Cafeteria manager responsibilities were to be increased and the Assistant Manager position was to be considered for elimination, as the volume in the cafeterias did not necessitate the position. The Director was performing duties that should have been the responsibility of a cafeteria manager, such as preparing food orders and compiling production records. Some of those tasks were to be shifted to the Cafeteria Managers so that the Food Service Director would have the ability to spend more time effectively managing and assessing the financial performance of the operation.

Update
The District in conjunction with its food service management company, TNG, has realigned staffing and management responsibilities. TNG has assumed responsibility for the day-to-day operations of the District kitchens, which has allowed the Food Service Director to focus on the management of the program. The District has maintained the Assistant Manager position at John Harris High School to oversee operations at the school, which are more complex than the management of a kitchen in a smaller school.

FS04.	Outsourcing Analysis	
	Status:	**Completed**
	Target Outcome:	Management company proposal on operating food service program
	Multi-Year Financial Impact:	N/A
	Responsible Party:	CFO and Food Service Director

Original Plan
The District was directed in the 2013 Recovery Plan to commission an outsourcing analysis to determine the level of potential cost savings to the District from private operation, with a management company charging the District a fee to run the entire food service program (a District employee would still be needed to process free and reduced applications, submit claims to the state, and complete other state reporting requirements).

Update
In 2012 the District used an RFP process to select a management company to run the food service operation. Along with the management company and based on the Act 141 Recovery Plan, the District has taken actions to rightsize the food service operation, realign full and part-time staff, upgrade the point of sale system and reprice meals pursuant to federal regulations. In addition, the District has authorized the food service management company to replace Harrisburg employees in the food service program with employees of the management company on an attrition basis. As a result, over time, the operation of the food service program will be fully operated by a private management company using employees of the management company. As required by Federal and State regulations, the District shall continue to employ a food service manager to represent the District in certain functions including interaction with the management company. The actions taken by the District to date and the eventual transition of all food service positions to the management company will achieve the objective outlined in the initiative.

Deliverables	Deadline
The CFO, along with the Food Service Director, shall report to the Board on the makeup and operation of the food service operation. The report shall include both the financial status of the program and the staffing of the operation (listing the positions held by District employees and management company employees).	June 30 each year

Revenue

Overview

In the 2014-15 fiscal year, the Harrisburg School District had approximately $130.6 million in total revenue. Of this amount roughly $50.6 million, or almost 40 percent, came from local sources. About $67.4 million, more than 50 percent, was from the Commonwealth of Pennsylvania. The remainder came primarily from the Federal government.

Harrisburg School District, 2014-15 Revenues ($000)

Source	Amount	%
Local	50,603	38.8
State	67,361	51.6
Federal	11,917	9.1
Other	687	0.5
Total	**130,562**	**100.0**

The District faces challenges in generating local revenue to support the school system. The local tax base is not growing significantly and there is a substantial amount of tax-exempt property in the District as it is a seat of local, county, and state government. State and Federal aid is determined by the state or federal legislature, so the revenue source where the District can have the greatest impact is local revenue, including revenue that comes in the form of grants or donations.

A major portion of local revenue is local taxes. Although the school board has some ability to raise local taxes, it must be sensitive to the impact of school taxes on local taxpayers and the competitiveness of the local economy. In the past several years the District has maintained a stable property tax rate and focused on delinquent taxes in order to improve its local tax revenue collection rate. There have been changes in both delinquent real estate and earned income based taxes, and the District should continue to pay close attention to trends in these categories.

Key Issues/Challenges

The District faces challenges in several areas in relation to local revenue sources:

- There has been little or no progress in improving the process for seeking and securing grant or foundation funding for District initiatives;
- Federal ACCESS funding, which provides reimbursement for certain Medicare eligible student services, needs to continue to improve;
- The District needs to become an active partner with other local governments in developing and evaluating various tax incentive programs such as KOZs or LERTAs;
- With one exception, the District has made little progress in securing PILOTS from the large tax-exempt segment in the city.

Since the District gets a large portion of its revenue from the Commonwealth, uncertainty around the timing and amount of state revenue in 2015-16 has posed difficulties, especially for planning new initiatives and estimating current year and future financial results.

Finally, while the District has successfully secured a new round of Federal School Improvement Grants in 2015-16, overall Federal funding is expected to slowly decline over time.

Initiatives

RV01.	Delinquent Real Estate Tax Collection	
	Status:	**Completed**
	Target Outcome:	Increase revenue by performing a thorough evaluation of the sale of delinquent taxes versus the traditional method of utilizing the Tax Claim Bureau, or subjecting the sale of taxes to a bid or RFP process if that approach appears to be advantageous
	Multi-Year Financial Impact:	$5,000,000
	Responsible Party:	CFO

Original Plan
At the time of the 2013 Recovery Plan, the District had utilized a tax lien monetization program provided by Municipal Revenue Services (MRS) since 2004. While the program enhanced cash flow to the District and provided a degree of predictability in annual revenue, it was expensive and complex. The costs of the program were 6.0 percent of the amount advanced to the District, almost $500,000. The District did not have a cash flow problem and the accelerated delinquent tax proceeds are not as valuable in the prevailing extremely low interest rate market as they would have been if the District could have invested the proceeds and earned significant investment interest.

It was established that the District could end the contract with MRS without a penalty or settlement cost to the District. Therefore, the 2013 Recovery Plan directed the District to seek competitive proposals from MRS and other parties which might be interested in purchasing the District's future delinquent real estate taxes, and to compare the responses to that request to the costs and benefits of having the Dauphin County Tax Claim Bureau collect the delinquent taxes in a traditional format without a tax lien monetization component. The District was to select and immediately implement the option providing the greatest economic value to the District.

Update
In the 2014-15 school year, the District completed the phase-out of the Municipal Revenue Service (MRS) delinquent tax arrangement. By phasing out the MRS agreement, the District has saved money by eliminating the fees it paid MRS for a tax anticipation loan which was a part of the agreement, and it has also created the opportunity to pursue other approaches to monetizing delinquent real estate taxes.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	**$5,000,000**

RV02.	Delinquent Earned Income (EIT) Tax Collection	
	Status:	**Completed**
	Target Outcome:	Increase revenue by performing a thorough evaluation of the current effort provided by Capital Area Tax Bureau (CATB) and consider transferring that work to Keystone Collections Group, awarding it through a competitive process, or altering the compensation arrangement with CATB
	Multi-Year Financial Impact:	$3,062,500
	Responsible Party:	CFO

Original Plan
When the municipalities and school districts in Dauphin County appointed Keystone Collections Group as the Act 32 tax collector, the District decided to retain its former earned income tax collector, Capital Area Tax Bureau, as the delinquent earned income tax collector for taxes due prior to January 2012. Since then, delinquent EIT revenues to the District have been nominal. It was difficult for the project team to compare the prevailing level of delinquent EIT revenue to prior years, since the District did not distinguish between current and delinquent EIT revenue when Capital Area collected both. However, the current level of delinquent EIT revenue did not appear to be appropriate or typical given the size of the District.

The 2013 Recovery Plan directed the District to immediately seek competitive proposals from tax collection firms to collect the District's delinquent earned income taxes. This included a specific evaluation of the merits of having Keystone Collections Group collect both the current and delinquent EIT to capture the inherit advantages and efficiencies of sharing information about the same taxpayers across multiple years. The Plan also required the District to take steps to quantify potential EIT delinquencies and match those projections against the performance of the EIT collector on a monthly basis.

Update
In the 2014-15 fiscal year, the District completed the shift in delinquent earned income tax collections to the Keystone Collections Group. All relevant records regarding delinquencies have been shifted to Keystone. The 2015-16 fiscal year is expected to see improved results in delinquent collections.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$612,500	$612,500	$612,500	$612,500	$612,500	**$3,062,500**

RV03.	Encourage Additional KOZ Development with Associated PILOT Agreements		
	Status:	**In Progress**	**Not Completed**
	Target Outcome:	Increase revenue by attracting further economic development within the District's boundaries	
	Multi-Year Financial Impact:	$1,100,000	
	Responsible Party:	Board, Superintendent, and CFO	

Original Plan
At the time of the 2013 Recovery Plan, prevailing law authorizing the establishment of Keystone Opportunity Zones (KOZ) was set to expire, and new applications by developers were due to the

Harrisburg Regional Chamber and Capital Regional Economic Development Corporation (CREDC) in subsequent months. The Plan urged the District to encourage KOZ development as long as it did not need to forego the revenue associated with these properties, using payments in lieu of taxes (PILOTs) as it had in the past.

The Plan recognized that KOZ development not only provides the District with an additional source of revenue from the renovation and construction of buildings that are not contributing much assessed value to the tax rolls, but has the potential to create new jobs and additional earned income which is subject to taxation. The “ripple” effect of developers’ contactors and the new businesses’ employees’ spending money in already-established nearby businesses provides yet another potential source of tax revenue.

The District was directed to immediately coordinate and attend monthly meetings with representatives from city government, county government, the Chamber, and other appropriate parties to develop a joint strategy for using the KOZ program to generate development interest, to facilitate discussions with potential developers, and to maximize use of the program to generate tax revenues and improve the quality of life for citizens of the City, the School District, and the surrounding area. The District was also to immediately contact the Pennsylvania Department of Community & Economic Development to ascertain what programs and resources exist to support the District’s efforts to spur development and increase its future tax base while generating PILOT revenues in the meantime.

These efforts were conservatively expected to generate $100,000 by 2017-18 and $250,000 annually in subsequent years.

Update

Although there have been periodic community discussions of the broad issues of land use and zoning including related discussions of KOZ and LERTA, the District has not been an active participant in these discussions. The District has not taken a leadership role in developing and presenting information related to its interests in these matters.

The District should define its role and position on the full range of economic development options as well as other land use matters. These matters include whether to participate in KOZ or LERTA initiatives, and also the zoning and land use planning implications of reusing District school buildings and properties that are no longer needed. Issues related to tax assessments and appeals might also be included. Once these decisions are made, the District should inform other local government agencies of its position and seek a process to work jointly where possible and desirable.

Given the possible negative or positive revenue impact on the District, the Administration and School Board need to make it a priority to assign responsibility for these matters at the staff and Board level, and make it a priority to include land use and zoning issues in its long term planning and annual operating decisions.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$100,000	$250,000	$250,000	$250,000	$250,000	**$1,100,000**

Deliverables	Deadline
The Board shall charge the BFF Committee with responsibility for examining and making recommendations on issues of zoning, land use and economic development.	July 2016
The BFF, working with the CFO and Superintendent, shall undertake a study of city and regional plans and initiatives related to land use, zoning, and economic development and identify the District's issues, opportunities, and priorities in relation to the plans and initiatives.	December 2016
The chair of the BFF (or a designee) along with the CFO shall actively participate in all appropriate meetings and discussions of zoning, land use and economic development that occur in the City or regionally.	Ongoing

RV04.	**Develop Partnerships with Tax-Exempt Entities to Generate Voluntary Payments**	
	Status:	**In Progress**
	Target Outcome:	Increase revenue by attracting voluntary payments from tax-exempt organizations in return for public recognition and reward programs
	Multi-Year Financial Impact:	$1,500,000
	Responsible Party:	Board, Superintendent, and CFO

Original Plan

The District is in the unenviable position of having close to 50 percent of its real estate tax base declared tax-exempt. In addition to the usual array of religious structures, non-profit medical facilities, and other tax-exempt properties that almost every community hosts, the District is the state capital and the county seat. Moreover, some federal government offices are located in the District's boundaries for the same reason.

As a result, only slightly more than half of the District's property owners pay substantial real estate tax amounts for the benefit of the public school system. As indicated previously, the District has the highest real estate tax rate of all school districts in Dauphin County. At the time of the 2013 Recovery Plan, the District's real estate tax rate of 26.965 mills was more than 25 percent higher than that of 10 of the other 11 school districts and more than 50 percent higher than six of the eleven.

Other than to encourage development by tax-paying property owners through the use of tax incentive programs and the sale of one or more of its vacant buildings, the District can do very little to change this situation. However, the 2013 Recovery Plan urged the school leaders to become a driving force behind a District-public-private partnership encouraging tax-exempt organizations to make payments to the District and recognize and reward them for doing so. The Plan noted that other government entities in the Commonwealth had been successful in generating non-profit contributions, and that the District could be as well.

As a result, the Plan directed the District to coordinate and attend regular meetings with representatives from city government, county government, the Chamber of Commerce, The Greater Harrisburg Foundation, and a broad spectrum of non-profit organizations to spur discussion about how the non-profit sector can financially assist the District with cash payments or in-kind services. The District was also to contact state and national government officials to seek funding or other resources available to promote such partnerships and to research partnerships that exist elsewhere to identify best practices.

Although it was anticipated that it would take some time for such an impact to have a major financial impact, it was projected that it would generate $100,000 by 2017-18 and an additional $100,000 each year thereafter.

Update

Based largely on the efforts of the Districts prior CFO, the District was successful in negotiating a PILOT with one large non-profit. Despite this indication of the potential of this strategy, however, there has been no additional progress in relation to this initiative (it should be noted that the interim CFO has taken action to question a non-profit that has recently taken over previously-taxable property, and that such important efforts should continue). Securing PILOT payments is without question difficult; however the District must make this a priority and allocate resources to identify tax-exempt properties and to develop strategies to pursue payments. Models exist both within Pennsylvania and nationally regarding strategies for pursuing PILOTS.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$100,000	$200,000	$300,000	$400,000	$500,000	**$1,500,000**

Deliverables	Deadline
The Board shall assign the BFF Committee the responsibility for expanding PILOTs for the District.	July 2016
The BFF in conjunction with the CFO and solicitor shall prepare a report for the BFF that includes the current status of PILOT payments, a list of all tax-exempt property in the District and its potential taxable value, and a summary of state and national approaches to generating PILOT payments for government entities.	September 2016
The BFF shall prepare report to the full Board regarding PILOT payments. The report shall include recommendations regarding: revisions to District policies on PILOTS; designation of a person responsible for negotiating PILOTS; and a long term plan and goals for increasing revenue from PILOTS.	December 2016

RV05.	**Develop a Strategy for Marketing the District's Vacant and Unneeded Properties and Maximizing Short-Term (sales proceeds) and Long-Term (real estate tax) Revenues.**	
	Status:	**In Progress**
	Target Outcome:	Generate immediate sales proceeds and ongoing real estate tax revenue and avoid costs of maintaining the properties.
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Board, Superintendent, and CFO

Original Plan

At the time of the 2013 Recovery Plan, the District had multiple properties that were not being used. In addition, projections based on live births and other available information suggested that the District would continue to lose student enrollment over the following five years. The Recovery Plan directed the District to complete a feasibility study and enrollment projection to determine the future building needs for the District, identify the buildings which best serve those needs, evaluate the marketability of the excess buildings, and set out a plan for disposing of those facilities based on district needs and market values.

The plan was to take into consideration ongoing economic development initiatives being undertaken by the City and Chamber.

While it noted that the financial impact of this process could vary widely depending on the buildings sold, market conditions, and timing, the Plan estimated proceeds of up to $4.0 million over five years.

Update
The District has sold one building, still has one building on the market, and has reprogrammed two buildings for new District use. See initiative FA02 for additional details.

RV06.	**Optimize Utilization of the Federal Medical Assistance (ACCESS) Program**	
	Status:	**In Progress**
	Target Outcome:	Increase federal revenues and partially offset the need for local funds to support special education costs
	Multi-Year Financial Impact:	$592,500
	Responsible Party:	Superintendent, CFO, Director of Special Education, ACCESS Coordinator, and Building Level Administrators

Original Plan
At the time of the 2013 Recovery Plan, the level of ACCESS revenues received by the District had dropped sharply over several years. Although some of the decline was attributable to lower enrollment, changes in the program, and a loss of reimbursable staff, the majority of the drop appeared related to a failure to use the program successfully. The initiative in the 2013 Recovery Plan detailed multiple issues with the District's ACCESS program, and noted that some of the problems were related to insufficient training and staffing.

The Plan directed the District to conduct a thorough analysis of the issues to determine what needed to be done in order to effectively utilize the ACCESS program, and required the Superintendent to hold the Director of Special Education, ACCESS Coordinator, and building-level administrators accountable to ensure that each staff member performs his or her duties in an accurate and timely manner and to ensure that the program is optimized. The Plan also allowed for an additional staff person if it was deemed necessary. With these changes, the Plan projected increased revenues of $250,000 per year, growing to $350,000 annually.

Update
After several years of difficulty due in part to program changes resulting from a federal audit of the Commonwealth's operation of the program Statewide, the transition at the State level is nearing completion. The District's results over three prior years were received in late 2015, and it appears that the District has recovered from prior deficiencies and received satisfactory levels of reimbursement in most service categories. Some of this improvement resulted from a series of meetings that were held with District staff involved in the ACCESS program and officials of the Commonwealth's program administrator, Public Consulting Group (PCG). These meetings identified very specific opportunities to increase reimbursement, for example increasing the number of speech therapists eligible for reimbursement and faster CPR training for new personal care assistants. These meetings between District staff and state administrators shall be scheduled routinely, focusing solely on the District's experience and not the more generalized training frequently offered. A tracking report shall be developed that monitors compliance by all service providers on a monthly basis. This report shall be reviewed with the Administration and School Board regularly.

The Superintendent shall continue to hold the Director of Special Education, ACCESS Coordinator, and building-level administrators accountable to ensure that each staff member performs his or her duties in an accurate and timely manner and to ensure that the program is optimized. Should the analysis reveal that the current staffing pattern is not adequate to optimize the ACCESS program, the District shall add up to one additional full-time secretarial person who reports to the ACCESS Coordinator and whose only responsibility is to assist in maximizing the program. It should be noted that the additional full-time secretary position would reduce the positive net financial impact to the budget.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$39,500	$79,000	$118,500	$158,000	$197,500	**$592,500**

Deliverables	Deadline
The District shall develop a tracking report to monitor compliance with program requirements by all service providers.	June 2016
The tracking report shall be reviewed monthly by the Administration and Board.	Monthly

RV07.	Engage Professional Contracted Grant-Writing Services to Seek Additional Funding from Competitive Grants and Non-Traditional Sources	
	Status:	**Not Completed**
	Target Outcome:	Increase revenues and partially offset the anticipated loss of federal funding
	Multi-Year Financial Impact:	$750,000
	Responsible Party:	Board, Superintendent, and CFO

Original Plan

The 2013 Recovery Plan noted that despite a close working relationship with state education officials related to maximizing federal and state grant dollars that automatically come to the District, with the exception of School Improvement Grants, there was little evidence of the District seeking competitive grants or exploring non-traditional sources of additional funding from private foundations, corporations, or philanthropists.

The Plan directed the District to identify skilled professional grant-writers and engage one or more on a contract and contingency basis. The District was also to seek outside financial assistance from the Greater Harrisburg Foundation and other parties to provide funding for the grant-writer(s) so as to not reduce the money that is generated from the competitive grants and non-traditional sources.

It was estimated that this initiative would generate increasing amounts each year, beginning at $150,000 and rising to $500,000 by the fifth Plan year.

Update

The District has made little progress in this area. The District shall develop a comprehensive approach to grant writing, implementation and oversight, beginning with noting all steps in the grant writing process and identifying existing or new employees or contractors to perform all tasks. The stages of the process include:

- Identifying grant funding opportunities;
- Developing case statements applicable to important needs the District faces:
- Drafting grant applications including budgets;
- Submitting grant applications; and

- Implementing awarded grants.

Although many individuals across the District should be involved in the process, it is important that one person be designated and empowered to lead the process.

Urban school districts are eligible for many grants to improve both instruction and operations. These grants can provide many valuable and motivational programs that are beyond the ability to fund from local sources. While grant funds can be significant, they must be spent on specific initiatives. Nevertheless, a well-planned program provides potential to offset normal expenses. It is estimated that this initiative would generate approximately $100,000 per year to cover the cost of existing programs.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2019-20	Total
$100,000	$125,000	$150,000	$175,000	$200,000	**$750,000**

Deliverables	Deadline
The District shall document the grant writing process as it currently operates and as proposed for the future.	July 2016
The District shall develop a tracking report for grant writing activity and success.	July 2016
The District shall review the report regularly with the administration and school board.	Ongoing

RV08.	**Utilize a Combination of District Personnel and Professional Contracted Grant-Writing Services to Seek School Improvement Grant (SIG) Funds for Buildings that Have Not Already Been Awarded SIG grants**	
	Status:	**Not Completed**
	Target Outcome:	Increase revenues and partially offset the need for local funds to support certain expenses that were previously covered by expiring federal programs
	Multi-Year Financial Impact:	$0
	Responsible Party:	Board, Superintendent, and CFO

Original Plan

At the time of the 2013 Recovery Plan, the District was facing the loss of existing School Improvement Grants (SIGs) at several buildings as a result of the lapse of the three-year funding cycle. However, it had the opportunity to offset or partially offset the loss of those funds by seeking similar funding for the remaining buildings not then in the SIG program. SIG grants are building-specific and they require a strong commitment to changing and improving education in covered buildings. The Plan directed the District to seek funding for the eligible buildings to begin a new three-year cycle. It was estimated that the positive impact on the District's finances would be about $2.0 million over several years.

Update

In 2015 two District buildings received new SIG funding of approximately $860k each, which reduces annually to approximately $670k per school in 2019-20. SIG funding presents an opportunity to support the expansion of educational programs in District schools. Considering the significant funding levels of the SIG program, the District should maintain multi-year funding plans to apply continually for funds to replace expiring grants and meet emerging needs. The District shall develop a plan to reapply for SIG funding for all District buildings as they become re-eligible in coming years and expects to receive approximately $1.7 million in SIG funding in the next application for off-cycle schools, starting in 2020-21.

Financial Impact

	2016-17	2017-18	2018-19	2019-20	2020-21	Total
SIG Revenues	$1,658,800	$1,702,400	$1,567,800	$1,345,800	$1,700,000	$7,974,800
SIG Expenditures	($1,658,800)	($1,702,400)	($1,567,800)	($1,345,800)	($1,700,000)	($7,974,800)
Total Financial Impact	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Deliverables	Deadline
The CFO shall identify and provide to the Board and CRO a list of each eligible District school, when it has had or will have SIG funding from 2010 through 2020, and how much for each school.	September 2016
The District shall develop a plan and assign responsibility for the earliest possible SIG reapplications for schools not currently receiving SIGs.	December 2016

RV09.	**Increase Property Tax to Act 1 Index in 2016-17 and 2017-18 and as Deemed Necessary by the School Board** (this initiative formerly carried the title “The severity of the District’s financial condition is such that annual tax increases will be necessary each year to close the gap between expenditures and revenues”)	
	Status:	**Completed**
	Target Outcome:	Increase revenues to support the costs of operating the District and providing a quality education to all students
	Multi-Year Financial Impact:	$8,539,000
	Responsible Party:	Board

Original Plan

The 2013 Recovery Plan anticipated the need for annual real estate tax increases to maintain District programs. Commonwealth school districts are allowed to raise property taxes each year by a percentage amount known as the “Act 1 index.” Districts like Harrisburg are provided with a modified index which is intended to reflect a low level of wealth per capita. For example, the Act 1 index for the 2013-14 year was 1.7 percent and the District’s modified Act 1 index was 2.5 percent. Under certain Act 1 exceptions, districts are also allowed to increase real estate taxes at a level above the Act 1 index.

Update

After 2013-14, the District has not needed additional real estate tax millage increases, and the Amended Act 141 Plan dated April 2014 included a new initiative entitled “Increase Property Tax to Act 1 Index in 2016-17 and 2017-18 and as Deemed Necessary by the School Board.” The initiative allowed the School Board to raise District real estate tax millage to the Act 1 index limit in 2016-17 and 2017-18 fiscal years unless offset by better-than-projected financial performance. For the 2016-17 preliminary budget, the Board has adopted a resolution not to raise taxes above the index.

According to the baseline projections of the Amended Recovery Plan, the District is projected to have a budget gap of approximately $5.2 million by 2020-21. This budget gap reflects a structural deficit, where the District’s recurring expenditures are growing faster than recurring revenues. Local revenue sources, comprised mostly of real estate and Act 511 taxes, are projected to grow at relatively low rates. Commonwealth funding, while projected to increase, will grow at a level at or below the growth in expenditures. Those expenditures will be driven by increased personnel costs, particularly by increases in PSERS contribution rates and healthcare.

As a result, baseline revenues may not be sufficient for the School Board to fully fund all of its desired and necessary initiatives to enhance educational programs and provide wage increases to employees. The Board will have a choice of reducing costs elsewhere to fund desired programs, or raising taxes to fund those programs, or some combination of both. This initiative is included in the Plan to permit the Board to raise property taxes if it so chooses, given conditions that exist in 2017-18 and subsequent years. The initiative also provides the Board with information on the likely allowable amount of any Act 1 Index increase.

At the time of the completion of this Amended Recovery Plan, the exact amount of the allowable millage increases each year is unknown because future limitations under the Act 1 Index will depend on changes in the economic indicators used to determine the statewide base index and adjustments to the index based on local factors. For illustrative purposes, the table below shows the potential financial impact if the real estate tax millage rate is increased to the Act 1 Index in each year beginning with the 2017-18 budget and the District's Act 1 Adjusted Index averages 3.0 percent in the projected years. If future revenue performance is higher than projected, then the tax increases shown below may be lower than estimated. Alternatively, the School Board may seek to exceed the Act 1 Index under the allowable exemptions.

Financial Impact

	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Real Estate Tax Rate	27.9156	28.7531	29.6157	30.5041	31.4193	—
Current Collections	$0	$718,000	$1,444,000	$2,180,000	$2,924,000	**$7,266,000**
Prior Collections	$0	$0	$124,000	$379,000	$770,000	**$1,273,000**
Total Financial Impact	**$0**	**$718,000**	**$1,568,000**	**$2,559,000**	**$3,694,000**	**$8,539,000**

Deliverables	Deadline
The School Board shall consider raising the real estate tax millage rate to the Act 1 Index based upon an evaluation of annual revenue performance, growth in expenditures, proposed funding needs for new initiatives, and other factors.	Annually

Debt

Overview

Over the past two decades Harrisburg School District has undertaken numerous capital projects in order to maintain and upgrade its facilities. The principal amount of outstanding debt currently exceeds $260 million. The outstanding debt consists of both fixed and variable rate bonds, and interest rate swaps are in place for some of the debt.

In the past several years the District has taken steps to refund and restructure its debt and as a result has achieved some annual savings on debt service payments. Additional refunding or restructuring of debt is possible depending on market conditions, although significant savings are not achievable for approximately three years with the exception of the swap termination described in DS05. Presently, the total debt outstanding is high but stable and manageable for the District, and at the same time the buildings in the District are in reasonably good condition and there are no immediate major capital needs.

Key Issues/Challenges

The District has taken steps to manage its outstanding debt and reduce annual debt service payments. The District administration is monitoring its debt along with its financial advisors, and has a plan for doing further restructuring. The challenge for the District going forward is to continue to monitor its debt and to create a long term plan to meet its capital needs. Although its debt as a percentage of total expenditures is not out of proportion to other urban school systems, the District should carefully review future capital projects in relation to the debt impact and its ability to pay new debt service. Given the District's current positive financial position, it should fund capital projects without issuing new debt whenever possible. In order to reach this objective, the District shall develop and fund a Capital Reserve account that is related to a long-term Facilities Plan referenced in initiative FA13. In addition, initiative AF15 requires a transfer from the District's current fund balance to the Capital Fund.

Initiatives

DS01.	**Advance Refunding of 2009B Bonds**	
	Status:	**Completed**
	Target Outcome:	Perform ongoing debt analysis and refund or refinance debt as market conditions allow.
	Multi-Year Financial Impact:	$1,500,000
	Responsible Party:	CFO and Superintendent

Original Plan
The 2013 Recovery Plan directed the District to pursue the known refunding option in the 2013-14 fiscal year and, if economically feasible, execute the refunding. The transaction was estimated to reduce debt service by $200,000 in 2013-14 and subsequent fiscal years, and $700,000 in 2017-18.

Update
The 2009B bonds were refunded in November 2013 and achieved annual debt service payments commensurate with market conditions at the time.

DS02.	Monitor Refunding Opportunities for 2009A Bonds	
	Status:	**Completed**
	Target Outcome:	Perform ongoing debt analysis and refund or refinance debt as market conditions allow.
	Multi-Year Financial Impact:	N/A
	Responsible Party:	CFO and Financial Advisor

The 2013 Recovery Plan directed the District to monitor refunding opportunities for the 2009A bonds, and, if economically feasible, execute the refunding. Since the bonds were not able to be refunded for savings at the time, no financial impact was assumed.

Update
The District has refunded portions of the 2009A bond by using bank qualified loans. Further refunding is planned for the first quarter of 2016. The actions to refund the 2009A bonds have resulted in debt service savings.

DS03.	PLANCON Reimbursement for SciTech Construction	
	Status:	**Completed**
	Target Outcome:	Finalize reimbursement percentage for SciTech building costs and secure payments from Commonwealth for period for which debt service payments have been made
	Multi-Year Financial Impact:	$2,449,000
	Responsible Party:	CFO and Financial Advisor

The Commonwealth of Pennsylvania's PLANCON process provides reimbursement to school districts for a portion of the annual debt service cost for approved building projects. Harrisburg's SciTech facility qualifies for such reimbursement; however, at the time of the 2013 Recovery Plan the District had not finalized the necessary paper work to secure reimbursement. When approved, the District is expected to receive reimbursement from the State back to the date of the initial debt service payment on bonds related to the purchase and renovation of the SciTech building. The total estimated reimbursement through the life of the debt service is estimated to be $3.0 million, with annual payments of $143,000 per year. The District was directed to immediately pursue the submission of final reimbursement information and establish annual reimbursement payment amounts including reimbursement for debt service payments made prior to 2012-13.

Update
The District has filed the necessary paperwork to obtain the outstanding reimbursement for the SciTech Building debt service, but it has not been approved by the Commonwealth. At present, the Commonwealth has a moratorium on reimbursement for PLANCON subsidies which impacts this project's funding and prior PLANCON amounts. In expectation of reimbursement for previously funded projects, the District included $2.5 million in PLANCON revenue in its 2015-16 budget. If the District receives approval for the application to receive reimbursement for the SciTech construction, the District believes that annual PLANCON reimbursement will increase less than $500,000, which would bring the total PLANCON revenue above $3.0 million.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$489,800	$489,800	$489,800	$489,800	$489,800	**$2,449,000**

DS04.	**Establish Debt Service Policies**	
	Status:	**Completed**
	Target Outcome:	Provide objective guidelines to be used by the District in incurring and managing debt for capital projects
	Multi-Year Financial Impact:	N/A
	Responsible Party:	CFO and Financial Advisor

The 2013 Recovery Plan directed the District to create a debt management and capital funding policy that included, but was not limited to, the following elements:

- A requirement that refundings of outstanding bonds generate present value debt service savings of 2.0 percent or greater;
- A policy detailing the conditions under which the District may enter into swaps and derivative products;
- The establishment of a long-term pay-as-you-go capital funding policy identifying a source and annual amount/percentage of operating funds to be dedicated to capital expenditures (this policy would work in concert with the establishment of criteria for projects eligible for capital funding;
- The adoption of debt ratio targets, including the amount of General Fund-supported debt service as a percentage of General Fund revenues or expenditures, the amount of General Fund-supported debt as a percentage of assessed valuation, and the target for paying down debt principal.

Update
The School Board adopted a debt service policy in April 2014. The policy contains the components outlined in the initiative and is written in a fashion that is consistent with best practices for school districts. When the Five Year Facilities Plan is developed pursuant to initiative FA13 of this amended Plan, the District shall also develop a long-term pay-as-you-go capital funding plan.

DS05.	**Reduce Swap Exposure**	
	Status:	**New**
	Target Outcome:	Reduced debt service payments
	Multi-Year Financial Impact:	$2,686,212
	Responsible Party:	CFO

The District has an opportunity to realize significant debt service savings and reduce its swap exposure through a partial or full swap termination. The District shall determine which option to pursue (partial or full) and move forward with the swap by July 2016.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$615,824	$517,683	$517,800	$516,166	$518,739	**$2,686,212**

Deliverables	Deadline
The CFO shall propose partial or full swap termination to the Board.	June 2016
The Board shall approve a decision to continue with a partial or full swap termination.	July 2016

Workforce

Overview

The employees of the Harrisburg School District are the key to students' academic success, and workforce costs are a key factor in the District's financial future. The District employs more than 900 people; over 500 teachers, with the remainder serving in various administrative and support functions. In 2014-15, workforce salaries and benefits comprise about 52 percent of the total budget of the school district or some $65 million.[1]

Setting salaries and benefits for the workforce is a complex matter. A majority of District employees are members of one of two bargaining units: the Harrisburg Education Association (HEA) and the American Federation of State, County and Municipal Employees, District Council 90, Local 2093 (AFSCME). In addition, certain administrators (including building principals) are members of an Act 93 meet and discuss group.

The District has had long periods in which salaries and benefits were frozen and contracts were not re-negotiated. The original Act 141 Recovery Plan for the District contained a series of actions requiring reduced salaries and benefits costs. Ultimately, the salary and benefit reductions that occurred were reversed based on revised financial projections and amendments to the Act 141 Plan. The District has made some progress in discussions for new agreements with AFSCME and Act 93 employees. Discussions with HEA on a new contract are ongoing. A major breakthrough in the AFSCME and Act 93 agreements resulting from the 2013 Recovery Plan was to alter the cost sharing arrangements for benefits.

Key Issues/Challenges

In order to keep the overall finances of the District in balance, employee salary and benefit changes must be carefully managed. In coming months, the District must conclude current negotiations with HEA to reach a new agreement on salaries, benefits, and work rules, and make plans to regularly renegotiate contracts. Objectives for the HEA negotiations include staffing levels, managing health care costs, eliminating health care opt-out payments, addressing turnover of teaching staff, and making District teaching salaries more regionally competitive in the first nine years of a teacher's career. For the other bargaining units, the District must address issues of outsourcing certain District services.

Initiatives

WF01.	**Set Wage Growth at Affordable Levels While Attracting and Retaining a Qualified Workforce** (this initiative formerly carried the title "Reduce Wages in 2013-14; Wage Freeze Until 2016-17")		
	Status:	**Completed**	**New Initiative 2016**
	Target Outcome:	Affordable competitive employee wages and salaries	
	Multi-Year Financial Impact:	2013: $26.5 million. 2016 Plan: $18.8 million	
	Responsible Party:	Board, Administration, and Human Resources Director	

[1] Since salaries and benefits are a major component of other District budget line items ranging from charter school tuition to transportation costs to food service and maintenance, the actual proportion of total District spending on human capital is well over the 53 percent of budget lines for the direct salaries, wages or benefits of District employees.

Original Plan
At the time the 2013 Recovery Plan was prepared, the District was projected to face significant deficits, therefore the Plan required five percent employee wage reductions in 2013-14 and 2014-15, and a wage freeze in 2015-16. With financial results equal to or better than projections, the Plan provided a specific lump sum amount for wage increases for each bargaining unit in 2016-17 and 2017-18. The amounts were provided and described in initiative WF03. In order to limit the impact on students and employees, the 2013 Plan included provisions to maintain student/teacher ratios and to allow achievement of the wage savings with other measures such as retirements with or without position backfilling, mandatory days off, or short-term furloughs. If no agreement was reached to achieve the savings, the District was directed to reduce employee headcount to yield the wage and benefit savings shown in initiatives WF01 and WF02. The Chief Recovery Officer was required to validate the savings from whatever wage and benefit reduction package was adopted. Savings were expected to total $26.5 million from 2013-14 to 2017-18.

Update
The District and its bargaining units reached an agreement for a five percent salary reduction for the 2013-14 school year. Based on revised financial projections and amendments to the Act 141 Recovery Plan, the five percent reduction was subsequently returned to staff and a planned salary reduction for the 2014-15 school year was not instituted.

New Provisions
In order to attract and retain a highly qualified workforce while setting wage growth at affordable levels, this Amended Recovery Plan sets specific annual maximums for wage increases, inclusive of both changes to the salary schedule and step movement, for each bargaining unit and for professional employees during the Plan period. The maximum annual wage increases shown in the table below shall be distributed among HEA, AFSCME, and Act 93. It should be noted that the maximum increases shown in WF01 do not include the expenditures associated with employee compensation in other initiatives in this chapter, such as WF09. The compensation expenditures noted in other initiatives shall not be included in the calculation of the maximum annual increases. Finally, the timing of the final settlement reached with the bargaining units may impact the distribution of the annual increases shown below. If the final settlements include salary increases scheduled to take effect in January, the full financial impact of the increase would be spread between two school years. Furthermore, if the final settlements include retroactive wage increases for the 2015-16 school year, the amounts shown in the table below would be reduced and the expenditures would be incorporated into the baseline projections discussed in the Introduction chapter.

Maximum Annual Increase

	2016-17	2017-18	2018-19	2019-20[2]	2020-21[3]	Total
Act 93	$92,665	$94,518	$96,409	$0	$0	**$283,592**
AFSCME	$253,456	$155,668	$159,559	$0	$0	**$568,683**
HEA	$914,210	$890,621	$993,120	$526,448	$601,835	**$3,926,235**
Total Annual Increase	**$1,260,331**	**$1,140,807**	**$1,249,088**	**$526,448**	**$601,835**	**$4,778,510**

The maximum annual increases will approximately impact salaries and retirement contributions relative to the baseline projections as shown in the financial impact table below.

Financial Impact

	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Salaries	($1,260,331)	($2,401,138)	($3,650,227)	($4,176,675)	($4,778,510)	**($16,266,881)**
Retirement	($180,459)	($362,144)	($567,596)	($664,217)	($747,397)	**($2,521,813)**
Total Financial Impact	**($1,440,790)**	**($2,763,283)**	**($4,217,823)**	**($4,840,891)**	**($5,525,907)**	**($18,788,694)**

[2] Due to Act 93 and AFSCME pay structures, there are no additional increases in 2019-20 and 2020-21.

[3] Ibid.

Deliverables	Deadline
The District shall complete the negotiation of a contract with HEA with conditions that set wage growth at affordable levels.	June 30, 2016

WF02.	Flexible Health Insurance Cost Containment	
	Status:	**In Progress**
	Target Outcome:	Reduce workforce expenditures to affordable levels
	Multi-Year Financial Impact:	2013: $24.8 million. 2016: $3.8 million
	Responsible Party:	Board, Administration, and Human Resources Director

Original Plan

The 2013 Recovery Plan found that the District's premium rates for employee medical insurance had increased by more than 66 percent since 2008-09, an average annual rate of 13.6 percent. Budgeted 2012-13 health insurance expenditures were $16.8 million, more than 12 percent of the total General Fund budget.

As these amounts were financially unsustainable, the 2013 Recovery Plan directed the District in 2013-14 to reduce its medical premium costs by an amount equal to a 5 percent reduction in per-employee premium costs. Savings were to be achieved by increasing employee contributions and/or plan design changes if an agreement with the bargaining units could be reached prior to the start of the 2013-14 fiscal year. If an agreement could not be reached, the District was to reduce employee headcount to yield the level of savings required.

In subsequent Plan years, 2014-15 through 2017-18, the District's per-employee contribution for healthcare was limited to growth of five percent per year. Annual increases in excess of 5 percent were to be paid by employees through premium contributions and/or adjustments to plan design.

Update

The District has taken actions to change health care plans and manage overall growth in health care costs. In early January 2015 the District approved agreements with its AFSCME bargaining unit and the Act 93 administrative employees' group to provide for new, more affordable health care plans; adjust employee contribution levels; and increase contributions for spousal benefits. The agreements also instituted the Act 141 Plan requirement to limit the District's cost of health care to a 5 percent growth per year with higher amounts mitigated by increased employee contributions or health care plan redesign. Negotiations with HEA are ongoing, but issues of shared health care costs are part of the District's negotiating position. In addition, the District shall continue to review other options for reducing health care costs, including, but not limited, to exploring carve outs for prescription drugs, and looking closely at the actuarial values of the District's health plans.

New Provisions

The Act 141 Plan requirement to limit the District's cost of health care to a 5 percent growth per year cap shall be extended to HEA. The difference between HEA's current projected baseline group insurance expenditures as compared to expenditures at a 5 percent cap would provide the District with nearly $4 million in savings over the next five years.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$215,911	$459,459	$733,339	$1,040,483	$1,384,082	**$3,833,274**

Deliverables	Deadline
The District shall complete the negotiation of a contract with HEA with conditions that meet the requirement of the Act 141 Plan.	June 30, 2016
The District shall complete negotiations of a contract with AFSCME with conditions that meet the requirement of the Act 141 Plan.	June 30, 2016
The District shall complete discussions with the Act 93 group and put in place an agreement that meets the requirement of the Act 141 Plan.	June 30, 2016

WF03.	Compensation Flexibility		
	Status:	**Not Completed**	**New Initiative 2016**
	Target Outcome:	Allow some growth in employee compensation in the out years of the Plan, assuming all other initiatives implemented	
	Multi-Year Financial Impact:	2013: ($3.1 million). 2016: Variable	
	Responsible Party:	Human Resources Director and Administration	

Original Plan
The 2013 Recovery Plan included a provision that if all other initiatives were implemented successfully, the District would allow limited compensation growth of up to $3.1 million in the final two years of the Plan (2016-17 and 2017-18). The Plan included a specific capped amount that AFSCME, HEA and Act 93/non-represented employees could receive. Since the District did not successfully implement all other Plan provisions, this initiative never went into effect.

Update/Amended Plan
The April 2014 Amended Recovery Plan included a new initiative that allowed for shared savings if the District had better-than-expected financial performance. Under certain circumstances, if the District's audited results were better than Plan projections, funds over the projection could be used to enhance educational goals, eliminate any expected tax increases, enhance employee wages, and for other designated purposes. Although the District has avoided tax increases and also has been able to dedicate some funds to new educational initiatives, the workforce portions of shared savings were never incorporated into any collective bargaining agreements. The shared services provisions are now superseded by this new Amended Plan.

New Provisions
Given the likelihood that District annual financial results will occasionally be better than projected, after each annual audit is received the Board should formally consider what it will do with any windfall received due to revenues exceeding expenditures. Since these are by definition non-recurring funds, the default position should be to allow them to accumulate in fund balance or be transferred to the Capital Reserve account to offset long-term costs. However, the Board may wish to designate them in fund balance or apply them to a one-time project. This should be the result of a formal discussion, and should take into account the fund balance designations described in initiative AF15, including the minimum fund balance amount.

Deliverables	Deadline
Annually, the Board shall discuss the audited financial results and consider the appropriate disposition of any positive operating result.	December 2016 and each succeeding December

WF04.	Rightsize District Staffing to Match the Student Population	
	Status:	**Not Completed**
	Target Outcome:	Maintain current student to teacher ratios, reducing headcount as enrollment declines
	Multi-Year Financial Impact:	Included in baseline
	Responsible Party:	Human Resources Director and Administration

Original Plan
The 2013 Recovery Plan directed the District to maintain its prevailing student/teacher ratios (approximately 26 to 1 in elementary and middle schools, and approximately 30 to 1 in high schools) as projected enrollment declines took place. Class sizes could not be decreased unless the District's financial condition improved and reduced class sizes became affordable, or unless the cost of such decreases could be offset with other savings initiatives.

Update
A preliminary review of live birth rates indicates that the District may experience reduced enrollments as lower birth rates progress through the grade levels. The birth rates in the District have followed national and historic trends related to the uncertainties of the Great Recession. As shown in the table below, birth rates in the four years prior to the Great Recession exceeded birth rates in the most recent four years by approximately 150 children.

While birth rates may rebound in future years, these low birth rates provide at least a short-term opportunity to reduce costs by adjusting staffing levels as well as other costs driven by enrollment. The District is completing an enrollment study to help plan for class size and building use in coming years (see AF14 for more information regarding the enrollment study). The District shall use the results of the enrollment study to drive decisions around the reopening of Steele School and the use of other facilities, as well as staffing based on grade-level enrollment projections and the corresponding targeted student-to-teacher ratios. In addition, the District shall explore potential use of GIS software to better track demographic, enrollment, and other data that can impact student distribution and staging and program needs.

Harrisburg School District Birth Rates 2002-2014

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
849	860	1,016	1,038	1,116	1,058	1,089	1,030	1,048	967	1,009	989	939

Deliverables	Deadline
The District shall incorporate the results of the enrollment study into staffing and building plans.	October 2016
The District shall explore the use of GIS software (internally or through an external contractor).	December 2016

WF05.	Eliminate the Health Insurance Opt-Out	
	Status:	**In Progress**
	Target Outcome:	Eliminate excessive cost
	Multi-Year Financial Impact:	$2,500,000
	Responsible Party:	Human Resources Director and Administration

Original Plan
The 2013 Recovery Plan noted generous payments to employees who opted to not use District health benefit coverage. HEA members who opted out of coverage received half of the annual premium savings to the District. AFSCME members received $50 per month for each consecutive month the employee waived coverage. The Plan estimated a five-year savings of approximately $1.7 million if this benefit was eliminated.

Update
The District has been successful in removing the health care opt-out payments from the AFSCME and Act 93 agreements. However, the bulk of the cost of this benefit stems from the HEA agreement that is still under negotiation.

New Provision
The District shall continue to work to eliminate remaining opt-out payments; no future collective bargaining agreements concluded under this Recovery Plan shall include health care opt-out payments. Savings from eliminating the health insurance opt-out from the HEA agreement provide a source for funds described elsewhere in this Plan as available for salary increases in this cycle of negotiations.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
$500,000	$500,000	$500,000	$500,000	$500,000	**$2,500,000**

Deliverables	Deadline
The District shall complete the negotiation of a contract with HEA with conditions that meet the requirements of the Act 141 plan.	June 30, 2016

WF06.	Remove Impediments to Outsourcing from Collective Bargaining Agreements	
	Status:	**Completed**
	Target Outcome:	Allow for the outsourcing of certain operations if the District cannot afford to maintain service in-house
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Human Resources Director and Administration

Original Plan
The District was directed in the 2013 Recovery Plan to remove impediments to outsourcing from collective bargaining agreements for cafeteria and custodial services workers.

Update
The AFSCME contract now allows the contracted management company to hire staff to replace District staff on an attrition basis. Actions taken by the District to date and the eventual transition of positions to the management company will achieve the objective outlined in the initiative. The District shall continue to operate custodial, food service, and AEDY using external providers if it chooses to do so. Refer to FS04 for more information regarding the outsourcing of the food service program.

WF07.	Other Changes to Collective Bargaining Agreements	
	Status:	**In Progress**
	Target Outcome:	Maximize instructional time and productivity, enhance ability to implement Plan initiatives
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Human Resources Director and Administration

Original Plan
The 2013 Plan directed the District and its unions to negotiate around issues that may impact the amount of classroom instructional time, worker productivity, and quality of work, including but not limited to:

- Establishment of Management Rights clause, including recognizance of the District's unilateral authority in the field of educational policy and development and the right to manage all operations including the direction of the work force except as modified by agreement;
- Rights of assignment after furloughs and downsizing; and
- Time permitted to union officials for conducting union business (currently 50 days per year).

New Provision
The District and its bargaining units shall continue to work to find and implement ways to increase classroom instructional time and productivity. In the current teachers' contract, the first two school closures for snow or other weather-related events are counted toward the eight required professional development days. Most years have at least two snow events, which means teachers typically only report to the District for 187 out of the 189 paid days. Given the well-documented need for and interest in enhanced professional development in the District, this provision shall be eliminated to effectively increase professional development days by 33 percent.

Deliverables	Deadline
The District shall modify relevant language in HEA contract.	June 30, 2016
The District shall develop professional development curriculum for additional days.	June 30, 2016

New Initiatives

WF08.	Create Incentives for Teachers to Build Careers at HSD	
	Status:	**New**
	Target Outcome:	Reduce high rates of teacher turnover
	Multi-Year Financial Impact:	($1,000,000)
	Responsible Party:	Human Resources Director and CFO

High teacher turnover has an adverse impact on instruction and is expensive. National research indicates that the costs of hiring replacement teachers range from $10,000 to $20,000, and that there is substantial turnover in urban school districts.

Analysis of HEA separations from the District from 2010-11 through 2014-15 shows that staff in their first 0-3 years of service had the highest rates of separation from the District, making up (on average) over 30 percent of the separations. Staff with 6-10 years of service had the next highest level of separations (on average), over 20 percent.

Percentage (%) of Employees with End Dates Per Year							
YOS	2010-11	2011-12	2012-13	2013-14	2014-15	Avg. 2011-2015	Avg. Excl. 2011-12
0-3	29%	60%	31%	34%	36%	38%	33%
4-5	5%	8%	16%	18%	9%	11%	12%
6-10	16%	11%	28%	31%	22%	22%	24%
11-15	9%	5%	1%	13%	12%	8%	9%
16-20	10%	1%	10%	0%	2%	4%	5%
21-25	10%	5%	6%	2%	9%	6%	7%
26+	22%	10%	8%	2%	10%	11%	11%

In order to improve teacher retention, the District shall develop and implement a comprehensive program to address high turnover. The program shall include a recruiting effort to new teachers committed to urban education reform. Recruiting incentives could include subsidized moving expenses, signing bonuses, home finding assistance, mortgage assistance, and student loan forgiveness (some of these elements may already exist but could be adjusted).

In addition, a program shall be developed specifically to retain teachers in years three to ten, when many teachers are currently leaving for other school districts as they finish urban teaching obligations. This program could be a combination of incentives and disincentives. These could include required repayment of tuition reimbursement for leaving soon after receiving payment for additional credits, for example. A career ladder could be established to provide opportunities to experienced teachers to take roles as instructional trainers or leaders as well as moving into administrative positions. The compensation system could also reward longevity in this experience range.

In order to help with this effort, the District shall create a pilot incentive program for new teachers to live in the District. New teachers would be eligible to receive a loan of up to $10,000 for a down payment on a home purchase. If the teacher stays in the District beyond five years, at year six, $2,000 would be waived; at year seven, $4,000, etc. By year 10, the teacher would no longer owe anything on a $10,000 loan. Teachers who leave prior to the five year mark would be responsible for reimbursing the District for the entire loan. Depending on practical details, it may be possible to extend this to rental housing within the District, and or to extend the offer to teachers after their first year.

Funding for this effort and other incentives should come from a dedicated fund of $1.0 million committed from the District's fund balance. See AF15 regarding fund balance priorities.

Financial Impact
2016-17 Committed Fund Balance
($1,000,000)

Deliverables	Deadline
The District shall develop a program to reduce high rates of teacher turnover.	August 2016
The District shall implement elements of the program.	September 2016

WF09.	**Address Low Teacher Wage Pattern in Years 0-9; Address Incentives for Veteran Teachers**	
	Status:	**New**
	Target Outcome:	Reduce high rates of teacher turnover
	Multi-Year Financial Impact:	($117,748)
	Responsible Party:	Human Resources Director and CFO

Compared to other school districts in the region, Harrisburg teachers are paid less in the early years of their careers, but salaries are more competitive after approximately ten years with Harrisburg Schools. In addition, the pay difference between teachers early in their careers and those later in their careers is significant. This contributes to teacher turnover as teachers seek jobs in higher-paying school systems. The District shall explore some combination of salary increases and one-time payments or incentives and then take action to close the gap in pay in coming years, to help increase early career teacher retention. Income opportunities could also be created to pay teachers taking on additional duties such as professional development, curriculum writing, or other instructional activities. Research on teacher retention and motivation should be used in designing a comprehensive program (see WF01 regarding information on teacher salary changes and WF08 regarding a potential pilot program to retain teachers after their first five years). The District should also survey teachers to determine the reasons for high turnover to ensure that cost effective solutions are selected and implemented. Exit interviews should be conducted with teachers who leave the District.

In addition to the above, any new collective bargaining agreement between the District and HEA shall not widen the pay differential between those teachers at or below Step 10 on the salary schedule, compared to those who are above Step 10.

Finally, in conjunction with addressing the needs of teachers earlier in their careers, the District shall also consider a one-time payment for veteran teachers given the salary constraints that have existed in the District for the past several years. Funding for this effort should come from dedicated funding committed from the District's fund balance. See AF15 regarding fund balance priorities.

Financial Impact – Veteran Teacher One-Time Payment

2016-17 Committed Fund Balance
($117,748)

Deliverables	Deadline
The District shall explore a one-time payment for veteran teachers in the 2016-2017 school year.	July 1, 2016
The District shall explore a combination of salary increases and/or one-time payments for teachers within the first ten steps of the salary schedule to increase the retention of early career teachers.	July 1, 2016
The District shall complete the negotiation of a contract with HEA during the spring of 2016 and shall make partial adjustments to salaries to address this issue.	July 1, 2016
The District shall ensure that future collecting bargaining agreements with HEA do not widen the pay differential between those teachers at or below Step 10 on the salary schedule, compared to those who are above Step 10.	Ongoing

WF10.	Maintain and Regularly Update Position Control File	
	Status:	**New**
	Target Outcome:	Ensure District staffing records are up to date for financial planning purposes
	Multi-Year Financial Impact:	N/A
	Responsible Party:	Human Resources Director and CFO

In order to plan for future staffing changes, wage increases, or other significant costs related to staffing or staff reorganization, the District shall maintain a regularly updated position control file. The District has maintained position control files in the past so there are data systems in place to support this initiative. However, the District must ensure that the file is updated on a regular basis.

In addition to maintaining a position control database, the District shall document the position control process and how it relates to budget development, staffing decision making, payroll and personnel recordkeeping, and school board authorization of positions.

Deliverables	Deadline
The District shall make monthly or quarterly updates to the position control file.	Monthly/Quarterly
The District shall conduct regular reviews of the position control file.	Ongoing

WF11.	Review Act 93 Job Descriptions	
	Status:	**New**
	Target Outcome:	Transparency in and independent review of Act 93 job descriptions and compensation
	Multi-Year Financial Impact:	($20,000)
	Responsible Party:	Human Resources Director and CFO

The District shall work with the Pennsylvania School Board Association (PSBA) or an alternative organization to review all Act 93 job descriptions including the scope of the job, responsibilities, its impact on the District, and the level of liability associated with the position, and evaluate those job requirements and qualifications against the offered compensation for the role, and against other like roles within, and outside of the District.

Financial Impact

2016-17	2017-18	2018-19	2019-20	2020-21	Total
($20,000)	$0	$0	$0	$0	**($20,000)**

Deliverables	Deadline
The District shall contract with an organization to review Act 93 job descriptions.	December 2016

Appendix

Baseline Projection Detail

REVENUES		*2016-17*	*2017-18*	*2018-19*	*2019-20*	*2020-21*
Revenues From Local Sources		**Projected**	**Projected**	**Projected**	**Projected**	**Projected**
6111	Current Real Estate Taxes	38,155,780	38,537,338	38,922,711	39,311,938	39,705,058
6113	Public Utility Realty Tax	49,250	49,250	49,250	49,250	49,250
6114	Payments in Lieu of Current Taxes/State & Local	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
6142	Current Act 511 Occupation Taxes-Flat Rate	527,927	530,566	533,219	535,885	538,564
6143	Current Act 511 Local Services Taxes	241,200	242,406	243,618	244,836	246,060
6151	Current Act 511 Earned Income Taxes	3,467,250	3,484,586	3,502,009	3,519,519	3,537,117
6153	Current Act 511 Real Estate Transfer Taxes	643,200	646,416	649,648	652,896	656,161
6154	Current Act 511 Amusement Taxes	241,200	242,406	243,618	244,836	246,060
6157	Current Act 511 Mercantile Taxes	1,758,750	1,767,544	1,776,381	1,785,263	1,794,190
6411	Delinquent Real Estate Taxes	3,232,000	3,264,320	3,296,963	3,329,933	3,363,232
6412	Other Delinquent Taxes	389,438	391,385	393,342	395,308	397,285
6510	Interest on Investments and Interest-Bearing Checking Accounts	90,000	90,000	90,000	90,000	90,000
6530	Gains or Losses on Sale of Investments	0	0	0	0	0
6693	Ben Frank. Reduced Lunch	25,000	25,000	25,000	25,000	25,000
6700	Revenue From District Activities	42,000	42,000	42,000	42,000	42,000
6821	State Revenue From Other Public Schools	0	0	0	0	0
6832	Federal IDEA Revenue Received as Pass Through	1,090,000	1,090,000	1,090,000	1,090,000	1,090,000
6839	Federal Revenue Received from Other Sources	0	0	0	0	0
6910	Rentals	150,000	150,000	150,000	150,000	150,000
6920	Contributions and Donations From Private Sources I Capital Contributions	557,044	557,044	557,044	557,044	557,044
6941	Regular Day School Tuition	2,500	2,500	2,500	2,500	2,500
6942	Summer School Tuition	0	0	0	0	0
6944	Receipts from Other LEAs in PA - Education	350,000	350,000	350,000	350,000	350,000
6960	Services Provided Other Local Governmental Units/LEAs	30,000	30,000	30,000	30,000	30,000
6990	Refunds and Other Miscellaneous Revenue	220,000	220,000	220,000	220,000	220,000
6991	Refunds of a Prior Year Expenditure	50,000	50,000	50,000	50,000	50,000
6999	Other Revenues Not Specified Elsewhere	10,000	10,000	10,000	10,000	10,000
	Revenues From Local Sources Subtotal	**53,072,538**	**53,522,761**	**53,977,304**	**54,436,210**	**54,899,521**
Revenue From State Sources						
7110	Basic Ed	46,272,750	47,198,205	48,142,169	49,105,012	50,087,113
7160	Tuition for Orphans & Children Placed in Private Homes	90,000	90,000	90,000	90,000	90,000
7170	School Improvement Grants	10,047	10,248	10,453	10,662	10,875
7220	Vocational Education	0	0	0	0	0
7250	Migratory Children	0	0	0	0	0
7271	Special Education Funding for School Aged Pupils	6,566,250	6,697,575	6,831,527	6,968,157	7,107,520
7290	Other Program Subsidies	0	0	0	0	0
7292	Pre-K Counts	75,000	75,000	75,000	75,000	75,000
7299	Program Revenues not Listed Previously	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000
7310	Transportation (Regular and Additional)	1,325,000	1,325,000	1,325,000	1,325,000	1,325,000
7320	Rental & Sinking Fund Payments / Building Reimbursement Subsidy	2,510,200	2,510,200	2,510,200	2,510,200	2,510,200
7330	Health Services (Medical, Dental, Nurse, Act 25)	125,000	125,000	125,000	125,000	125,000
7340	State Property Tax Reduction Allocation	2,744,668	2,744,668	2,744,668	2,744,668	2,744,668

7501	PA Accountability Grants	0	0	0	0	0
7505	Ready to Learn Grant	1,912,020	1,912,020	1,912,020	1,912,020	1,912,020
7599	Other State revenue not listed elsewhere	13,065	13,065	13,065	13,065	13,065
7810	State Share of Social Security & Medicare Taxes	1,996,769	1,996,769	1,996,769	1,996,769	1,996,769
7820	State Share of Retirement Contributions	8,076,993	8,617,610	8,948,436	9,198,573	9,012,988
	Revenues From State Sources Subtotal	**73,867,762**	**75,465,361**	**76,874,307**	**78,224,127**	**79,160,218**
Revenues From Federal Sources						
8110	Payments for Federally Impacted Areas	70,340	68,933	67,554	66,203	64,879
8391	ROTC	53,900	52,822	51,766	50,730	49,716
8514	NCLB, Title I - Improving the Academic Achievement of the Disadvantaged	7,178,500	7,034,930	6,894,231	6,756,347	6,621,220
8515	NCLB, Title II - Preparing, Training and Recruiting High Quality Teachers and Principals	233,926	229,247	224,663	220,169	215,766
8516	NCLB, Title III - Language Instruction for Limited English Proficient and Immigrant Students	219,520	215,130	210,827	206,610	202,478
8690	Other Restricted Federal Grants-in-Aid Through the Commonwealth of PA	343,000	336,140	329,417	322,829	316,372
8704	ARRA -Title I, School Improvement	0	0	0	0	0
8732	ARRA – Qualified School Construction Bonds (QSCB)	0	0	0	0	0
8810	Medical Assistance Reimbursements (ACCESS)	42,500	42,500	42,500	42,500	42,500
8820	Medical Assistance Reimbursement for Health Related Transportation and Administrative Costs - Title 19	260,000	260,000	260,000	260,000	260,000
	Revenues From Federal Sources Subtotal	**8,401,686**	**8,239,702**	**8,080,958**	**7,925,389**	**7,772,931**
Revenues From Other Sources						
9330	Capital Projects Fund Transfers	2,000,000	0	0	0	0
9370	Fund Transfers	0	0	0	0	0
9400	Sale or Compensation for Loss of Fixed Assets	0	0	0	0	0
	Revenues From Other Sources Subtotal	**2,000,000**	**0**	**0**	**0**	**0**
	Total Revenues	***$137,341,985***	***$137,227,823***	***$138,932,569***	***$140,585,725***	***$141,832,670***
EXPENDITURES		***2016-17***	***2017-18***	***2018-19***	***2019-20***	***2020-21***
Personnel Services - Salaries & Wages		**Projected**	**Projected**	**Projected**	**Projected**	**Projected**
105	Sick Reimbursement	185,000	185,000	185,000	185,000	185,000
106	Health Insurance Opt Out	500,000	500,000	500,000	500,000	500,000
110	Official / Administrative	4,633,250	4,633,250	4,633,250	4,633,250	4,633,250
120	Professional - Instructional Staff	28,404,160	28,404,160	28,404,160	28,404,160	28,404,160
130	Professional - Other	3,345,650	3,345,650	3,345,650	3,345,650	3,345,650
140	Technical	1,175,550	1,175,550	1,175,550	1,175,550	1,175,550
150	Office / Clerical	1,135,200	1,135,200	1,135,200	1,135,200	1,135,200
160	Crafts and Trades	162,000	162,000	162,000	162,000	162,000
170	Operative and Laborer	200,000	200,000	200,000	200,000	200,000
180	Service Work	2,090,000	2,090,000	2,090,000	2,090,000	2,090,000
190	Instructional Assistant	1,550,500	1,550,500	1,550,500	1,550,500	1,550,500
	Personnel Services Subtotal	**43,381,310**	**43,381,310**	**43,381,310**	**43,381,310**	**43,381,310**
Employee Benefits		1,552,407	871,964	533,590	403,446	(299,331)
210	Group Insurance	11,771,397	12,585,448	13,455,794	14,386,330	15,381,217
213	Life Insurance	80,000	80,000	80,000	80,000	80,000
219	Other Group Insurance	3,700	3,700	3,700	3,700	3,700

220	Social Security Contributions	3,220,595	3,220,595	3,220,595	3,220,595	3,220,595
230	Retirement Contributions	13,027,407	13,899,372	14,432,962	14,836,408	14,537,077
240	Tuition Reimbursement	210,000	210,000	210,000	210,000	210,000
250	Unemployment Compensation	375,000	375,000	375,000	375,000	375,000
260	Workers' Compensation	668,500	668,500	668,500	668,500	668,500
290	Other Employee Benefits	5,000	5,000	5,000	5,000	5,000
	Employee Benefits Subtotal	**29,361,599**	**31,047,615**	**32,451,552**	**33,785,534**	**34,481,089**
Purchased Professional and Technical Services						
320	Professional - Educational Services	3,254,820	3,319,916	3,386,315	3,454,041	3,523,122
330	Other Professional Services	2,983,500	3,043,170	3,104,033	3,166,114	3,229,436
340	Technical Services	566,100	577,422	588,970	600,750	612,765
390	Other Purchased Prof & Tech	126,480	129,010	131,590	134,222	136,906
	Purchased Professional and Technical Services	**6,930,900**	**7,069,518**	**7,210,908**	**7,355,127**	**7,502,229**
Purchased Property Services						
410	Cleaning Services	418,564	426,935	435,474	444,183	453,067
420	Utility Services	1,296,249	1,344,230	1,394,010	1,445,654	1,499,235
430	Repairs and Maintenance	1,040,400	1,061,208	1,082,432	1,104,081	1,126,162
440	Rentals	137,700	140,454	143,263	146,128	149,051
460	Extermination	15,300	15,606	15,918	16,236	16,561
	Purchased Property Services	**2,908,213**	**2,988,434**	**3,071,097**	**3,156,284**	**3,244,077**
Other Purchased Services						
	Tuition	**22,399,512**	**22,825,196**	**23,184,997**	**23,509,683**	**23,825,429**
561	*Tuition to Other School Districts*	5,186,700	5,290,434	5,396,243	5,504,168	5,614,251
562	*Tuition to PA Charter Schools*	11,357,502	11,562,345	11,696,890	11,791,814	11,873,203
560	*Tuition to Other Non Publics & Other Costs*	5,855,310	5,972,416	6,091,865	6,213,702	6,337,976
510	Student Transportation	3,340,500	3,407,310	3,475,456	3,544,965	3,615,865
520	Insurance - General	433,500	442,170	451,013	460,034	469,234
530	Communications	124,950	127,449	129,998	132,598	135,250
540	Advertising	8,670	8,843	9,020	9,201	9,385
550	Printing and Binding	727,770	742,325	757,172	772,315	787,762
580	Travel	107,610	109,762	111,957	114,197	116,481
590	Services Purchased Locally	214,649	218,942	223,321	227,787	232,343
	Other Purchased Services	**27,357,161**	**27,881,997**	**28,342,935**	**28,770,780**	**29,191,748**
Supplies						
610	Other Supplies	1,356,957	1,384,096	1,411,778	1,440,014	1,468,814
620	Energy	924,654	976,577	1,031,429	1,089,377	1,150,601
630	Food	38,964	39,743	40,538	41,349	42,176
640	Books and Periodicals	734,400	749,088	764,070	779,351	794,938
648	Educational Software	142,800	145,656	148,569	151,541	154,571
650	Supplies & Fees - Tech Related	304,776	310,872	317,089	323,431	329,899
	Supplies	**3,502,551**	**3,606,032**	**3,713,473**	**3,825,062**	**3,941,000**
Property						
750	Equipment - Original & Additional	688,500	702,270	716,315	730,642	745,255
760	Equipment - Replacement	714,000	728,280	742,846	757,703	772,857

	Property Subtotal	**1,402,500**	**1,430,550**	**1,459,161**	**1,488,344**	**1,518,111**
Other Objects						
810	Dues and Fees	89,000	89,000	89,000	89,000	89,000
820	Claims & Judgements Against LEA	75,000	75,000	75,000	75,000	75,000
830	Interest	60,000	60,000	60,000	60,000	60,000
880	Refunds for PY Receipts	175,000	175,000	175,000	175,000	175,000
890	Misc. Expenditures	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
	Other Objects Subtotal	**2,199,000**	**2,199,000**	**2,199,000**	**2,199,000**	**2,199,000**
Other Use of Funds						
930	Fund Transfers	22,617,554	21,271,244	21,299,271	21,300,578	21,551,470
	Other Use of Funds Subtotal	**22,617,554**	**21,271,244**	**21,299,271**	**21,300,578**	**21,551,470**
	Total Expenditures	***$139,660,788***	***$140,875,700***	***$143,128,707***	***$145,262,018***	***$147,010,034***
	Surplus/Deficit	***($2,318,803)***	***($3,647,877)***	***($4,196,138)***	***($4,676,293)***	***($5,177,364)***
	Fund Balance Transfers	***$0***	***$0***	***$0***	***$0***	***$0***
	Fund Balance	***$29,360,631***	***$25,712,753***	***$21,516,615***	***$16,840,322***	***$11,662,958***

Revised Projection Detail

REVENUES		2016-17	2017-18	2018-19	2019-20	2020-21
Revenues From Local Sources		**Projected**	**Projected**	**Projected**	**Projected**	**Projected**
6111	Current Real Estate Taxes	38,155,780	39,255,338	40,366,711	41,491,938	42,629,058
6113	Public Utility Realty Tax	49,250	49,250	49,250	49,250	49,250
6114	Payments in Lieu of Current Taxes/State & Local	1,950,000	2,200,000	2,300,000	2,400,000	2,500,000
6142	Current Act 511 Occupation Taxes-Flat Rate	527,927	530,566	533,219	535,885	538,564
6143	Current Act 511 Local Services Taxes	241,200	242,406	243,618	244,836	246,060
6151	Current Act 511 Earned Income Taxes	3,467,250	3,484,586	3,502,009	3,519,519	3,537,117
6153	Current Act 511 Real Estate Transfer Taxes	643,200	646,416	649,648	652,896	656,161
6154	Current Act 511 Amusement Taxes	241,200	242,406	243,618	244,836	246,060
6157	Current Act 511 Mercantile Taxes	1,758,750	1,767,544	1,776,381	1,785,263	1,794,190
6411	Delinquent Real Estate Taxes	4,232,000	4,274,320	4,431,063	4,719,134	5,143,535
6412	Other Delinquent Taxes	1,001,938	1,006,947	1,008,919	1,010,902	1,012,894
6510	Interest on Investments and Interest-Bearing Checking Accounts	90,000	90,000	90,000	90,000	90,000
6530	Gains or Losses on Sale of Investments	0	0	0	0	0
6693	Ben Frank. Reduced Lunch	25,000	25,000	25,000	25,000	25,000
6700	Revenue From District Activities	42,000	42,000	42,000	42,000	42,000
6821	State Revenue From Other Public Schools	0	0	0	0	0
6832	Federal IDEA Revenue Received as Pass Through	1,090,000	1,090,000	1,090,000	1,090,000	1,090,000
6839	Federal Revenue Received from Other Sources	0	0	0	0	0
6910	Rentals	150,000	150,000	150,000	150,000	150,000
6920	Contributions and Donations From Private Sources I Capital Contributions	557,044	557,044	557,044	557,044	557,044
6941	Regular Day School Tuition	2,500	2,500	2,500	2,500	2,500
6942	Summer School Tuition	0	0	0	0	0
6944	Receipts from Other LEAs in PA - Education	350,000	350,000	350,000	350,000	350,000
6960	Services Provided Other Local Governmental Units/LEAs	30,000	30,000	30,000	30,000	30,000
6990	Refunds and Other Miscellaneous Revenue	220,000	220,000	220,000	220,000	220,000
6991	Refunds of a Prior Year Expenditure	50,000	50,000	50,000	50,000	50,000
6999	Other Revenues Not Specified Elsewhere	10,000	10,000	10,000	10,000	10,000
	Revenues From Local Sources Subtotal	**54,885,038**	**56,316,323**	**57,720,982**	**59,271,004**	**60,969,433**
Revenue From State Sources						
7110	Basic Ed	46,272,750	47,198,205	48,142,169	49,105,012	50,087,113
7160	Tuition for Orphans & Children Placed in Private Homes	90,000	90,000	90,000	90,000	90,000
7170	School Improvement Grants	1,668,847	1,712,648	1,578,253	1,356,462	1,710,875
7220	Vocational Education	0	0	0	0	0
7250	Migratory Children	0	0	0	0	0
7271	Special Education Funding for School Aged Pupils	6,566,250	6,697,575	6,831,527	6,968,157	7,107,520
7290	Other Program Subsidies	100,000	125,000	150,000	175,000	200,000
7292	Pre-K Counts	75,000	75,000	75,000	75,000	75,000
7299	Program Revenues not Listed Previously	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000
7310	Transportation (Regular and Additional)	1,325,000	1,325,000	1,325,000	1,325,000	1,325,000
7320	Rental & Sinking Fund Payments / Building Reimbursement Subsidy	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
7330	Health Services (Medical, Dental, Nurse, Act 25)	125,000	125,000	125,000	125,000	125,000
7340	State Property Tax Reduction Allocation	2,744,668	2,744,668	2,744,668	2,744,668	2,744,668
7501	PA Accountability Grants	0	0	0	0	0
7505	Ready to Learn Grant	1,912,020	1,912,020	1,912,020	1,912,020	1,912,020

7599	Other State revenue not listed elsewhere	13,065	13,065	13,065	13,065	13,065
7810	State Share of Social Security & Medicare Taxes	2,150,737	2,200,713	2,260,448	2,285,147	2,313,724
7820	State Share of Retirement Contributions	8,687,958	9,476,650	10,103,272	10,495,919	10,415,716
	Revenues From State Sources Subtotal	**76,881,295**	**78,845,544**	**80,500,421**	**81,820,450**	**83,269,701**
Revenues From Federal Sources						
8110	Payments for Federally Impacted Areas	70,340	68,933	67,554	66,203	64,879
8391	ROTC	53,900	52,822	51,766	50,730	49,716
8514	NCLB, Title I - Improving the Academic Achievement of the Disadvantaged	7,178,500	7,034,930	6,894,231	6,756,347	6,621,220
8515	NCLB, Title II - Preparing, Training and Recruiting High Quality Teachers and Principals	233,926	229,247	224,663	220,169	215,766
8516	NCLB, Title III - Language Instruction for Limited English Proficient and Immigrant Students	219,520	215,130	210,827	206,610	202,478
8690	Other Restricted Federal Grants-in-Aid Through the Commonwealth of PA	343,000	336,140	329,417	322,829	316,372
8704	ARRA -Title I, School Improvement	0	0	0	0	0
8732	ARRA – Qualified School Construction Bonds (QSCB)	0	0	0	0	0
8810	Medical Assistance Reimbursements (ACCESS)	82,000	121,500	161,000	200,500	240,000
8820	Medical Assistance Reimbursement for Health Related Transportation and Administrative Costs - Title 19	260,000	260,000	260,000	260,000	260,000
	Revenues From Federal Sources Subtotal	**8,441,186**	**8,318,702**	**8,199,458**	**8,083,389**	**7,970,431**
Revenues From Other Sources						
9330	Capital Projects Fund Transfers	2,000,000	0	0	0	0
9370	Fund Transfers	200,000	200,000	0	0	0
9400	Sale or Compensation for Loss of Fixed Assets	0	0	0	0	0
	Revenues From Other Sources Subtotal	**2,200,000**	**200,000**	**0**	**0**	**0**
	Total Revenues	***$142,407,519***	***$143,680,569***	***$146,420,860***	***$149,174,842***	***$152,209,565***
EXPENDITURES		***2016-17***	***2017-18***	***2018-19***	***2019-20***	***2020-21***
Personnel Services - Salaries & Wages		**Projected**	**Projected**	**Projected**	**Projected**	**Projected**
105	Sick Reimbursement	185,000	185,000	185,000	185,000	185,000
106	Health Insurance Opt Out	0	0	0	0	0
110	Official / Administrative	4,787,839	4,883,596	4,981,268	4,981,268	4,981,268
120	Professional - Instructional Staff	30,670,866	31,403,030	32,330,855	32,813,892	33,372,847
130	Professional - Other	3,638,951	3,731,643	3,834,631	3,888,199	3,950,113
140	Technical	1,261,431	1,292,067	1,323,468	1,323,468	1,323,468
150	Office / Clerical	1,208,719	1,238,937	1,269,910	1,269,910	1,269,910
160	Crafts and Trades	168,874	173,096	177,423	177,423	177,423
170	Operative and Laborer	208,486	213,699	219,041	219,041	219,041
180	Service Work	2,178,683	2,233,150	2,288,978	2,288,978	2,288,978
190	Instructional Assistant	1,671,291	1,711,698	1,753,115	1,753,115	1,753,115
	Personnel Services Subtotal	**45,980,139**	**47,065,914**	**48,363,690**	**48,900,295**	**49,521,163**
Employee Benefits						
210	Group Insurance	11,903,021	12,490,258	13,106,807	13,749,192	14,426,369
213	Life Insurance	96,000	96,000	96,000	96,000	96,000
219	Other Group Insurance	3,700	3,700	3,700	3,700	3,700
220	Social Security Contributions	3,468,930	3,549,538	3,645,884	3,685,721	3,731,813
230	Retirement Contributions	14,012,836	15,284,919	16,295,600	16,928,901	16,799,542

240	Tuition Reimbursement	210,000	210,000	210,000	210,000	210,000
250	Unemployment Compensation	381,760	381,760	381,760	381,760	381,760
260	Workers' Compensation	679,415	679,415	679,415	679,415	679,415
290	Other Employee Benefits	5,000	5,000	5,000	5,000	5,000
	Employee Benefits Subtotal	**30,760,662**	**32,700,589**	**34,424,165**	**35,739,688**	**36,333,600**
Purchased Professional and Technical Services						
320	Professional - Educational Services	3,276,820	3,339,916	3,406,275	3,473,960	3,542,999
330	Other Professional Services	3,380,500	3,422,850	3,486,447	3,551,316	3,617,482
340	Technical Services	566,100	577,422	588,970	600,750	612,765
390	Other Purchased Prof & Tech	126,480	129,010	131,590	134,222	136,906
	Purchased Professional and Technical Services	**7,349,900**	**7,469,198**	**7,613,282**	**7,760,248**	**7,910,153**
Purchased Property Services						
410	Cleaning Services	418,564	426,935	435,474	444,183	453,067
420	Utility Services	1,198,220	1,242,477	1,288,389	1,336,020	1,385,435
430	Repairs and Maintenance	1,040,400	1,061,208	1,082,432	1,104,081	1,126,162
440	Rentals	137,700	140,454	143,263	146,128	149,051
460	Extermination	15,300	15,606	15,918	16,236	16,561
	Purchased Property Services	**2,810,184**	**2,886,680**	**2,965,477**	**3,046,650**	**3,130,277**
Other Purchased Services						
	Tuition	**22,399,512**	**23,173,502**	**23,686,489**	**24,200,102**	**24,588,304**
561	*Tuition to Other School Districts*	5,186,700	5,290,434	5,396,243	5,504,168	5,614,251
562	*Tuition to PA Charter Schools*	11,357,502	11,910,652	12,198,382	12,482,232	12,636,077
560	*Tuition to Other Non Publics & Other Costs*	5,855,310	5,972,416	6,091,865	6,213,702	6,337,976
510	Student Transportation	3,345,500	3,412,410	3,480,658	3,550,271	3,621,277
520	Insurance - General	433,500	442,170	451,013	460,034	469,234
530	Communications	134,950	137,649	140,402	143,210	146,074
540	Advertising	8,670	8,843	9,020	9,201	9,385
550	Printing and Binding	727,770	742,325	757,172	772,315	787,762
580	Travel	127,610	129,962	132,361	134,809	137,305
590	Services Purchased Locally	222,649	227,102	231,644	236,277	241,002
	Other Purchased Services	**27,400,161**	**28,273,964**	**28,888,760**	**29,506,218**	**30,000,343**
Supplies						
610	Other Supplies	1,470,957	1,498,576	1,526,748	1,555,483	1,584,792
620	Energy	893,754	944,750	998,647	1,055,612	1,115,823
630	Food	38,964	39,743	40,538	41,349	42,176
640	Books and Periodicals	834,400	829,088	844,070	859,351	874,938
648	Educational Software	185,330	153,656	156,569	159,541	162,571
650	Supplies & Fees - Tech Related	304,776	310,872	317,089	323,431	329,899
	Supplies	**3,728,181**	**3,776,685**	**3,883,661**	**3,994,766**	**4,110,200**
Property						
750	Equipment - Original & Additional	908,500	765,870	645,315	437,642	806,455
760	Equipment - Replacement	714,000	728,280	742,846	757,703	772,857
	Property Subtotal	**1,622,500**	**1,494,150**	**1,388,161**	**1,195,344**	**1,579,311**

Other Objects						
810	Dues and Fees	94,100	94,100	94,100	94,100	94,100
820	Claims & Judgements Against LEA	75,000	75,000	75,000	75,000	75,000
830	Interest	60,000	60,000	60,000	60,000	60,000
880	Refunds for PY Receipts	175,000	175,000	175,000	175,000	175,000
890	Misc. Expenditures	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
	Other Objects Subtotal	**2,204,100**	**2,204,100**	**2,204,100**	**2,204,100**	**2,204,100**
Other Use of Funds						
930	Fund Transfers	22,001,730	20,753,561	20,781,471	20,784,412	21,032,731
	Other Use of Funds Subtotal	**22,001,730**	**20,753,561**	**20,781,471**	**20,784,412**	**21,032,731**
	Total Expenditures	***$143,857,557***	***$146,624,841***	***$150,512,765***	***$153,131,721***	***$155,821,877***
	Surplus/Deficit	***($1,450,038)***	***($2,944,272)***	***($4,091,905)***	***($3,956,879)***	***($3,612,312)***
	Fund Balance Transfers	***($12,500,000)***	***$0***	***$0***	***$0***	***$0***
	Fund Balance	***$17,729,396***	***$14,785,124***	***$10,693,219***	***$6,736,340***	***$3,124,028***

Chief Recovery Officer/Technical Assistance Team

Chief Recovery Officer: Dr. Audrey Utley

Public Financial Management: Kelli Bowers, Catherine Flaming, Dean Kaplan, Marissa Litman, Stanislav Lyubarskiy, David Sallack, Ian Tyson

Other Team Members: Vijay Kapoor, J. Drue Miles, Robert Schoch

The CRO and the Technical Assistance Team gratefully acknowledge the assistance of Dr. Sybil Knight-Burney, William Gretton, Dr. Carlinda Purcell, the School Board and other staff of the Harrisburg School District and their outside professional advisors, as well as the Secretary and staff of the Pennsylvania Department of Education.

APPENDIX E

FORM OF OPINION OF CO-BOND COUNSEL

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APPENDIX E
FORM OF CO-BOND COUNSEL OPINION

Below is the Proposed Form of Co-Bond Counsel Opinion Expected to be Delivered in Connection with the Issuance of the Notes

[Dated Date of Issuance and Delivery of Notes]

[Date of Closing]

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

Re: The School District of the City of Harrisburg,
Dauphin County, Pennsylvania
$9,675,000 Federally Taxable General Obligation Notes, Series A of 2017
$29,560,000 General Obligation Notes, Series B of 2017

We have acted as Co-Bond Counsel to The School District of the City of Harrisburg, Dauphin County, Pennsylvania (the "**School District**") in connection with the issuance of its $9,675,000 Federally Taxable General Obligation Notes, Series A of 2017 (the "**Series A Notes**"), and $29,560,000 General Obligation Notes, Series B of 2017 (the "**Series B Notes**", and together with the Series A Notes, the "**Notes**") pursuant to the Local Government Unit Debt Act, Act of July 12, 1972, P.L. 781, No. 185, reenacted April 28, 1978, P.L. 124, No. 52, as amended (the "**Act**"), and a resolution duly adopted by the Board of School Directors of the School District on June 19, 2017 (the "**Resolution**"). The Notes are being issued for the purpose of providing funds to pay the cost of (i) the current refunding of all of the State Public School Building Authority's outstanding School Revenue Bonds (The School District of the City of Harrisburg Project), Series C of 2014 (the "**Refunded 2014C Bonds**"); (ii) the current refunding of all of the State Public School Building Authority's outstanding Federally Taxable School Revenue Bonds (The School District of the City of Harrisburg Project), Series C of 2009 (the "**Refunded 2009C Bonds**"), (iii) the payment of the costs of terminating all of an interest rate management agreement related to the Refunded 2014C Bonds, and (iv) the payment of the costs of issuing and insuring the Notes.

The payment of the principal of, and interest on, the Notes will be insured under a municipal bond insurance policy issued by Assured Guaranty Municipal Corp.

The School District has covenanted in the Resolution (i) to include the amount of debt service for the Notes for each fiscal year in which such sums are due and payable in its budget for that year; (ii) to appropriate such amounts from its general revenues for the payment of such debt service; and (iii) to duly and punctually pay, or cause to be paid, from its sinking fund or any other of its revenues or funds, the principal of, and interest on, the Notes at the dates and places and in the manner stated in the Notes, according to the true intent and meaning thereof; for such budgeting, appropriation and payment the School District in the Resolution has pledged its full faith, credit and taxing power.

As Co-Bond Counsel to the School District we have examined originals or certified copies of the transcript of the proceedings of the School District filed with and approved by the Department of Community and Economic Development (the "**Department**") of the Commonwealth of Pennsylvania (the "**Commonwealth**"), the Resolution, the form of the Notes, such constitutional and statutory provisions and such other certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein.

In rendering this opinion we have examined and relied upon (i) the opinion of counsel to the School District with respect, *inter alia*, to the due adoption by the School District of the Resolution in accordance with applicable laws; and (ii) the accuracy of the statements and representations and the performance by the School District of its covenants set forth in the Resolution and the School District's Tax Certificate delivered on this date in connection with the issuance of the Series B Notes (the "**Tax Certificate**").

As to questions of fact material to our opinion, we have relied upon the representations of the School District contained in the Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, it is our opinion that:

1. The School District is authorized under the provisions of the Constitution and laws of the Commonwealth to issue the Notes for the purposes above set forth, and the School District has authorized the issuance thereof.

2. As indicated in the School District's debt statement filed with the Department in connection with the issuance of the Notes, outstanding debt of the School District, including debt represented by the Notes, is within the debt limitations of the Act.

3. The Notes are valid and binding general obligations of the School District payable from the revenues of the School District from whatever source derived, which revenues at the time of the issuance and sale of the Notes, include *ad valorem* taxes levied upon all the taxable property within the School District, within limitations provided by law.

4. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Notes are exempt from personal property taxes in Pennsylvania, and interest on the Notes is exempt from Pennsylvania personal income tax and corporate net income tax.

5. Interest on the Series B Notes and accruals of original interest discount are excludable from gross income for federal income tax purposes under existing laws as enacted and construed on the date of initial delivery of the Series B Notes. Interest on the Series B Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the

alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding two sentences are subject to the condition that the School District comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the Series B Notes in order that interest on the Series B Notes be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series B Notes to be included in gross income retroactively to the date of issuance of the Series B Notes. The School District has covenanted in the Resolution to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series B Notes.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or the federal government affecting the enforcement of creditors' rights generally, and "enforceable in accordance with its (their) terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

We have not been engaged to express and do not express any opinion herein with respect to the adequacy of the security for the Notes or the sources of payment for the Notes. We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statements relating to the Notes. We express no opinion with respect to any matters not specifically set forth herein.

This opinion letter is limited to the matters set forth herein. This opinion is subject to future changes in applicable law and we do not undertake any obligation to update any of the opinions expressed in this letter. No opinion may be inferred or implied beyond the matters expressly stated herein, and our opinions expressed herein must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth herein. The law covered by the opinions expressed herein is limited to the laws of the Commonwealth and the federal law of the United States of America.

MCNEES WALLACE & NURICK LLC
POWELL LAW, PC

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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

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

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

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

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