

In the opinion of Bond Counsel, under existing statutes, regulations, and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. This opinion of Bond Counsel is subject to continuing compliance by the Authority with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder (herein defined).

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Other Tax Matters" herein.

\$19,405,000

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

Dated: February 18, 2015

Principal Due: September 15, as shown on inside cover

Interest Due: March 15 and September 15

First Interest Payment: March 15, 2015

The State Public School Building Authority (Dauphin County Technical School Refunding Project), Guaranteed School Lease Revenues Bonds, Series of 2015 (the "Bonds") in the aggregate principal amount of \$19,405,000 will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds will be special limited obligations of the State Public School Building Authority (the "SPSBA or the "Authority") equally and ratably secured under the provisions of a Trust Indenture, dated as of February 18, 2015, (the "Indenture") between the Authority and the Trustee, Manufacturers and Traders Trust Company, Harrisburg, Pennsylvania, as trustee. The Indenture provides that the Bonds shall be secured equally and ratably by a pledge and assignment by the Authority to the Trustee of the guaranteed lease rentals payable by the Dauphin County Technical School (the "Technical School") and its Participating School Districts (hereafter defined). Payment of such rentals is guaranteed by the Central Dauphin School District, Derry Township School District, Halifax Area School District, Lower Dauphin School District, Middletown Area School District and the Susquehanna Township School District, all located in Dauphin County, Pennsylvania (collectively, the "Participating School Districts"), under the terms of a Sublease Agreement dated as of February 18, 2015 (the "Sublease"), between the Authority, as lessor, and the Participating School Districts, as lessees. For payment in respect of its guaranty of its proportionate share of the debt service on the Bonds, each of the Participating School Districts has pledged its full faith, credit and taxing power. The taxing power of each of the Participating School Districts presently includes the power to levy an annual ad valorem tax on all taxable real property and available taxing power located within such School District as to rate or amount for the purpose of making payments in respect of such Participating School Districts guaranty of its proportionate share of the debt service on the Bonds. (See "THE BONDS - Security" and "TAXING POWERS OF THE SCHOOL DISTRICT", *included in the Appendices included herein*).

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE RENTALS TO BE RECEIVED FROM EACH OF THE PARTICIPATING SCHOOL DISTRICTS UNDER THE SUBLEASE AND CERTAIN FUNDS THAT MAY BE HELD BY THE TRUSTEE UNDER THE INDENTURE, AS PROVIDED IN THE INDENTURE. NEITHER THE CREDIT OF THE AUTHORITY OR THE CREDIT OR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE PARTICIPATING SCHOOL DISTRICTS) IS PLEDGED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS AND THE BONDS SHALL NOT BE DEEMED GENERAL OBLIGATIONS OF THE AUTHORITY OR OBLIGATIONS OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE PARTICIPATING SCHOOL DISTRICTS), NOR SHALL THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE PARTICIPATING SCHOOL DISTRICTS) BE LIABLE FOR THE PAYMENT OR THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

The Bonds are subject to redemption prior to maturity as described herein.

Proceeds of the Bonds will be used to currently refund the School Lease Revenue Bonds (Dauphin County Technical Project), Series of 2007 and to pay the costs of issuing the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

**MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS
(as shown on inside cover)**

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Rhoads & Sinon LLP, Harrisburg, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the Authority by its Counsel, Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania. Certain other legal matters will be passed upon by P. Daniel Altland, Attorney-At-Law, of Mechanicsburg, Pennsylvania, Solicitor to the Technical School. Public Financial Management, Inc., Harrisburg, Pennsylvania, serves as Financial Advisor to the Technical School in connection with the Bonds. It is expected that the Bonds will be available for delivery, in book-entry form through the Depository Trust Company in New York, New York, on or about February 18, 2015.

BOENNING & SCATTERGOOD, INC.

\$19,405,000
State Public School Building Authority
Commonwealth of Pennsylvania
(Dauphin County Technical School Refunding Project)
Dauphin County, Pennsylvania
Guaranteed School Lease Revenue Bonds, Series of 2015

Dated: February 18, 2015
Interest Due: March 15 and September 15

Principal Due: September 15, as shown below
First Interest Payment: March 15, 2015

<u>Sept. 15</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Initial Offering Yields</u>	<u>Prices</u>
2016	\$205,000	0.650%	0.650%	100.000%
2017	1,055,000	3.000	0.950	105.202
2018	1,095,000	4.000	1.300	109.400
2019	735,000	3.000	1.550	106.379
2019	400,000	2.000	1.550	101.979
2020	1,170,000	4.000	1.750	111.900
2021	1,220,000	5.000	2.000	118.395
2022	1,285,000	5.000	2.150	119.822
2023	1,350,000	5.000	2.300	120.901
2024	1,425,000	5.000	2.400*	121.087
2025	1,475,000	2.350	2.550	98.155
2026	1,515,000	2.550	2.750	98.027
2027	1,550,000	2.700	2.900	97.903
2028	1,595,000	2.800	3.000	97.781
2029	1,640,000	2.875	3.050	97.951
2030	1,690,000	3.000	3.090	98.892

*Yield to Optional Redemption Date of March 15, 2024

State Public School Building Authority

Commonwealth of Pennsylvania

Members of the Authority

Honorable Thomas W. Wolf..... Governor of the Commonwealth of Pennsylvania	President
Honorable Michael J. Folmer..... Designated by the President Pro Tempore of the Senate	Vice-President
Honorable Andrew E. Dinniman Minority Leader of the Senate	Vice-President
Honorable Robert M. McCord..... State Treasurer	Treasurer
Honorable Mike Turzai..... Speaker of the House of Representatives	Board Member
Honorable Curt Topper..... Acting Secretary of General Services	Board Member
Honorable Anthony M. DeLuca..... Minority Leader of the House of Representatives	Board Member
Honorable Eugene A. DePasquale..... Auditor General	Board Member
Honorable Pedro Rivera..... Acting Secretary of Education	Board Member

EXECUTIVE DIRECTOR

ROBERT BACCON

COUNSEL TO THE AUTHORITY

(Appointed by the Office of General Counsel)
BUCHANAN INGERSOLL & ROONEY PC
Pittsburgh, Pennsylvania

BOND COUNSEL

(Appointed by the Office of General Counsel)
RHOADS & SINON LLP
Harrisburg, Pennsylvania

AUTHORITY ADDRESS

STATE PUBLIC SCHOOL BUILDING AUTHORITY
1035 Mumma Road
Wormleysburg, Pennsylvania 17043

**Dauphin County Technical School
(Dauphin County, Pennsylvania)**

Joint Operating Committee

Central Dauphin School District.....	Brian Faleshock, William Roberts, Jr.
Derry Township School District.....	Julie Neal, Brian Shiflett
Halifax Area School District.....	Ricky Grosser, Hara Frank
Lower Dauphin School District.....	Todd Kreiser, Keith Oellig
Middletown Area School District.....	Newton Davis, Pamela Price
Susquehanna Township School District	Kathy DelGrande, Jesse Rawls, Sr.

EXECUTIVE DIRECTOR
CINDY MORTZFELDT

ADMINISTRATIVE DIRECTOR
DR. PEGGY GRIMM

ASSISTANT DIRECTOR
SANDY TRAYNOR

BUSINESS ADMINISTRATOR
MARIA J. ZAHARICK

BOND COUNSEL
RHOADS & SINON LLP
Harrisburg, Pennsylvania

SOLICITOR
P. DANIEL ALTLAND, ATTORNEY-AT-LAW
Mechanicsburg, Pennsylvania

TRUSTEE
MANUFACTURERS AND TRADERS TRUST COMPANY
Harrisburg, Pennsylvania and Buffalo, New York

FINANCIAL ADVISOR
PUBLIC FINANCIAL MANAGEMENT, INC.
Harrisburg, Pennsylvania

UNDERWRITER
BOENNING & SCATTERGOOD, INC.
West Conshohocken, Pennsylvania

TECHNICAL SCHOOL ADDRESS
6001 Locust Lane
Harrisburg, Pennsylvania 17109

This Official Statement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority, the Technical School, the Participating School Districts or the Underwriter to give information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. The information set forth herein has been obtained from the Authority, the Technical School, the Participating School Districts and from other sources which are believed to be reliable but the Authority does not guarantee the accuracy or completeness of information from sources other than the Authority.

This Official Statement is not to be construed as a contract or agreement among the Authority, the Underwriter and the purchasers or owners of any offered Bonds. 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.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY 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.

In making an investment decision, investors must rely on their own examination of the Authority, the Technical School, and the Participating School Districts and the terms of the offering, including the merits and risks involved.

The order and placement of the materials in this Official Statement including the appendices are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The offering of the Bonds is made only by means of this entire Official Statement.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute forward-looking statements, as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Official Statement, the words, “estimate,” “intend,” “project” or “projection,” “expect” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to risks and uncertainties, some of which are discussed herein, that could cause actual results to differ materially from those contemplated in such forward-looking statements. Investors and prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Official Statement.

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OFFICIAL STATEMENT

\$19,405,000

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(Commonwealth of Pennsylvania)

(Dauphin County Technical School Refunding Project)

Dauphin County, Pennsylvania

Guaranteed School Lease Revenue Bonds, Series of 2015

INTRODUCTION

This Official Statement is furnished by the State Public School Building Authority (the "SPSBA or the "Authority") in connection with the offering of \$19,405,000 aggregate principal amount of State Public School Building Authority (Dauphin County Technical School Refunding Project), Guaranteed School Lease Revenue Bonds, Series of 2015, dated as of February 18, 2015 (the "Bonds"). The Bonds are authorized to be issued pursuant to the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the "Act") and by a Resolution as adopted November 13, 2014

The Bonds are secured by the terms of a Trust Indenture, dated as of February 18, 2015 (the "Indenture"), between the Authority and Manufacturers and Traders Trust Company, Harrisburg, Pennsylvania and Buffalo, New York, trustee (the "Trustee"), and are payable solely from the specified several (not joint) guaranteed lease rental payments of each of the Participating School Districts (defined below) to the Trustee under the terms of a Sublease Agreement, dated as of February 18, 2015 (the "Sublease"), between the Authority, as sublessor, and the Technical School and each of the Participating School Districts, as sublessees. The Technical School and the Participating School Districts have leased their respective interests in the Technical School real estate, building and improvements to the Authority under the terms of an Agreement of Lease, dated as of March 15, 2007 (the "SPSBA Agreement of Lease"), as supplemented by the First Supplemental Agreement of Lease, dated as of February 18, 2015 (the "First Supplemental SPSBA Agreement of Lease") (the "SPSBA Agreement of Lease", as supplemented by the First Supplemental SPSBA Agreement of Lease" are being collectively referred to herein as the "Lease"), in exchange for the proceeds of the Bonds. See *"Lease/Sublease of Technical School Facility below*.

The Technical School was created and is governed by the terms of Restated Articles of Agreement, dated July 1, 2003 (the "Articles of Agreement"), signed by Central Dauphin School District, Derry Township School District, Halifax Area School District, Lower Dauphin School District, Middletown Area School District, and Susquehanna Township School District, all of which are located in Dauphin County, Pennsylvania (collectively, the "Participating School Districts"). The Technical School's governing body is its Joint School Board (the "Technical School Board") that is made up of each of the nine members of each of the six Participating School Districts (*i.e.* 54 Technical School Board members). There is a Joint Operating Committee (the "JOC") that is made up of two members of the Board of Directors of each of the six Participating School Districts that provides routine governance for the Technical School. The real estate and other property of the Technical School is owned by the Dauphin County Area Technical School Authority, and leased to the Technical School Board and each of the Participating School Districts under the terms of the Agreement of Lease, dated December 15, 2006 (the "Agreement of Lease"), as supplemented by a First Supplemental Agreement of Lease, dated as of February 18, 2015 (the "First Supplemental Agreement of Lease"), (the Agreement of Lease, as supplemented by the First Supplemental Agreement of Lease are being collectively referred to herein as the "Authority Lease").

The principal and interest payments on the Bonds have been guaranteed by the Participating School Districts on a several (not joint) basis in accordance with the market values of their respective tax bases as calculated by the State Tax Equalization Board ("STEB") as of August of 2013, and such guaranty obligations shall remain constant during the term of the Sublease. Under the Articles of Agreement of the Technical School capital expenditures, including the lease rental payments due under the Sublease, are to be allocated and reallocated annually among the Participating School Districts in proportion to the most recent STEB market values. The Sublease provides an initial lease rental payment schedule for each of the Participating School Districts based on the STEB market values from 2013, but provides for adjustment of the lease rental payments of each of the Participating School Districts annually in accordance with the Articles of Agreement. If any Participating School District is required to pay more under its annual guaranty obligations than its annual lease rental obligations, the Sublease requires any such Participating School District to be reimbursed from current funds made available by the Technical School and the other Participating School Districts in accordance with the Technical School's current expense and budgeting procedures.

The Authority is a body corporate and politic created in 1947 by the Act. Under the Act, the Authority is constituted a public corporation and governmental instrumentality, having perpetual existence, for the purpose of acquiring, financing, refinancing, constructing, improving, maintaining and operating public school and educational broadcasting facilities, and furnishing and equipping the same for use as part of the public school system of the Commonwealth of Pennsylvania (the "Commonwealth") under the jurisdiction of the Pennsylvania Department of Education (the "Department" or "PDE"). Under the Act and Article XIX-A of the Public School Code, Act of July 1, 1985, P.L. 103, No.31, Section 1 et seq., as amended, the Authority also has for its purpose the acquiring, financing, refinancing, construction, improvement, furnishing, equipping, maintenance and operation of community college buildings.

The descriptions and summaries of the Indenture, the Lease, the Authority Lease, the Sublease and various other legal documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference is made to each such document for complete details of its terms and conditions; all statements made herein are qualified in their entirety by the terms of such documents.

Copies of the Indenture, the Lease, the Authority Lease, the Sublease and other legal documents relating to the Bonds are available upon request from the administrative offices of the Dauphin County Technical School, 6001 Locust Lane, Harrisburg, PA 17109, Attention: Business Administrator, or from the offices of the Financial Advisor, Public Financial Management, One Keystone Plaza, Suite 300, N. Front and Market Streets, Harrisburg, Pennsylvania 17101, Attention: Ms. Jamie Doyle.

THE AUTHORITY

The Authority and the Pennsylvania Higher Educational Facilities Authority (PHEFA) share an executive, fiscal and administrative staff, and operate under a joint administrative budget. The Authority serves as a conduit issuer for school districts, community colleges and technical schools and intermediate units in the Commonwealth and has issued, and will continue to issue, multiple series of bonds to finance various projects. Each such series of bonds is or will be secured by instruments and collateral separate and apart from other series, including the Bonds.

Under the Act, the Authority consists of the Governor of the Commonwealth, the State Treasurer, the Auditor General, the Secretary of Education, the Secretary of the Department of General Services, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives. The President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives may designate any member of his or her legislative body to act as a member of the Authority in his or her stead. The members of the Authority serve without compensation but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of their duties as members. The powers of the Authority are exercised by a governing body consisting of the members of the Authority acting as a board.

The Bonds are being issued by the Authority on behalf of the Technical School pursuant to the Act, the Indenture and the Resolutions, which approved the refinancing thereunder. The Authority has and will continue to issue bonds/notes for other eligible institutions and projects in the Commonwealth. None of the revenues of the Authority pledged to payment of the Bonds will be pledged to the payment of such other bonds/notes.

The following are key staff members of the Authority who are involved in the administration of the financing and projects:

Robert Baccon
Executive Director

Mr. Baccon has served as an executive with the Authority and PHEFA since 1984. He is a graduate of St. John's University with a bachelor's degree in management, and holds a master's degree in international business from the Columbia University Graduate School of Business. Prior to joining the Authority, Mr. Baccon held financial management positions with multinational U.S. corporations and was Vice President - Finance for a major highway construction contractor.

David Player
Comptroller & Director of Financial Management

Mr. Player serves as the Comptroller & Director of Financial Management of both the Authority and PHEFA. He has been with the Authorities since 1999. Prior to his present position, he served as Senior Accountant for both Authorities and as an auditor with the Pennsylvania Department of the Auditor General. Mr. Player is a graduate of the Pennsylvania State University and a Certified Public Accountant.

Beverly M. Nawa
Administrative Officer

Mrs. Nawa has served as the Administrative Officer of both the Authority and PHEFA since 2004. She is a graduate of Alvernia University with a bachelor's degree in business administration. Prior to her present employment, Mrs. Nawa served as an Audit Senior and an Accounting Systems Analyst with the Pennsylvania Department of the Auditor General.

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to currently refund the School Lease Revenue Bonds (Dauphin County Technical Project), Series of 2007 currently outstanding in the aggregate principal amount of \$19,955,000 (the “2007 Bonds”) and to pay the costs of issuing the Bonds.

Upon issuance of the Bonds, a portion of the proceeds will be deposited with Manufacturers and Traders Trust Company, as Trustee for the 2007 Bonds to pay the interest and principal on the 2007 Bonds upon optional redemption, at a redemption price of 100% of principal amount plus accrued interest pursuant to the optional redemption provisions applicable to the 2007 Bonds on or about March 15, 2015.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

Source of Funds	
Par Amount.....	\$19,405,000.00
Net Original Issue Premium	1,236,297.65
Total Source of Fund	\$20,641,297.65
Use of Funds	
Amount Required to Call the 2007 Bonds	\$20,370,038.13
Costs of Issuance ⁽¹⁾	271,259.52
Total Use of Funds	\$20,641,297.65

⁽¹⁾Includes total bond discount, legal, financial advisor, printing, rating, trustee, redemption fee and miscellaneous fees.

THE BONDS

The Bonds will be dated February 18, 2015, and will bear interest from such date at the rates set forth on the inside front cover page hereof, payable semiannually on March 15 and September 15 of each year (each, an “Interest Payment Date”), commencing March 15, 2015 (until maturity or prior redemption), and will mature on the dates and in the amounts forth on the inside front cover page hereof. The Bonds when issued will be registered in the name of Cede & Co., as a nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. While the Bonds are in the Book-Entry-Only System, references to the “owner” or the “registered owner” as described herein are to Cede & Co., as registered owner for DTC. Each beneficial owner of a Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described herein. See “Book-Entry-Only System” herein.

The Bonds will be issued in fully registered form in denominations of \$5,000 or any multiple thereof. While all of the Bonds are held in Book-Entry-Only form, payments thereon shall be made to Cede & Co., as holder thereof. See “Book-Entry-Only System” herein. At all other times, the principal of the Bonds, and the premium, if any, payable upon redemption, are payable at the designated corporate trust office of the Trustee, and the interest thereon is payable by check mailed by the Trustee on each Interest Payment Date to the persons who were the registered owners of the Bonds on the registration books maintained by the Trustee, at the close of the fifteenth day of the calendar month (whether or not a business day) immediately preceding the month of an Interest Payment Date (a “Regular Record Date”), irrespective of any transfer or exchange of any Bond subsequent to such regular record date and prior to such interest payment date, unless the Authority defaults in the payment of interest due on such Interest Payment Date. In the event of any such default, any defaulted interest will be payable to the person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered owners of the Bonds not fewer than fifteen (15) business days preceding such special record date.

The Bonds may be transferred or exchanged by the registered owner thereof only upon presentation thereof to the Trustee, accompanied by a duly executed instrument of transfer by the registered owner thereof or his authorized representative, and, in the case of a transfer, containing written instructions as to the details of such transfer. Neither the Authority nor the Trustee will be required to issue, exchange or transfer any of the Bonds during the fifteen (15) days preceding the mailing of any notice of redemption of Bonds or to transfer any of the Bonds selected for redemption in whole or in part. The person in whose name any Bond is registered shall be deemed the owner thereof by the Authority and the Trustee, and any notice to the contrary shall not be binding upon the Authority or the Trustee.

No service charge will be made to the Bondholders of the Bonds for any exchange or transfer, but the Authority may require payment of a sum sufficient to pay any tax or other governmental charge that may be imposed in relation thereto. In the event any Bond is mutilated, lost, stolen, or destroyed, the Authority may execute and the Trustee may authenticate a new Bond of like tenor and denomination in accordance with the provisions of the Indenture, and the Authority and the Trustee may charge the registered owner of such Bond with its reasonable fees and expenses and require indemnity in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system have been obtained from DTC. The Authority (sometimes herein referred to as the "Issuer"), the Technical School, the Financial Advisor, and the Underwriter make no representation as to the accuracy of such information.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities: DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Tender Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender Agent's DTC account.

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

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

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

NEITHER THE AUTHORITY NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Neither the Authority nor the Trustee shall have any responsibility or obligation to any DTC Participant or Indirect Participant with respect to:

- (i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Bonds;
- (ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than the registered owner of a Bond, as shown in the Bond Register, of any notice with respect to any Bond, including, without limitation, any notice of redemption;
- (iii) the selection by DTC or any DTC Participant or Indirect Participant of any person to receive payment in the event of a partial redemption of Bonds;
- (iv) the payment to any DTC Participant or Indirect Participant or any other Person other than the registered owner of a Bond, as shown in the Bond Register, of any amount with respect to the principal of, redemption price, or interest on, any Bond; or
- (v) any consent given by DTC as registered owner.

Prior to the discontinuation of the book-entry only system as described herein, the Authority and the Trustee may treat DTC and any successor securities depository to be the absolute owner of the Bonds for all purposes, including, without limitation:

- (i) the payment of principal of redemption price or interest on the Bonds;
- (ii) giving notices of redemption and other matters with respect to the Bonds;
- (iii) registering transfers with respect to the Bonds; and
- (iv) the selection of Bonds for redemption.

[The Beneficial Owners of the Bonds have no right to a securities depository for the Bonds.] DTC or any successor securities depository may resign as depository for the Bonds by giving notice to the Trustee and discharging its responsibilities under applicable law. In addition, the Authority, or the Authority at the request of the Technical School, may remove DTC or a successor securities depository for any reason at any time. In such event, the Authority shall (i) appoint a securities depository qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, notify the prior securities depository of the appointment of such successor depository and transfer separate bond certificates to such successor securities depository or (ii) notify the securities depository of the availability through the securities depository of bond certificates and transfer one or more separate bond certificates to Depository Participants having Bonds credited to their accounts at the securities depository. In such event, such Bonds shall no longer be restricted to being registered in the registration books of the Authority in the name of the securities depository or its nominee, but may be registered in the name of the successor securities depository or its nominee, or in whatever name or names the Depository Participants receiving such Bonds shall designate, in accordance with the provisions of the Indenture.

Discontinuance of Book-Entry Only System

The book-entry only system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the Authority 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 Authority appoints a successor securities depository), Bonds 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 Authority, or the Trustee for the accuracy of such designation. Whenever DTC requests the Authority or the Trustee to do so, the Authority or the Trustee shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

THE AUTHORITY, THE TECHNICAL SCHOOL AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

REDEMPTION OF BONDS

Optional Redemption

The Bonds stated to mature on or after September 15, 2024 shall be subject to redemption prior to maturity, at the option of the Authority, as a whole, on March 15, 2024 or on any date thereafter, or from time to time, in part, in any order of maturities, on March 15, 2024 or on any date thereafter, in any such case upon payment of a redemption price of 100% of the principal amount to be redeemed plus interest accrued thereon to the redemption date. In the event that less than all Bonds of any particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot.

Notice of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Authority and the Trustee shall send redemption notices only to Cede & Co. See “BOOK-ENTRY ONLY SYSTEM” herein for further information regarding conveyance of notices and Beneficial Owners.

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

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

If at the time of the mailing of the notice of redemption the Authority has not deposited with the Trustee funds sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the redemption funds with the Trustee on the redemption date, and such notice shall be of no effect unless such funds are so deposited.

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

Manner of Redemption

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

SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE SUBLEASE AND THE INDENTURE

The following pages contain descriptions of certain provisions of the Lease, the Sublease and the Indenture. The Bonds are secured by the Indenture and are payable from payments due under the Sublease. *These descriptions are brief summaries and do not purport to be and should not be regarded as complete statements of the terms of, the Lease, the Sublease or the Indenture or as complete synopses thereof. Reference is made to the documents in their entirety, copies of which may be obtained from the Trustee, for a complete statement of the terms and conditions therein.*

Lease

The Technical School Board and the Participating School Districts, as lessees of the Technical School from the Dauphin County Area Vocational Technical School Authority, will lease the Technical School, together with the financed improvements (the "Leased Property") to the Authority. The term of the Lease commences on the date of the Bonds and, subject to the Technical School Board's and the Participating School Districts option to discharge its obligation under the Sublease by prepaying the obligations thereunder ends 15 calendar days after the earlier to occur of the final maturity date of the Bonds or such time as the Indenture has been satisfied and discharged. As rental under the Lease, the Authority shall deposit with the Trustee the net proceeds of the issuance and sale of the Bonds for application to the costs of the Project as provided in the Indenture. Under the terms of the Lease, the Authority has no responsibilities with respect to the maintenance, repair or operation of the Leased Property. All such obligations, including the duties to insure the Leased Property and pay all expenses related thereto, are assumed by the Technical School Board under the terms of the Lease and Sublease.

Sublease

In connection with the issuance of the Bonds, the Technical School Board and the Participating School Districts, as sublessees, will enter into the Sublease with the Authority, as lessor. The Sublease will provide for rental payments by the Participating School Districts to the Trustee, as the assignee of the Authority, at the times and in amounts sufficient to pay the debt service requirements on the Bonds not less than 15 days in advance of the payment due dates on such Bonds. The Technical School Board and the Participating School Districts have the right, subject to the terms of the Bonds, to prepay Sublease Rentals to redeem the Bonds pursuant to optional redemption provisions of the Indenture.

Representations, Warranties and Covenants: The Participating School Districts make certain representations, warranties and covenants under the Sublease, including without limitation, with respect to the existence and authority of the Participating School Districts, the enforceability of the Sublease and Bonds and the absence of material litigation.

Source of Rental Payments: The guaranteed lease rentals are payable by the Participating School Districts. The taxing power of the Participating School Districts is pledged as security for the obligation to pay rentals under the resolutions of the Participating School Districts. To the extent any Participating School District pays more on its annual guaranty obligations than its annual lease rental obligations, the Sublease requires the reimbursement of such Participating School District from the Technical School and the Participating School Districts in accordance with their current expense and budgeting procedures.

Assignment of Sublease: The lease rentals shall be paid by the Participating School Districts directly to the Trustee under an assignment by the Authority to the Trustee of such payments for the benefit and security of the Bondholders under the Indenture.

Unconditional Obligation of the Participating School Districts: The obligations of the Participating School Districts to pay the guaranteed lease rentals due under the Sublease and all other sums payable under the Sublease are absolute and unconditional. The lease rentals are required to be made in full directly to the Trustee, as assignee, when due without delay or diminution for any cause whatsoever, including without limitation thereto, destruction of any Leased Property, and without right of set-off for default on the part of the Authority under the Sublease.

Maintenance and Repair: The Technical School covenants under the terms of the Sublease to pay the costs to operate, to maintain and repair the Leased Property from time to time as may be necessary. It is understood that this provision applies to all repairs, major as well as minor, without exception.

Insurance: The Technical School also covenants in the Sublease to maintain adequate insurance on the Leased Property in the name of the Technical School, the Authority and the Trustee as their interest may appear, with any loss payable to the Trustee. The total amount recovered from time to time in connection with any fire or other casualty covered by insurance shall, at the option of the Technical School, be made available by the Trustee to the Technical School for the purpose of rebuilding, repairing or replacing such destroyed or partially destroyed Leased Property or to be retained by the Trustee and credited to the Bond Redemption Fund provided for in the Indenture. The Technical School agrees to remain in possession of its Leased Property during the period of reconstruction or repair and to continue to pay its lease rentals irrespective of the damage.

Compliance with Code: The Technical School covenants to comply with all applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code") in order to protect the tax-exempt status of the Bonds.

Defaults and Remedies: Under the Sublease, the failure of the Participating School Districts to pay or provide for the payment of the required lease rentals or otherwise, or the failure to comply with covenants after written notice, or the occurrence of a default under the Indenture on payment of the Bonds by acceleration, or the failure to carry out the Project to be financed in part by the proceeds of the Bonds, shall constitute events of default. In the event of any such default, and after due notice as required, the Authority, and/or the Trustee as its assignee, may, in addition to any other remedies (i) declare all sums payable under the Sublease to be immediately due; or (ii) by legal action enforce all rights of Authority under the Sublease; and (iii) in the event of a default in payment, notify the Department of Education of the Commonwealth of Pennsylvania to commence proceedings for the withholding of any appropriations due the Participating School Districts under the Public School Code, as appropriate.

THE INDENTURE

Limited Obligations of the Bonds: The Bonds are limited obligations of the Authority and are secured by a pledge and assignment to the Trustee of payments and other revenues or income derived by or for the Authority from or with respect to the Sublease and all moneys to be paid over to the Trustee under the provisions of the Indenture. The Authority has no taxing power. Neither the general credit of the Authority nor the credit or taxing power of the United States of America, the Commonwealth of Pennsylvania or any of its other school districts (other than the Participating School Districts under the Sublease and the resolutions of the Participating School Districts) or any political subdivision thereof is pledged for the payment of the principal of, or the interest on the Bonds; nor shall the Bonds be deemed to be obligations of the Authority, the Commonwealth of Pennsylvania, its other school districts or any other political subdivision thereof. The Participating School Districts are empowered to levy ad valorem taxes, and the Participating School Districts irrevocably have pledged their full faith, credit and taxing power with respect to the lease rentals under the Sublease and the resolutions adopted by the Participating School Districts, which taxing power includes the power to levy ad valorem taxes on all taxable property within the Participating School Districts within the limits provided by law (see "TAXING POWERS OF THE SCHOOL DISTRICT" in the Appendices of the Participating School Districts).

Pledge and Assignment of Certain Revenues: The Authority has pledged to the Trustee, in the Indenture its right, title and interest in all Rental Payments and other sums payable under the Sublease, except for "Reserved Rights" as described below, for the benefit and security of the registered owners of the Bonds issued under such Indenture.

Project Fund: The proceeds of the issuance of the sale of the Bonds are required to be deposited in the Project Fund, from which monies shall be disbursed at the requisition of the Authority and the Technical School for payment of the costs and expenses of the Refunding Project in accordance with the terms of the Indenture. Upon completion of the Refunding Project, the balance in the Project Fund shall be transferred to the Revenue Fund and used to pay or redeem Bonds.

Revenue Fund: Debt Service Fund and Sinking Fund: All lease rentals with respect to the Bonds are required to be deposited to the Revenue Fund established with the Trustee at least 15 days prior to the due date of debt service payments beginning February 27, 2015. Moneys in the Revenue Fund are required to be transferred by the Trustee to the Debt Service and Sinking Fund established under the Indenture and applied to pay the debt service on the Bonds when due.

Guaranty and State Intercept Mechanics. In the event the Trustee does not receive payment in full from any Participating School District by 12:00 p.m. on the 15th day preceding any payment date on the Bonds, the Trustee shall promptly provide notice to the Technical School and each of the Participating School Districts and shall call upon the guaranties of the Participating School Districts to the maximum extent provided in Schedule 3 of the Sublease. If the Trustee has not received payment of such deficient amounts by 12:00 p.m. on the 10th day preceding the applicable payment date on the Bonds, the Trustee shall promptly notify the Pennsylvania Department of Education and request payment of such amounts pursuant to Section 7-785 of the Public School Code as further described herein (see Commonwealth Enforcement of Lease Rentals and Debt Service Payments).

Rebate Fund: The Trustee shall establish a Rebate Fund. The Authority will periodically, and upon retirement of the last Bond, determine the sum required to be deposited in the Rebate Fund (if any) and direct the Trustee to transfer such sum from the other funds and accounts established under the Indenture. The Authority will direct the Trustee to pay to the United States Government the sums on deposit in the Rebate Fund at the times and in the amounts (if any) required by the Internal Revenue Code of 1986, as amended, and all extant regulations promulgated hereunder.

Investment of Funds: Moneys held in the Revenue Fund, the Debt Service Fund and Sinking Fund and the Project Fund, may, and upon instructions of the Authority, shall be wholly or partially deposited and redeposit in interest bearing accounts or time certificates of deposit with the commercial department of the Trustee or any other authorized depository, which deposits to the extent not insured, shall be secured as provided by the Indenture; or invested or reinvested by the Trustee upon instructions of the Authority solely in obligations which meet the requirements set forth in the Indenture, subject to the limitations provided therein.

Additional Bonds: The Indenture permits under certain circumstances and conditions, the issuance of additional bonds for the purposes of refunding any series of outstanding bonds of the Authority issued on behalf of the Technical School or any obligation of the Technical School issued for a purpose for which the Authority is authorized to issue bonds under the Act and financing projects (as defined in the Indenture).

Default and Remedies: The Act, which governs the Authority, provides remedies to the Bondholders in the event of default or failure on the part of the Authority to fulfill its covenants under the Indenture.

If an event of default shall have occurred and be continuing under the Indenture, the Trustee shall have the right, in the name of the Authority, or in the name of the Trustee, as the assignee and pledgee of all of the right, title and interest of the Authority, in and to the Sublease to enforce each and every right granted to the Authority under the Sublease.

Under the Indenture, in the event of any default therein, the Trustee may enforce and upon written request of the holders of 25% in principal amount of the Bonds then outstanding accompanied by indemnity as provided in the Indenture shall enforce, for the benefit of all Bondholders all their rights of entry, of bringing suit, action or proceeding at law or in equity and of having a receiver appointed. Neither the Trustee nor any receiver, however, may sell, assign, mortgage, or otherwise dispose of any assets of the Authority. For more complete statement of rights and remedies of the Bondholders and for limitations thereon, reference is made to the Indenture.

Neither the Trustee nor any receiver, however, may sell, assign, mortgage, or otherwise dispose of any assets of the Authority other than its right to receive lease rentals. For a more complete statement of rights and remedies of the Bondholders and of the limitations thereon, reference is made to the Indenture.

Annual Audit: The Authority covenants that it will keep proper books of record and account in which complete and correct entries shall be made of all transactions of the Authority and which, at all reasonable times, will be subject to the inspection of the Trustee or its representative duly authorized in writing. The Authority, within 120 days after the end of the fiscal year, will cause its books and accounts to be audited by an independent (as defined in the Indenture) certified public accountant or a firm of independent certified public accountants.

Modifications and Amendments: Amendments to the Indenture are permitted without consent of Bondholders for certain purposes, including the imposition of additional restrictions and conditions respecting the issuance of bonds, the addition of covenants and agreements by the Authority, the modification of the Indenture to conform the same with governmental regulations (so long as the rights of the Bondholders issued thereunder are not adversely affected thereby), the curing of any ambiguity, defect or inconsistency in the Indenture, and the making of provision for matters which are necessary or desirable and which do not adversely affect the interests of Bondholders. Certain other modifications may be made to the Indenture, but only with the consent of the Issuer and the owners of not less than 66 2/3% in principal amount of Outstanding Bonds (as defined in the Indenture) issued thereunder.

Insurance Provisions: Certain rights are granted under the Indenture to the bond insurer. These rights include, among others, the approval of amendments, consents in addition to bondholder consents, control and direction of remedies, receipt and copies of notices, and third-party beneficiary status.

Reserved Rights: Under the terms of the Indenture, the Authority has reserved the right to receive payment of any fees, costs and expenses from the Technical School and its right to indemnification by the Technical School. Such rights are not assigned to the Trustee.

Defeasance: Whenever all Bonds outstanding under the Indenture and all other sums due thereunder have been paid, or provision shall have been made for payment, then the rights, title and interest of the Trustee under the Indenture shall cease and the Trustee shall release and discharge the lien of the Indenture. Provision for payment of the Bonds may be made by depositing with the Trustee any combination of direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

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SOURCES OF PAYMENT FOR THE BONDS

Sublease Payments

The Bonds are limited obligations of the Authority, payable solely from (a) Rental Payments under the Sublease to the Authority from the Participating School Districts (the “Sublease Rentals”), (b) moneys derived from the investment of such Sublease Rentals; and (c) other receipts, revenues and moneys otherwise available to the Authority under the Indenture. **Neither the Authority nor the Technical School has any taxing power.**

The Sublease Rentals payable under the Sublease will be assigned to the Trustee. The Sublease Rentals are payable by the Participating School Districts. Under the Articles of Agreement, among the Participating School Districts, the Participating School Districts pay allocable shares of all capital and expenses related to the Technical School, including the Sublease Rentals. Under a covenant guaranty contained within the resolutions of Central Dauphin School District dated November 20, 2014, Derry Township School District dated November 10, 2014, Halifax Area School District dated November 11, 2014, Lower Dauphin School District dated November 17, 2014, Middletown Area School District dated November 24, 2014 and Susquehanna Township School District dated November 17, 2014, each of those Participating School Districts has covenanted to and with the holders and/or registered owners of the Bonds from time to time “Outstanding” under the Indenture, that it (i) shall include its proportionate share of the debt service on the Bonds payable in respect of the guaranty, for each fiscal year in which such sums shall be payable in its budget for that year, (ii) shall appropriate such amounts from its taxes and general revenues for payment to the Trustee of its obligations under the covenant of guaranty, and (iii) shall duly and punctually pay or cause to be paid from its sinking fund created for the purpose or any other of its revenues or funds the amounts payable in respect of such guaranty, at the dates and in the manner provided for under the covenant of guaranty. For such budgeting, appropriation and payment, each of the Participating School Districts has pledged, irrevocably, its full faith, credit and taxing power. The Pennsylvania Local Government Unit Debt Act provides that such a covenant shall be specifically enforceable. The covenant of guaranty shall remain in full force and effect until the principal of and interest on the Bonds has been paid or provisions therefore made the satisfaction of the Trustee.

See “DESCRIPTION AND ORGANIZATION OF THE DAUPHIN COUNTY TECHNICAL SCHOOL – Articles of Agreement” for information on the financial obligations of the Participating School Districts under the Articles of Agreement.

THE BONDS DO NOT PLEDGE THE GENERAL CREDIT OF THE AUTHORITY OR THE CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA. THE AUTHORITY AND THE TECHNICAL SCHOOL HAVE NO TAXING POWER.

Commonwealth Enforcement of Lease Rentals and Debt Service Payments

Section 785 of the School Code, as amended by Act No. 154, approved December 21, 1998, provides that if any school district fails to pay any rental payment due to the State Public School Building Authority in accordance with the terms of any lease entered into under the provisions of Section 785, the Secretary of Education shall withhold any state appropriations due such school district and pay over the amount so withheld to the Authority in payment of the rental.

The withholding provisions of Section 785 described above are no part of any contract with the registered owners of the Bonds and may be amended or repealed by future legislation. The effectiveness of Section 785 may be limited by the application of other withholding provisions contained in the School Code, such as provisions for withholding and paying over the appropriations for payment of unpaid teachers’ salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles effecting the enforcement of creditors’ rights generally. Nor can there be any assurance that any payments pursuant to such withholding provision will be made the date on which such payments are due to the bondholders.

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DESCRIPTION AND ORGANIZATION OF THE DAUPHIN COUNTY TECHNICAL SCHOOL

The purpose of the Technical School is to provide vocational or technical training and education for secondary school pupils, out-of-school youth, and adults within the Participating School Districts.

Under the restated Articles of Agreement, dated July 1, 2003, as amended July 1, 2006, replacing the Articles of Agreement made and executed July 1, 1965, and April 1, 1980 and restated and executed on July 1, 1983 (the "Articles of Agreement") which comply with Act No. 579 of the General Assembly of the Commonwealth of Pennsylvania approved June 21, 1965, the Participating School Districts established and provided for the method of operation of the Technical School and for the allocation of payments between the Participating School Districts represented by the debt service on certain bonds as lease rental payments and the guaranty thereof.

The Boards of School Directors of all of the member School Districts, collectively, pursuant to the Articles of Agreement constitute the Joint School Board (the "Joint School Board"), which constitutes the governing body of the School. The Joint School Board consists of each of the members of the Board of School Directors of the six Participating School Districts. The Joint Operating Committee is comprised of two school board representatives from each of the six member school districts: Central Dauphin School District, Derry Township School District, Halifax Area School District, Lower Dauphin School District, Middletown Area School District and Susquehanna Township School District, to supervise, manage and operate the School, except for such duties as are reserved to be exercised by the Joint School Board.

The governing body of the Technical School is a Board consisting of each of the nine (9) members of the Board of Directors of each of the six (6) member School Districts. Each of the School Districts participating in the Dauphin County Technical School appoints members of the Joint Operating Committee ("JOC"), which is responsible for operational matters properly delegated to such Committees under the terms of the School Code of Pennsylvania. The members are appointed each December to serve for one (1) year. Officers of the JOC are elected by vote of its members. The members of the JOC, the School Districts they represent and their offices are set forth below:

<u>Name</u>	<u>Appointing School District</u>	<u>Office</u>
Brian Faleshock	Central Dauphin School District	Chairperson
Newton Davis	Middletown Area School District	Vice-Chairperson
Brian Shiflett	Derry Township School District	Treasurer
William Roberts, Jr	Central Dauphin School District	Member
Julie Neal	Derry Township School District	Member
Hara Frank	Halifax Area School District	Member
Ricky Grosser	Halifax Area School District	Member
Todd Kreiser	Lower Dauphin School District	Member
Keith Oellig	Lower Dauphin School District	Member
Pamela Price	Middletown Area School District	Member
Jesse Rawls, Sr.	Susquehanna Township School District	Member
Kathy DelGrande	Susquehanna Township School District	Member
Linda Hammaker	Dauphin County Technical School	Secretary*

*Non-member

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Articles of Agreement

Certain provisions of the Articles of Agreement and relevant bond documents include:

Annual Operating Budget: The Technical School shall be within the limits of the annual operating budget adopted by the Dauphin County Technical School Joint Board and the School Boards. On or before July 1st of each year, a copy of the adopted budget for the ensuing fiscal year shall be submitted to the Department for its approval.

Joint Committee: This Committee shall be composed of two members from each of the School Boards, to be elected by the individual School Boards, at their annual December meeting and to serve a term of one year each. The terms of each of the members from a Participating School District shall be staggered so that one member shall be elected each December.

Special Committees: The Committee may be appointed by the Joint Committee. However, when such a committee makes a final report, it shall be discharged. A Special Committee shall not have any supervisory authority and shall report on to the Joint Committee. Standing Committees shall be created only by the action of the Joint Committee and their composition shall be similarly determined by the Joint Committee.

Lease Debt: All lease debt payable shall be borne by the Participating School Districts, payable from their current revenues, in the proportion which the market value of taxable real property in each Participating School Districts bears to the total market valuation of the taxable real property in all of the Participating School Districts. The market valuation shall be those certified by the State Tax Equalization Board (“STEB”) during the preceding school year.

Prorating of Operating Expenses: The current General Fund operating expenditures of the Technical School shall be borne by the Participating School Districts in proportionate shares according to the average of the last five year average daily membership (“ADM”) of the pupils in the Technical School from each Participating School District, computed at the end of the school year. In addition, major capital expenditures, which are categorized in Function code 4000 of the accounting records, shall be borne by the Participating School Districts in proportionate share according to the most current STEB market value.

Payment of Operating Expenses by the Participating School Districts: Beginning July 1, 1999, each Participating School District shall make payment of their share of operating expenses once every month by the 15th day of the month. The amount shall be based on the Participating School District’s share of the operating budget for that fiscal year divided by 12 months. Prior to the start of the fiscal year, the Technical School shall forward to each district a schedule of payments and due dates. Upon completion of the Annual Local Auditor’s Report and calculation of the actual ADM for the last fiscal year, each Participating School District’s actual share of the operating expenditures shall be determined. This amount shall be reconciled to the payments made. In July of the subsequent fiscal year refunds of overpayment or payment for shortfalls will be made to or by each Participating School District, with consideration of the amount of fund balance the Technical School must maintain.

The following 25 State-approved career & technical programs and related educational services exist at the Technical School:

AUTOMOTIVE TECHNOLOGY CLUSTER	ART & TECHNOLOGY CLUSTER
Automotive Technology	Advertising Art & Design
Collision & Refinishing Technology	Drafting & Design Technology
Diesel Technology	Electronics Technology
Outdoor Power Equipment	Graphic Arts
Precision Metals	Information Systems Technology
	Web Development & Design
SERVICE CLUSTER	CONSTRUCTION CLUSTER
Child Care Provider/Assistant	Building Construction Technology
Cosmetology	Carpentry
Culinary Arts	Electrical Construction & Maintenance
Medical Assistant	Heating, Ventilation & Air Conditioning
Medical Occupations Technology	Masonry
Law Enforcement	Ornamental Horticulture
Retail Marketing & Sales	
Veterinary Assistant	

SCHOOL FINANCES

Introduction

The Technical School budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Director and Business Manager and submitted to the Joint Operating Committee and the School Boards for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The Technical School's financial statements are audited annually by an independent certified public accountant, as required by Commonwealth law. Trout, Ebersole & Groff LLP of Harrisburg, Pennsylvania currently serves as the Technical School's auditor.

The Technical School's auditor has not been engaged to perform, and has not performed, since the date of its Audit which can be found in Appendix J, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

Summary and Discussion of Financial Results

Table 1 below shows the Technical School's Combined Balance Sheet, Table 2 on the following page shows Changes in Fund Balance and revenues and expenditures for recent years, and the Technical School's summary of the budget for the 2014-15 school year.

**TABLE 1
DAUPHIN COUNTY TECHNICAL SCHOOL
COMBINED BALANCE SHEET**

<u>ASSETS</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Cash and Cash Equivalents	\$1,313,220	\$2,070,724	\$3,046,772	\$4,098,141	\$3,379,157
Investments	0	0	0	0	0
Prepaid Expenses	137,404	42,405	10,523	13,163	39,548
Due from Other Governments	298,897	390,883	808,577	1,012,477	957,982
Other Receivables	5,644	230,021	398,278	238,322	5,128
TOTAL ASSETS	<u>\$1,755,165</u>	<u>\$2,734,033</u>	<u>\$4,264,150</u>	<u>\$5,362,103</u>	<u>\$4,381,815</u>
<u>LIABILITIES</u>					
Due to Other Funds	\$113,925	\$132,499	\$134,452	\$163,759	\$143,127
Due to Other Governments	392,890	491,500	1,139,391	2,056,248	1,026,853
Accounts Payable	300,103	299,549	302,174	297,495	295,807
Accrued Salaries and Benefits	151,347	196,383	110,070	65,775	104,928
Deferred Revenues	14,123	2,462	34,408	22,656	4,880
Other Current Liabilities	17,146	11,934	12,748	13,712	14,220
TOTAL LIABILITIES	<u>\$989,534</u>	<u>\$1,134,327</u>	<u>\$1,733,243</u>	<u>\$2,619,645</u>	<u>\$1,589,815</u>
<u>FUND EQUITIES</u>					
Non-spendable	\$0	\$42,405	\$10,523	\$13,163	\$39,548
Committed	0	1,567,657	2,502,822	2,669,922	2,687,115
Assigned	765,631	32,049	28,085	72,536	104,885
Unassigned	0	(42,405)	(10,523)	(13,163)	(39,548)
TOTAL FUND EQUITIES	<u>\$765,631</u>	<u>\$1,599,706</u>	<u>\$2,530,907</u>	<u>\$2,742,458</u>	<u>\$2,792,000</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$1,755,165</u>	<u>\$2,734,033</u>	<u>\$4,264,150</u>	<u>\$5,362,103</u>	<u>\$4,381,815</u>

Source: Technical School Audits.

TABLE 2
DAUPHIN COUNTY TECHNICAL SCHOOL
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE*
(Fiscal Years Ending June 30)

REVENUES:	Actual					Budget
	2010	2011	2012	2013	2014	2015 ⁽¹⁾
Local Sources:						
Receipts from Member School Districts.....	\$10,792,289	\$10,732,485	\$9,749,658	\$8,595,539	\$9,040,234	\$9,964,384
Interest - Earnings on Investments	26,225	13,628	10,276	23,764	26,413	20,000
Tuition	307,535	525,688	2,016,913	2,768,226	3,260,026	3,373,758
Other Revenue	452,245	652,208	665,329	505,669	402,704	353,694
Total Local Sources	\$11,578,294	\$11,924,009	\$12,442,176	\$11,893,198	\$12,729,377	\$13,711,836
State Sources	\$1,130,956	\$1,289,998	\$1,287,108	\$1,530,961	\$1,815,651	\$1,775,423
Federal Sources	\$387,351	\$406,048	\$369,245	\$697,036	\$577,514	\$0
TOTAL REVENUES	\$13,096,601	\$13,620,055	\$14,098,529	\$14,121,195	\$15,122,542	\$15,487,259
EXPENDITURES:						
Current:						
Instruction	\$7,669,504	\$8,064,079	\$8,037,150	\$8,721,777	\$9,236,586	\$9,656,321
Support Services	3,421,372	3,438,975	3,271,226	3,570,259	3,787,801	3,826,522
Operation and Maintenance of Plant Services	1,723,252	1,749,945	1,768,641	1,733,086	1,961,838	1,977,775
Operation of Non-instructional Services	35,363	35,796	26,311	48,054	41,628	47,494
Budgetary Reserve	0	0	0	0	0	134,000
Total Current	\$12,849,491	\$13,288,795	\$13,103,328	\$14,073,176	\$15,027,853	\$15,642,112
Debt Services:						
Principal	\$0	\$0	\$0	\$23,242	\$36,529	\$36,529
Interest and Fiscal Charges	0	0	0	6,856	8,618	8,618
Total Debt Services	0	0	0	30,098	45,147	45,147
TOTAL EXPENDITURES	\$12,849,491	\$13,288,795	\$13,103,328	\$14,103,274	\$15,073,000	\$15,687,259
SURPLUS (DEFICIT) OF						
REVENUES OVER EXPENDITURES	\$247,110	\$331,260	\$995,201	\$17,921	\$49,542	\$200,000
OTHER FINANCING USES						
Interfund Transfers.....	(\$89,821)	(\$1,189)	(\$313)	\$0	\$0	\$0
Proceeds from Capital Lease	0	454,492	(63,687)	193,630	0	0
NET CHANGES IN FUND BALANCES.	\$157,289	\$784,563	\$931,201	\$211,551	\$49,542	\$200,000
FUND BALANCES						
Beginning.....	\$608,342	\$765,631	\$1,599,706	\$2,530,907	\$2,742,458	\$2,792,000
Change in Accounting Principal)	0	49,512 ⁽²⁾	0	0	0	0
Ending.....	\$765,631	\$1,599,706	\$2,530,907	\$2,742,458	\$2,792,000	\$2,592,000

*Totals may not add due to rounding.

⁽¹⁾Budget as adopted May 14, 2014.

⁽²⁾Adoption of GASB No. 54, *Fund Balance Reporting and Governmental Type Definitions*, effective July 1, 2010. Reflects an adjustment to beginning fund balance which represents the June 30, 2010 fund balance for the adult education fund.

Source: Technical School Audits and Budget.

LABOR RELATIONS

There are presently 162 full-time employees of the Technical School, including 97 teachers and 12 administrators, and 53 support personnel. The support personnel include secretaries, custodial staff, cafeteria staff, maintenance staff, teacher's aids, and business supervision.

The Technical School's full-time teachers are represented by the Dauphin County Area Vocational Technical School Education Association, an affiliate of the Pennsylvania State Educational Association ("PSEA"), under a contract which will expire June 30, 2017. The Technical School's support staff is represented by a collective bargaining unit, under a contract which expires June 30, 2017.

Pension Program

Technical Schools in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). All of the Technical School'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. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

The Public School Employees Retirement System (PSERS) Board of Trustees certified an annual employer contribution rate of 25.84% for fiscal year 2015-16, which begins on July 1, 2015. This marks the fifth year of planned increases in the employer contribution rate under Act 120 of 2010 which are needed to raise the rate to the actuarially required level.

The 25.84% employer contribution rate is composed of 0.84% for health insurance premium assistance and a pension rate of 25.00%. The pension component of the rate was capped at a 4.50% increase from the previous year. The rate caps established under Act 120 of 2010 remain in effect for the next fiscal year and continue to suppress the pension rate and underfund the System. Based on current projections, fiscal year 2015-16 would be the last fiscal year the rate collars will be in place. Total employer contributions of \$3.45 billion are estimated in 2015-16. The commonwealth reimburses school employers for not less than 50% of the total employer contribution rate. The Technical School is current in all payments and contributions for the Technical School are as follows:

2010-11	\$ 411,632
2011-12	596,610
2012-13	872,676
2013-14	1,240,628
2014-15 (Budget)	1,664,649

PSERS is also funded through investment earnings and mandatory member contributions. Investment earnings are the largest source of funding for PSERS. For the most recent fiscal year ended June 30, 2014, PSERS' investments added over \$7.1 billion in net investment income to the fund. PSERS members contribute from 5.25% to 10.30% of pay depending on their membership class and when they joined PSERS. Members will contribute an average of 7.49% or approximately \$1 billion in 2015-16.

Source: Pennsylvania School Board Association at www.PSBA.org and PSERS at www.PSERS.state.pa.us

Other Post-Employment Benefits (OPEB)

Effective July 1, 2009, the Technical School adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The financial statements reflect a long-term liability of \$222,138.

The Technical School maintains a single employer defined benefit plan to provide postemployment health care benefits to School employees who, in most cases, have retired with at least ten years of Technical School service and are eligible for retirement benefits with PSERS. Such benefits are available to retirees and retiree dependents until the retired employee reaches age 65, provided the retired employee provides payment equal to the premium determined for the purpose of COBRA.

The plan is governed by the Technical School, which may amend the benefit provisions and contribution requirements, subject to collective bargaining where applicable.

For further details regarding *Funding Policy, Annual OPEB Cost and Net OPEB Obligation, Funding Status and Funding Progress, Actuarial Methods and Assumptions* see NOTES TO FINANCIAL STATEMENTS – Note 13 – Other Post-Employment Benefits – Healthcare, in the Technical School's accompanying Audit Report which can be found in Appendix J.

**TABLE 3
DAUPHIN COUNTY TECHNICAL SCHOOL
DEBT SERVICE REQUIREMENTS***

<u>Year</u>	<u>Series</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	
2014-15	\$0	\$50,647	\$50,647	\$50,647
2015-16	0	675,288	675,288	675,288
2016-17	205,000	674,621	879,621	879,621
2017-18	1,055,000	658,130	1,713,130	1,713,130
2018-19	1,095,000	620,405	1,715,405	1,715,405
2019-20	1,135,000	583,480	1,718,480	1,718,480
2020-21	1,170,000	545,055	1,715,055	1,715,055
2021-22	1,220,000	491,155	1,711,155	1,711,155
2022-23	1,285,000	428,530	1,713,530	1,713,530
2023-24	1,350,000	362,655	1,712,655	1,712,655
2024-25	1,425,000	293,280	1,718,280	1,718,280
2025-26	1,475,000	240,324	1,715,324	1,715,324
2026-27	1,515,000	203,676	1,718,676	1,718,676
2027-28	1,550,000	163,435	1,713,435	1,713,435
2028-29	1,595,000	120,180	1,715,180	1,715,180
2029-30	1,640,000	74,275	1,714,275	1,714,275
2030-31	1,690,000	25,350	1,715,350	1,715,350
Total	\$19,405,000	\$6,210,485	\$25,615,485	\$25,615,485

*Totals may not add due to rounding.

Future Financing

The Technical School does not anticipate issuance of additional (non-refunding) long-term debt in the next 3 years.

INFORMATION REGARDING THE PARTICIPATING SCHOOL DISTRICTS

Reference is made to Appendix A, B, C, D, E and F for information concerning each of the Participating School Districts.

TECHNICAL SCHOOL CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c-12 (the “Rule”) promulgated by the Securities and Exchange Commission (“SEC”), and the Resolution, adopted by the JOC on October 8, 2014 authorizing issuance of the Bonds, the Technical School and each of the Participating School Districts, will execute and deliver a written continuing disclosure obligation with respect to the Bonds. See the form of the Continuing Disclosure Certificate (the “Certificate”) in Appendix I to this Official Statement.

Under the terms of the Certificate, the Technical School and Participating School Districts will undertake to file with the MSRB financial and other information concerning the Technical School and Participating School Districts (annual audited financial statements and annual budget (as and when available) and notice of certain events affecting the Technical School and Participating School Districts). The Participating School Districts will provide financial information to the Technical School for filing with the MSRB. The Technical School and the Participating School District’s obligations with respect to continuing disclosure shall terminate upon the prior redemption or payment in full of all of the Bonds.

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 “Participating persons” with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

Continuing Disclosure Filing History

The Technical School has previously entered into a Continuing Disclosure Agreement with respect to its previously issued bond issue currently outstanding. The Technical School’s filing history of its annual financial and operating information during the past five (5) years is outlined in the table below.

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Budget	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	12/21/2010	ER388240	12/21/2010	ER388240
6/30/2011	12/27/2011	1/4/2012	ER474203	12/14/2012	ER474203
6/30/2012	12/27/2012	11/19/2012	EA424391	12/14/2012	EA424391
6/30/2013	12/27/2013	11/18/2013	EP624926	9/18/2013	ER572264
6/30/2014	12/27/2014	11/6/2014	ER653007	7/24/2014	EA521568

Notes

^[1] For these purposes, assumes the shortest filing deadline of the Technical School’s previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

Based on the information above, the Technical School’s annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2010, the Technical School filed its financial statements and budget in timely manner.

For fiscal year ending June 30, 2011, the Technical School filed its budget in a timely manner. It filed its financial statements on January 4, 2012.

For fiscal year ending June 30, 2012, the Technical School filed its financial statements and budget in timely manner.

For fiscal year ending June 30, 2013, the Technical School filed its financial statements and budget in timely manner.

For fiscal year ending June 30, 2014, the Technical School filed its financial statements and budget in timely manner.

Failure to Provide Annual Financial Information

As outlined in the table above, the Technical School failed to provide certain annual financial information in a timely manner, on one occasion, during the past (5) five years. The Technical School filed a “Failure to Provide Annual Financial Information” notice to EMMA on January 6, 2015.

Bond Insurance Rating Downgrades and Upgrades by S&P and/or Moody's

Some of the Technical School's bond issues that have been outstanding during the past five (5) years have been insured by various bond insurance companies that have received rating downgrades and upgrades by both S&P and Moody's. This information was publicly available from widely accepted information sources at the time of their respective downgrades or upgrades. For informational purposes, the Technical School has recently filed a summary of rating upgrades and downgrades relating to certain bond insurance companies.

Moody's Global Rating Scale Recalibration

Certain bond issues of the Technical School received rating changes from Moody's Investors Service on April 23, 2010 as a result of the Global Rating Scale Recalibration by Moody's Investors Service. For informational purposes, the School District has recently filed a notice of these rating changes relating to the Global Ratings Scale Recalibration. This information was widely disseminated at the time of the rating change and was publicly available from other public information sources.

Pennsylvania Act 150 School District Intercept Program Enhanced Rating Downgrade July 2012

Certain bond issues of the Technical School received an enhanced rating downgrade from "Aa3" to "A1" from Moody's Investors Service on July 17, 2012 as a result of the downgrade of Pennsylvania Act 150 School District Intercept Program; however, a Notice of Material Event was not posted to EMMA by the Technical School until January 6, 2015.

Underlying Rating Upgrade

The Technical School received an underlying rating upgrade from "A2" to "A1" from Moody's Investors Service on March 12, 2013 however, a Notice of Material Event was not posted to EMMA by the Technical School until January 6, 2015.

Future Continuing Disclosure Compliance

The Technical School has conducted a thorough review of its continuing disclosure obligations and submissions. Upon discovering any inadvertent omissions with respect to these filings, the Technical School, to the best of its knowledge, has attempted to bring its continuing disclosure filings up to date.

In an effort to augment the Technical School's procedures and policies to maintain future compliance, the Technical School has taken additional steps intended to assure future compliance with its Continuing Disclosure Agreements. These steps include implementing the MSRB's EMMA's internal notification system whereby the Technical School will receive timely email reminders a month in advance for all of the Technical School's annual disclosure filings and coordinating with the Technical School's financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the Technical School's business office will be responsible for ensuring ongoing continuing disclosure compliance. Members of the Technical School's business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The Technical School may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The Technical School may also communicate with its local auditor and advise of the Technical School's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the Technical School will file to EMMA, if available, its State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available.

TAX EXEMPTION AND OTHER TAX MATTERS

Federal Income Tax Matters

On the date of delivery of the Bonds, Rhoads & Sinon LLP, Harrisburg, Pennsylvania, as Bond Counsel to the Authority, will issue an opinion to the effect that under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but that in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. This opinion of Bond Counsel will assume the accuracy of certifications made by the Authority and will be subject to the condition that the Authority will comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. See the proposed text of the Opinion of Bond Counsel appended to this Official Statement. The Authority has covenanted to comply with all such requirements, which include, among others, restrictions upon the yield at which proceeds of the Bonds and other money held for the payment of the Bonds and deemed to be "proceeds" thereof may be invested and the requirement to calculate and rebate any arbitrage that may be generated with respect to investments allocable to the Bonds. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than the stated redemption price of such Bonds at maturity (that is, at less than par or the stated principal amount), the difference being "original issue discount". Generally, original issue discount accruing on a tax-exempt obligation is treated as interest excludable from gross income for federal income tax purposes. In addition, original issue discount that has accrued on a tax-exempt obligation is treated as an adjustment to the issue price of the obligation for the purpose of determining taxable gain upon sale or other disposition of such obligation prior to maturity. The Internal Revenue Code of 1986, as amended, provides specific rules for the accrual of original issue discount on tax-exempt obligations for federal income tax purposes. Prospective purchasers of Bonds being sold with original issue discount should consult their tax advisors for further information.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain subchapter S corporations with substantial passive income and Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion as to such collateral tax consequences, and prospective purchasers of the Bonds should consult their tax advisors.

No representation is made or can be made by the Authority or any other party associated with the issuance of the Bonds as to whether or not any legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to inclusion in gross income for Federal income tax purposes or so as to otherwise affect the marketability or market value of the Bonds. Enactment of any legislation that subjects the interest on the Bonds to inclusion in gross income for federal income tax purposes or otherwise imposes taxation on the Bonds or the interest paid thereon may have an adverse effect on the market value or marketability of the Bonds.

Changes in Federal Tax Laws

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Pennsylvania Tax Matters

On the date of delivery of the Bonds, Bond Counsel will issue an opinion to the effect that under the laws of the Commonwealth of Pennsylvania (the “Commonwealth”) as presently enacted and construed, the Bonds are exempt from personal property taxes within the Commonwealth and the interest on the Bonds is exempt from the Commonwealth’s Personal Income Tax and the Commonwealth’s Corporate Net Income Tax. See the proposed text of the Opinion of Bond Counsel appended to this Official Statement.

Profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to state and local taxation within the Commonwealth, in accordance with Pennsylvania Act No. 1993-68.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than their stated redemption price at maturity (that is, at an “original issue discount”). For Pennsylvania Personal Income Tax purposes, original issue discount on publicly offered obligations is treated under current regulations of the Pennsylvania Department of Revenue as interest and, for purposes of determining taxable gain upon sale or other distribution of an obligation, the interest on which is exempt from income taxation by the Commonwealth, as an adjustment to basis. For Pennsylvania Corporate Net Income Tax purposes, original issue discount is to be accorded similar treatment, according to a Private Letter Ruling issued by the Office of the Chief Counsel of the Pennsylvania Department of Revenue dated December 2, 1993, but such Private Letter Ruling may be relied upon only by the taxpayer to whom it was addressed.

Prospective purchasers of Bonds issued with original issue discount should consult their tax advisors for further information and advice concerning the reporting of profits, gains or other income related to a sale, exchange or other disposition of such Bonds for Pennsylvania tax purposes.

No representation is made or can be made by the Authority, or any other party associated with the issuance of the Bonds, as to whether or not any legislation now or hereafter introduced and enacted in the Commonwealth will be applied, either prospectively or retroactively, so as to subject interest on such Bonds to taxation in the Commonwealth or so as to otherwise affect the marketability or market value of such bonds. Enactment of any legislation that subjects the interest on such bonds to state or local taxes in the Commonwealth or otherwise imposes taxation on such Bonds may have an adverse effect on the market value or marketability of such bonds.

Federal Income Tax Interest Expense Deductions for Financial Institutions

Under the Internal Revenue Code of 1986, as amended (the “Code”), financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the disallowance is provided for certain tax-exempt obligations that are designated or “deemed designated” by the issuer as “qualified tax-exempt obligations” under Section 265 of the Code.

*The Bonds have **not** been designated as a “qualified tax-exempt obligation” for purposes and effect contemplated by Section 265 of the Code (relating to expenses and interest relating to tax-exempt income of certain financial institutions).*

Financial institutions intending to purchase Bonds should consult with their professional tax advisors to determine the effect of the interest expense disallowance on their federal income tax liability.

LITIGATION

There is no controversy, investigation or litigation of any nature now pending or, to the knowledge of the Technical School or the Authority, threatened against the Technical School or the Authority, which seeks to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contest or affects the validity of the Bonds, the Indenture, the Lease, Sublease, or the pledge or application of any moneys or security provided for the payment of the Bonds, or contesting the existence of the Technical School or the Authority or their authority to undertake the Project.

RATING

Moody’s Investors Service has assigned its underlying rating of “Aa3” and its enhanced rating of “A1” to the Bonds. Such ratings reflect only the view of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Boenning & Scattergood, Inc. (the "Underwriter") has agreed to purchase the Bonds from the Authority, subject to certain conditions precedent, and will purchase the Bonds if any of such Bonds are purchased. The Bonds will be purchased for a purchase price of \$ 20,522,927.15, equal to the par amount of the Bonds less an underwriter's discount of \$118,370.50 plus a net original issue premium of \$1,236,297.65, plus accrued interest, if any from the dated date of the Bonds to the date of delivery of the Bonds.

LEGAL OPINION

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Rhoads & Sinon, LLP, Harrisburg, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the Authority by its Counsel, Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania. Certain other legal matters will be passed upon by P. Daniel Altland, Attorney-At-Law, of Mechanicsburg, Pennsylvania, Solicitor to the Technical School.

FINANCIAL ADVISOR

The Authority has retained Public Financial Management, Inc. of Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. 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. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Official Statement has been prepared under the direction of the Authority and the Technical School by Public Financial Management, Inc., Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the Authority and the Technical School. The information set forth in this Official Statement has been obtained from the Authority, the Technical School, the Participating School Districts and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Indenture, the Sublease and the Lease and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the Authority or the Financial Advisor upon request. The information assembled in this Official Statement is not to be construed as a contract with holders of the Bonds.

The Authority has authorized the distribution of this Official Statement.

The Authority has no responsibility for the Technical School or Participating School District's compliance with the Continuing Disclosure Agreement or for the contents of, or any omissions from, the financial information or notices provided thereunder.

The Authority has not assisted in the preparation of this Official Statement, except for the statements under the section captioned "THE AUTHORITY" and "LITIGATION" herein and, except for that section, the Authority is not responsible for any statements made in this Official Statement. Except for the authorization, execution and delivery of documents required to effect the issuance of the Bonds, the Authority has not otherwise assisted in the public offer, sale or distribution of the Bonds. Accordingly, except as aforesaid, the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

By: /s/ Robert Baccon
Executive Director

Approved:

DAUPHIN COUNTY TECHNICAL SCHOOL

By: /s/ Brian Faleshock
Chairman

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APPENDIX A

**CENTRAL DAUPHIN SCHOOL DISTRICT
Descriptive, Financial and Economic Information**

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THE SCHOOL DISTRICT

Introduction

The Central Dauphin School District is located in Dauphin County (the “County”), adjacent to the City of Harrisburg, the Capitol of the Commonwealth of Pennsylvania. The School District encompasses an area of 118.2 square miles in Dauphin County and is comprised of three boroughs and four townships: the Boroughs of Dauphin, Paxtang and Penbrook, and the Townships of Lower Paxton, Middle Paxton, Swatara and West Hanover. The area is characterized as a residential suburb with substantial commercial development. The 2010 population of the School District, according to the U.S. Census Bureau, is 90,401 persons.

Organization and Administration

Pursuant to the provisions of the School District Reorganization Law (Act 299 of the General Assembly of the Commonwealth, approved August 8, 1963, P.L. 564), school districts in Pennsylvania were required to reorganize effective July 1, 1966. The former school districts of the Boroughs of Dauphin, Paxtang and Penbrook and the Townships of Lower Paxton, Middle Paxton, Swatara and West Hanover formed the Central Dauphin School District. The Central Dauphin School District assumed all rights and obligations of the former school districts.

The School District is governed by a board of nine School Directors (the “School Board”) who are residents within the School District and who are elected for four-year terms on a staggered basis. The daily operations and management of the School District are performed by a central administrative staff which is led by the School District Superintendent who is appointed by the School Board. The Superintendent is supported by a Board Secretary, Assistant Superintendent for Finance and Administrative Operations and Assistant Superintendent of Academics, which are further supported by coordinators and supervisors in specialty fields.

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School Building Facilities

The School District presently operates thirteen elementary school buildings, four middle school buildings and two high school buildings. An inventory of existing facilities is listed as follows:

**TABLE A-1
CENTRAL DAUPHIN SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition / Renovation Date (s)	Grades Housed	Rated Pupil Capacity	2014-15 Enrollment
Elementary:					
Chambers Hill.....	1959	1966/78/96	K-5	189	225
Lawnton.....	1928	1950/59/90	K-5	308	235
Linglestown.....	1954	1956/76/95	K-5	649	386
Middle Paxton.....	1990	---	K-5	500	306
Mountain View.....	1963	1994	K-5	500	377
North Side.....	1958	1966/85/95	K-5	649	599
Paxtang.....	1973	1999	K-5	288	243
Paxtonia.....	1956	1963/84/95	K-5	640	643
E.H. Phillips.....	1954	1954/77/96	K-5	379	338
Rutherford.....	1997	---	K-5	600	422
South Side.....	1958	1966/79/95	K-5	770	635
Tri-Community.....	1971	1999	K-5	460	397
West Hanover.....	1951	1963/2008	K-5	428	470
Elementary Totals:				6,360	5,276
Secondary:					
Central Dauphin Middle School.....	1954	1971/83/2008	6-8	1,378	726
Central Dauphin East Middle School....	1963	1980/2008	6-8	1,054	653
Central Dauphin East High School.....	1961	1971/80/91/92/2004	9-12	2,183	1,357
Central Dauphin High School.....	2004	---	9-12	2,311	1,672
Linglestown Middle School.....	1974	2008	6-8	911	701
Swatara Middle School.....	1927	1956/83/92/03/2008	6-8	1,032	565
Secondary Totals:				8,869	5,674
Grand Total:				15,229	10,950

Source: School District officials.

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Student Enrollments

Student enrollment trends for the School District are illustrated by the following five-year record of actual enrollments and projection of future enrollments, as reported by the School District’s Administrative officials.

**TABLE A-2
CENTRAL DAUPHIN SCHOOL DISTRICT
ENROLLMENT TRENDS**

Actual Enrollments ⁽¹⁾				Projected Enrollments ⁽²⁾			
School Year	Elementary	Secondary	Total	School Year	Elementary	Secondary	Total
2010-11	4,912	5,707	10,619	2015-16	5,485	5,727	11,212
2011-12	5,023	5,588	10,611	2016-17	5,604	5,796	11,400
2012-13	5,079	5,641	10,720	2017-18	5,692	5,892	11,584
2013-14	5,190	5,638	10,828	2018-19	5,784	6,036	11,820
2014-15	5,674	5,276	10,950	2019-20	5,726	6,108	11,834

⁽¹⁾ Actual Enrollments are as of October 1, 2014. Actual Enrollments are expected to increase as the school year progresses.

⁽²⁾ Excludes students in full-time out-of-district special education, comprehensive AVTSs, charter schools, state-owned schools, consortium-operated alternative high schools, and juvenile correctional institutions.

Source: Central Dauphin School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Assistant Superintendent for Finance and Administrative Operations submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

The School District utilizes the modified accrual basis of accounting under which expenditures other than interest on long term debt are recorded when incurred and revenues are recorded as received in cash unless susceptible to accrual. The School District’s financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. Zelenkofske Axelrod LLC of Harrisburg, Pennsylvania currently serves as the auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of its Audit which can be found at <http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=ER661363>, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

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

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

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days of the receipt of the information about the preliminary budget, 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 PDE 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 PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

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

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Summary and Discussion of Financial Results

A summary of the School District's General Fund balance sheet and changes in fund balances are presented in Tables A-3 and A-4. Table A-5 shows revenues and expenditures for the past five years and the 2014-15 budget. The budget for the 2014-15 school year, as adopted June 23, 2014, projected revenue of \$167,569,364 and expenditures of \$168,236,147.

**TABLE A-3
CENTRAL DAUPHIN SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
Cash and Cash Equivalents	\$18,967,218	\$9,139,456	\$10,345,677	\$15,342,394	\$10,933,834
Investments	2,315,547	12,901,754	12,975,130	13,049,611	12,737,767
Taxes Receivable	2,604,738	2,579,848	2,622,293	11,988,639	2,963,208
Due from other funds	2,755,885	1,230,775	1,123,011	1,052,472	1,235,714
Due from Intergovernmental	9,250,040	13,690,801	9,420,229	2,329,490	10,275,140
Other Receivables	820,487	536,244	429,530	751,116	688,488
Inventories	252,145	203,798	180,404	175,211	156,651
TOTAL ASSETS	<u>\$36,966,060</u>	<u>\$40,282,676</u>	<u>\$37,096,274</u>	<u>\$44,688,933</u>	<u>\$38,990,802</u>
LIABILITIES AND FUND EQUITIES					
Accounts Payables	\$ 2,886,437	\$ 4,425,415	\$ 4,293,236	\$ 4,049,243	\$3,555,776
Due to other funds	0	143,330	181,432	5,659,547	1,539,522
Accrued Salaries and Benefits	9,957,043	10,106,626	8,126,891	8,261,497	9,017,401
Payroll Deducts & Withholdings	1,206,451	1,307,827	1,838,102	2,501,682	3,330,746
Deferred income	1,841,722	2,085,500	1,933,568	2,349,321	2,398,519
TOTAL LIABILITIES	<u>\$15,891,653</u>	<u>\$18,068,698</u>	<u>\$16,373,229</u>	<u>\$22,821,290</u>	<u>\$19,841,964</u>
FUND EQUITIES					
Non-spendable Fund Balance	\$ 252,145	\$ 203,798	\$ 180,404	\$ 175,211	\$156,651
Committed Fund Balance	16,790	6,186,009	6,186,009	6,186,009	6,186,009
Assigned Fund Balance	8,446,009	4,000,000	4,000,000	4,000,000	4,000,000
Unassigned Fund Balance	12,359,413	11,824,171	10,356,632	11,506,423	8,806,178
TOTAL FUND EQUITIES	<u>\$21,074,357</u>	<u>\$22,213,978</u>	<u>\$20,723,045</u>	<u>\$21,867,643</u>	<u>\$19,148,838</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$36,966,010</u>	<u>\$40,282,676</u>	<u>\$37,096,274</u>	<u>\$44,688,933</u>	<u>\$38,990,802</u>

Source: School District Annual Financial Reports.

**TABLE A-4
CENTRAL DAUPHIN SCHOOL DISTRICT GENERAL FUND*
SUMMARY OF CHANGES IN FUND BALANCE
(Years Ending June 30)**

	<u>Actual</u>					<u>Budget</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>
Beginning Fund Balance	\$12,817,677	\$21,074,356	\$22,213,979	\$20,723,045	\$21,867,643	\$19,148,836
Revenues over (under) Expenditure ..	8,256,680	1,156,413	803,290	1,144,594	(2,718,807)	(666,783)
Prior Period Adjustment	0	(16,791)	(2,294,224)	4	0	0
Ending Fund Balance	<u>\$21,074,356</u>	<u>\$22,213,979</u>	<u>\$20,723,045</u>	<u>\$21,867,643</u>	<u>\$19,148,836</u>	<u>\$18,482,053</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 23, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

Revenue

The School District received \$183,214,343 in revenue in 2013-14 and has budgeted revenue of \$167,569,364 in 2014-15. Local sources contributed a decreasing share of total revenue in the past five years, from 73.0 percent in 2009-10 to 65.9 percent 2013-14. Revenue from Commonwealth sources contributed a decreasing share of total revenue from 21.8 percent to 20.3 percent over this period. Federal and other revenue increased from 1.5 percent to 12.6 percent during the period.

**TABLE A-5
CENTRAL DAUPHIN SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(For years ending June 30)**

REVENUE:	2010	2011	Actual 2012	2013	2014	Budget 2015⁽¹⁾
Local Sources:						
Real Estate Taxes.....	\$69,217,433	\$70,265,086	\$70,181,853	\$73,334,773	\$73,951,360	\$74,731,440
Interim Real Estate.....	303,969	420,214	241,284	305,751	411,224	300,000
Total Act 511 Taxes.....	31,167,710	36,246,710	37,815,863	39,984,222	37,280,213	37,710,324
Payment in Lieu of Taxes.....	47,780	47,393	44,610	46,265	45,877	47,000
Public Utility Realty Tax.....	150,842	149,046	145,833	146,289	137,574	146,000
Delinquency on Taxes Levied.....	3,473,406	3,097,810	3,857,583	3,452,171	3,605,128	3,570,000
Earnings on Investments.....	3,806,352	123,193	970,603	887,625	850,889	371,441
PA Rev. Rec'd.-Other PA Public Sch.....	11,095	174,705	129,028	140,261	149,069	12,000
Federal revenue from other schools.....	1,743,549	1,681,730	1,737,927	1,628,593	1,648,674	1,632,822
Federal ARRA IDEA Pass Through Revenue.....	504,000	0	128,031	69,731	0	0
Receipts from Other LEAs.....	1,432,858	2,279,842	1,023,896	1,118,209	961,632	1,025,000
Refund of Prior Year's Expenditures.....	361,953	91,911	72,901	45,420	129,515	0
Rentals.....	4,450	19,800	6,900	8,400	6,750	8,500
Contributions and Donations from Private Sources	0	0	100,000	41,000	124,742	0
All Other Local Revenues not Specified.....	1,045,660	1,009,909	1,215,594	882,628	1,366,734	1,069,998
Total Local Sources.....	\$113,271,055	\$115,607,349	\$117,671,907	\$122,091,337	\$120,669,382	\$120,624,525
State Sources:						
Instructional Subsidy.....	\$14,202,921	\$16,296,632	\$15,565,467	\$15,558,347	\$16,003,892	\$16,003,854
State Subsidies for Charter Schools.....	648,890	598,364	0	0	0	0
Tuition for Orphans & Children.....	356,868	367,410	246,568	264,877	198,976	265,000
Vocational Education.....	0	0	0	95	0	0
Alternative Education.....	116,855	0	0	0	0	0
Ed. Empowerment/Sch. Improvement Grants.....	0	0	0	0	0	0
Special Education.....	5,210,769	5,157,997	5,177,527	5,129,786	5,189,387	5,129,786
Transportation.....	2,923,461	3,174,234	3,038,352	3,088,243	3,253,077	3,721,582
Rental & Sinking Fund Payments.....	2,101,932	1,690,052	1,833,251	1,905,735	1,452,024	1,610,441
Health Services.....	200,084	219,023	202,109	190,283	230,248	200,000
State Property Tax Reduction Allocation.....	2,577,799	2,585,573	2,613,831	2,625,294	2,616,334	2,604,354
Revenue for Social Security.....	2,629,348	2,574,435	2,463,178	2,440,730	2,472,663	2,524,359
Revenue for Retirement.....	1,763,143	2,016,834	2,256,536	3,864,506	5,415,228	7,645,726
Project 720/High School Reform.....	22,917	0	0	0	0	0
Classrooms for the Future.....	0	0	0	0	0	0
PA Accountability Grant.....	989,584	1,292,560	0	364,588	364,588	1,390,296
Additional Grants not listed elsewhere.....	109,743	(2,309)	0	2,073	0	0
Other Sources.....	40	0	393	640	1,000	3,000
Total State Sources.....	\$33,854,355	\$35,970,805	\$33,397,212	\$35,435,198	\$37,197,418	\$41,098,398
Federal Sources:						
Total Federal Sources.....	\$5,807,428	\$6,379,285	\$3,057,737	\$3,260,789	\$2,275,233	\$2,429,487
Other Financing Sources:						
Total Other Sources.....	\$2,260,000	\$699,474	\$3,000	\$0	\$23,072,311	\$3,416,954
TOTAL REVENUE.....	\$155,192,838	\$158,656,913	\$154,129,857	\$160,787,324	\$183,214,343	\$167,569,364

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 23, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

Expenditures

TABLE A-5
CENTRAL DAUPHIN SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
EXPENDITURES*
(For years ending June 30)

EXPENDITURES:	Actual					Budget
	2010	2011	2012	2013	2014	2015 ⁽¹⁾
Instruction	\$87,657,003	\$92,166,073	\$91,822,034	\$91,482,615	\$96,831,847	\$103,935,312
Pupil Personnel	4,896,001	5,276,001	5,192,671	5,433,037	5,608,049	5,706,775
Instructional Staff.....	2,581,205	2,915,375	2,308,710	2,830,370	3,597,957	2,485,967
Administration	8,087,939	7,643,442	7,668,538	7,971,978	8,296,301	8,745,917
Pupil Health	1,609,055	1,715,357	1,735,603	1,936,987	2,084,302	2,262,362
Business	846,126	953,196	747,697	774,536	855,185	888,496
Operation and Maintenance.....	12,351,207	13,245,580	12,677,344	12,986,358	14,039,960	13,529,082
Student Transportation	7,702,463	8,219,045	8,209,690	7,605,345	7,717,875	8,072,678
Central.....	2,831,059	4,128,059	3,774,307	3,894,019	4,213,592	4,799,723
Other Support Services.....	239,584	229,842	216,664	218,750	200,843	214,961
Non-Instructional Services	852,822	2,534,273	2,606,386	2,613,773	2,792,942	907,364
Refund of Prior Years Receipts.....	68,896	252,194	46,051	116,420	114,097	0
Debt Service.....	15,706,453	15,371,593	15,694,971	16,137,542	37,059,465	15,122,735
Fund Transfer.....	1,506,345	2,850,470	625,901	5,641,000	2,520,735	1,564,775
TOTAL EXPENDITURES	<u>\$146,936,158</u>	<u>\$157,500,500</u>	<u>\$153,326,567</u>	<u>\$159,642,730</u>	<u>\$185,933,150</u>	<u>\$168,236,147</u>
SURPLUS (DEFICIT) OF						
REVENUES OVER EXPENDITURES	<u>\$8,256,680</u>	<u>\$1,156,413</u>	<u>\$803,290</u>	<u>\$1,144,594</u>	<u>(\$2,718,807)</u>	<u>(\$666,783)</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 23, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

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TAXING POWERS OF THE SCHOOL DISTRICT

In General

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 and other statutes 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 or 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 more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year (which include full time college students with respect to the per capita tax).

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The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

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

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

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State 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. If and when a school district has 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 Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2011-12	1.4%
2012-13	1.7
2013-14	1.7
2014-15	2.1
2015-16	1.9

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Expected to be Eligible for Act 1 Exceptions

The Bonds constitute indebtedness incurred after the effective date of Act 1 and, therefore, no exception to the referendum requirement is expected for new taxes to pay the debt service on the Bonds if a tax increase greater than the Index is required. The School District believes that it has included sufficient new tax millage in its 2014/15 budget to cover the full amount of the debt service on the Bonds without exceeding the 2014/15 Index (although the actual tax increase may exceed the 2014/15 Index as a result of the other available and approved (non-debt related) exceptions to the Index).

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 a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District does not levy an occupation tax.

Act 48 of 2003

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:

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

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

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Tax Levy Trends

Table A-6 shows the recent trend of tax rates levied by the School District. Table A-7 shows the comparative trend of real property tax rates for the School District, Dauphin County and the municipalities within the School District.

**TABLE A-6
CENTRAL DAUPHIN SCHOOL DISTRICT
TAX RATES**

Fiscal Year	Real Estate Mills	Earned Income (%)	Real Estate Transfer (%)
2010-11	13.8600	1.5%	0.5%
2011-12	13.8600	1.5%	0.5%
2012-13	14.3173	1.5%	0.5%
2013-14	14.3173	1.5%	0.5%
2014-15	14.6008	1.5%	0.5%

Source: School District officials.

**TABLE A-7
CENTRAL DAUPHIN SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)⁽¹⁾**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<i>School District</i>	13.8600	13.8600	14.3173	14.3173	14.6008
<u>Municipalities within School District:</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Dauphin Borough	5.0000	5.0000	5.0000	5.0000	5.0000
Lower Paxton Township.....	0.6815	0.9410	1.3000	1.3000	1.3000
Middle Paxton Township.....	0.0000	0.0000	0.0000	0.0000	0.0000
Paxtang Borough	9.6000	9.6000	10.7300	10.7300	11.2300
Penbrook Borough.....	8.2000	8.4500	9.4500	9.4500	9.7000
Swatara Township	1.7900	1.7900	3.3957	3.7639	3.7638
West Hanover Township	0.9149	0.9149	1.1857	1.2534	1.2534
<u>Dauphin County</u> ⁽¹⁾	6.8760	6.8760	6.8760	6.8760	6.8760

⁽¹⁾School District's Fiscal Year begins July 1 and ends June 30.

⁽²⁾Does not include County Library Tax.

Source: PA Department of Community Economic Development: www.newpa.com.

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Real Property Tax

The real property tax (excluding delinquent collections) produced \$73,951,360 in 2013-14, approximately 40.4 percent of revenues. The School District fiscal year is from July 1 through June 30 and tax bills are issued on July 1 of each year. Taxpayers who remit within two months of July 1 receive a 2 percent discount, and those who remit subsequent to October 31 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 countywide assessment in Dauphin County became effective in 2001.

**TABLE A-8
CENTRAL DAUPHIN SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Fiscal Year	Market Value	Assessed Value	Ratio
2010-11	\$6,582,422,473	\$5,578,361,450	84.75%
2011-12	6,637,491,946	5,621,115,973	84.69%
2012-13	6,829,492,990	5,644,491,150	82.65%
2013-14	6,863,020,931	5,689,711,750	82.90%
2014-15*	6,829,492,990	5,712,487,350	83.64%

*Budgeted, taken from the PDE 2028 Budget Report.

Source: Pennsylvania State Tax Equalization Board.

**TABLE A-9
CENTRAL DAUPHIN SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2012-13 Market Value	2012-13 Assessed Value	2013-14 Market Value	2013-14 Assessed Value
<i>School District</i>	\$ 6,829,492,990	\$ 5,644,491,150	\$ 6,863,020,931	\$ 5,689,711,750
Dauphin Borough	36,864,687	30,887,300	36,880,609	30,900,300
Lower Paxton Township	3,646,200,828	3,028,015,900	3,647,591,591	3,038,097,800
Middle Paxton Township	379,233,677	309,966,600	386,412,363	315,461,500
Paxtang Borough	79,821,566	64,593,700	79,975,044	64,604,600
Penbrook Borough	110,139,384	88,793,750	104,730,601	88,164,050
Swatara Township	1,765,957,780	1,452,698,700	1,781,046,203	1,469,822,400
West Hanover Township	811,275,068	669,535,200	826,384,520	682,661,100
<i>Dauphin County</i>	17,749,782,221	14,533,333,450	17,943,174,947	14,735,290,650

Source: Pennsylvania State Tax Equalization Board.

**TABLE A-10
CENTRAL DAUPHIN SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2009-10	2010-11	2011-12	2012-13	2013-14
Residential	\$3,574,948,100	\$3,649,886,500	\$3,686,946,023	\$3,712,965,000	\$3,870,323,550
Lots	78,229,900	77,257,800	74,493,700	74,785,200	72,049,100
Industrial	287,075,700	287,277,000	281,898,800	284,778,500	272,747,600
Commercial	1,475,498,950	1,489,369,950	1,495,686,650	1,487,336,850	1,392,540,200
Agriculture	68,421,900	68,503,600	66,534,600	63,157,100	60,185,600
Land/Other	7,490,200	6,066,600	5,805,500	11,721,700	11,708,300
Seasonal	0	0	1,625,900	1,638,200	1,677,400
Trailers	0	0	8,124,800	8,108,600	8,480,000
<i>Totals</i>	<u>\$5,491,664,750</u>	<u>\$5,578,361,450</u>	<u>\$5,621,115,973</u>	<u>\$5,644,491,150</u>	<u>\$5,689,711,750</u>

Source: Pennsylvania State Tax Equalization Board.

TABLE A-11

**CENTRAL DAUPHIN SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Mills</u>	<u>Adjusted Levied</u>	<u>Current Collections Amount⁽¹⁾</u>	<u>Current Year Collections as Percent</u>	<u>Total Collections Amount⁽²⁾</u>	<u>Total Collections as Percent</u>
2010-11	\$5,578,361,450	13.8600	\$77,316,090	\$70,265,086	90.88%	\$71,667,070	92.69%
2011-12	5,621,115,973	13.8600	77,908,667	70,181,853	90.08%	71,983,035	92.39%
2012-13	5,644,491,150	14.3173	80,813,873	73,334,773	90.75%	74,859,133	92.63%
2013-14	5,702,559,450	14.3173	81,645,254	73,346,084	89.84%	74,870,444	91.70%
2014-15 (est.)	5,712,487,350	14.6008	83,407,368	75,398,222	90.40%	*	*

⁽¹⁾Includes penalties less discounts and exonerations.

⁽²⁾Includes delinquent realty taxes collected.

*Still in collection process.

Source: School District officials.

The ten largest real property taxpayers, together with their taxable assessed values, are shown in Table A-12. The aggregate assessed value of these ten taxpayers totals approximately 3.41 percent of total assessed value.

TABLE A-12

**CENTRAL DAUPHIN SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

<u>Owner</u>	<u>2014-2015 Assessed Value</u>
Catalina Partners LP	\$ 30,343,500
CSC Colonial Commons Partnerships	21,553,900
Gershman Joel	20,955,500
Point Associates LP	20,640,700
Lakewood Hills Partners LP	20,175,900
Prologis NA3 PA II LP	18,857,700
Harrisburg Mall LP	17,650,000
SHH Partners LP	15,813,000
Eagles Crest LLLP	14,453,700
Emerald Pointe LP	12,100,700
Total	\$192,544,600

Source: School District officials. Represents certain significant holdings as reported by local tax collectors.

Other Taxes

Under Act 511, the School District produced \$37,280,213 in other taxes in 2013-14. Among the taxes authorized by Act 511, the School District currently levies the Wage & Income Tax and Real Estate Transfer Tax. The Act 511 limit, for 2013-14 equal to 12 mills on the market value of real property, was \$82,356,251.

Wage & Income Tax. The School District levies and receives a tax of 1.50%. In 2013-14 the collected portion of this tax yielded \$35,738,448 or 19.5 percent of the School District's total revenue.

Real Estate Transfer. A tax of 0.50% of the value of real estate transfers in 2013-14 yielded \$1,541,765 or less than one percent of the School District's total revenue.

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.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth. Subsidies for special education, pupil transportation, vocational education, health service and debt service are also received by the school district.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the greater of the School District's Market Value Aid Ratio ("Aid Ratio") or 50.00%. The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 56.72 percent. The applicable factor in determining reimbursement from the Commonwealth on the debt service of the Bonds only is estimated to be 50.00%. The product of these two factors is 28.36 percent which is the maximum potential percentage of debt service which will be reimbursed by the Commonwealth.

DEBT AND DEBT LIMITS

Debt Statement

Table A-13 shows the debt of the School District as of January 14, 2015, including the issuance of the Bonds.

**TABLE A-13
CENTRAL DAUPHIN SCHOOL DISTRICT
DEBT STATEMENT***

	Gross Outstanding
<u>NONELECTORAL DEBT</u>	
General Obligation Bonds, Series of 2014	\$18,110,000
General Obligation Bonds, Series of 2011	3,115,000
General Obligation Bonds, Series of 2010 (remaining portion).....	8,085,000
General Obligation Bonds, Series of 2006 ⁽¹⁾	74,865,000
General Obligation Bonds, Series A of 2006	36,135,000
<i>TOTAL NONELECTORAL DEBT</i>	\$140,310,000
<u>LEASE RENTAL DEBT</u>	
State Public School Building Authority ⁽²⁾	
Guaranteed School Lease Revenue Bonds, Series of 2015	\$9,007,801
<i>TOTAL LEASE RENTAL DEBT</i>	\$9,007,801
<i>TOTAL PRINCIPAL OF DIRECT DEBT</i>	\$149,317,801

*Includes the Bonds offered through this Official Statement.

⁽¹⁾See "**Related Interest Rate Swap Agreement**" herein.

⁽²⁾Represents the School District's allocable 46.42% pro-rata share of the total principal amount of \$19,405,000 for the Dauphin County Technical School Project.

Table A-14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$149,317,801. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$133,997,974.

**TABLE A-14
CENTRAL DAUPHIN SCHOOL DISTRICT
BOND AND BOND INDEBTEDNESS AND DEBT RATIOS***

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$140,310,000	\$127,544,786
Lease Rental Debt	9,007,801	6,453,189
TOTAL DIRECT DEBT	\$149,317,801	\$133,997,974
OVERLAPPING DEBT		
Dauphin County, General Obligation ⁽²⁾	\$130,659,962	\$130,659,962
Municipal Debt.....	163,968,434	163,968,434
TOTAL OVERLAPPING DEBT	\$294,628,396	\$294,628,396
TOTAL DIRECT AND OVERLAPPING DEBT	\$443,946,197	\$428,626,370
DEBT RATIOS		
Per Capita (2010).....	\$4,910.85	\$4,741.39
Percent 2013-14 Assessed Value.....	7.80%	7.53%
Percent 2013-14 Market Value.....	6.47%	6.25%

*Includes the Bonds offered through this Official Statement.

⁽¹⁾Does give effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current Aid Ratio. See "Commonwealth Aid to School Districts".

⁽²⁾Pro rata 38.48 percent share of \$339,583,901 principal amount outstanding.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District’s “Borrowing Base”. The “Borrowing Base” is defined as the annual arithmetic average of “Total Revenues” (as defined by the Act) for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2011-12.....	\$152,293,606
Total Revenues for 2012-13.....	158,881,589
Total Revenues for 2013-14.....	160,666,745
Total	\$471,841,940
Annual Arithmetic Average (Borrowing Base).....	<u><u>\$157,280,647</u></u>

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District’s Borrowing Base produces the following products:

	Legal Limit	Net Debt Outstanding*	Remaining Borrowing Capacity
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$353,881,455	\$149,317,801	\$204,563,654

*Includes the Bonds described herein, does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

Related Interest Rate Swap Agreement

On May 25, 2010, the School District entered into a fixed to floating rate swap (the “2010 Variable Rate Swap”) with the Royal Bank of Canada (“RBC”), relating to a portion of the School District’s General Obligation Bonds, Series of 2006 (the “2006 Bonds”). The 2010 Variable Rate Swap is in the amount of \$45,000,000. The School District entered into contract with RBC, or swap counterparty, which granted RBC the option, if exercised, to place the School District in a swap where the School District will pay to RBC the Securities Industry and Financial Markets Association Municipal Swap Index Rate (“SIFMA”), while RBC will pay to the School District a fixed interest rate of 4.00% per annum. RBC will pay the District an option premium which will be eight semi-annual payments of \$257,350 (for a total of \$2,058,800) made on August 1 and February 1, beginning on August 1, 2010 and ending on February 1, 2014. RBC has the option on February 28, 2014 (the “Exercise Date”), which is 30 days prior to April 1, 2014 (the “Effective Date”) to place the District into the fixed receiver swap. If RBC does not exercise the option, the option expires and the 2010 Swap terminates and RBC loses its right to place the District into the fixed receiver swap. If the option is exercised, the 2010 Variable Rate Swap will remain in effect until February 1, 2030, the final maturity date of the 2006 Bonds, or as long as the 2006 Bonds are outstanding, unless terminated under the provisions of the 2010 Variable Rate Swap. The School District has pledged its full faith, credit and taxing power for the budgeting, appropriation and payment of periodic scheduled payments (not termination payments) due under the 2010 Variable Rate Swap Agreement on a parity basis with principal and interest payments due on the 2006 Bonds.

On October 14, 2010, the School District entered into a floating to floating interest rate swap (the “2010 Basis Swap”) agreement with RBC, relating to a portion of the 2006 Bonds. The notional amount of the 2010 Basis Swap is in the amount of \$45,000,000. The School District entered into this contract with RBC, the provisions of which provide that the School District will pay to RBC the SIFMA rate, while RBC pays to the School District 70% of three-month LIBOR plus 0.50%. The 2010 Basis Swap on will remain in effect until February 1, 2030, the final maturity date of the 2006 Bonds, or as long as the 2006 Bonds are outstanding, unless terminated under the provisions of the 2010 Basis Swap. The 2010 Basis Swap may also become related to any subsequent refunding of the 2006 Bonds. The School District will pledge its full faith, credit and taxing power for the budgeting, appropriation and payment of periodic scheduled payments (not termination payments) due under the 2010 Basis Swap Agreement on a parity basis with principal and interest payments due on the 2006 Bonds.

Debt Service Requirements

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

Future Financing

The School District does not anticipate issuing additional long-term (non-refunding) debt within the next two years.

LABOR RELATIONS

School District Employees

The teachers, nurses, and guidance counselors of the School District are represented by the Central Dauphin Education Association (CDEA) which is part of the Pennsylvania State Education Association. The CDEA currently represents 856 professionals. The professional employees are working under the terms of a five-year contract which expired on June 30, 2014 (negotiations are currently underway). There are approximately 73 administrative and confidential employees who are covered by an agreement, which has been extended and expired on June 30, 2014 (negotiations are currently underway). The custodial and maintenance personnel (approximately 90 employees) are represented by District Council 90 of the American Federation of State, County and Municipal Employees (AFSCME). Their four-year contract expires June 30, 2016. The School District clerical workers (approximately 221 employees) are represented by Central Dauphin Education Support Personnel Association (PSEA). Their two-year contract expires on June 30, 2015.

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). 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. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

The Public School Employees Retirement System (PSERS) Board of Trustees certified an annual employer contribution rate of 25.84% for fiscal year 2015-16, which begins on July 1, 2015. This marks the fifth year of planned increases in the employer contribution rate under Act 120 of 2010 which are needed to raise the rate to the actuarially required level.

The 25.84% employer contribution rate is composed of 0.84% for health insurance premium assistance and a pension rate of 25.00%. The pension component of the rate was capped at a 4.50% increase from the previous year. The rate caps established under Act 120 of 2010 remain in effect for the next fiscal year and continue to suppress the pension rate and underfund the System. Based on current projections, fiscal year 2015-16 would be the last fiscal year the rate collars will be in place. Total employer contributions of \$3.45 billion are estimated in 2015-16. The commonwealth reimburses school employers for not less than 50% of the total employer contribution rate. Contributions for the School District are as follows:

2010-11	\$ 3,926,461
2011-12	5,880,622
2012-13	8,009,692
2013-14	11,334,226
2014-15 (Budget)	15,383,872

The School District is current in all payments.

PSERS is also funded through investment earnings and mandatory member contributions. Investment earnings are the largest source of funding for PSERS. For the most recent fiscal year ended June 30, 2014, PSERS' investments added over \$7.1 billion in net investment income to the fund. PSERS members contribute from 5.25% to 10.30% of pay depending on their membership class and when they joined PSERS. Members will contribute an average of 7.49% or approximately \$1 billion in 2015-16.

Source: Pennsylvania School Board Association at www.PSBA.org and PSERS at www.PSERS.state.pa.us

Other Post-Employment Benefits

The School District is obligated under collective bargaining agreements to provide future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The School District has become subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District’s annual financial statements for the fiscal year ending June 30, 2009. For a full description, see “Audited Financial Statements – Notes to Financial Statements - Note 14 – Postemployment Benefits Plan” which can be found at:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=ER661363>

CENTRAL DAUPHIN SCHOOL DISTRICT CONTINUING DISCLOSURE UNDERTAKING

Existing Continuing Disclosure Filing History

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

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	12/20/2010	EA399185	12/20/2010	EA399185	12/20/2010	EA399185
6/30/2011	12/27/2011	12/23/2011	ER469189	12/23/2011	ER469189	12/23/2011	ER469189
6/30/2012	12/27/2012	12/20/2012	EA429615	12/20/2012	EA429615	12/20/2012	EA429615
6/30/2013	12/27/2013	12/20/2013	ER595436	12/20/2013	ER595436	12/20/2013	ER595436
6/30/2014	12/27/2014	12/22/2014	ER661363	12/22/2014	ER661363	12/22/2014	ER661363

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District’s previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

Based on the information above, the School District’s annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2010, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2011, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2012, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2013, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2014, the School District filed its annual financial and operating data in a timely manner.

APPENDIX B

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

Descriptive, Financial and Economic Information

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THE SCHOOL DISTRICT

Introduction

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

Major Developments in the School District

Derry Township is the headquarters for the Hershey Company and Hershey Entertainment & Resorts Company (“HERCO”) in Hershey, Pennsylvania. HERCO owns and operates Hersheypark, which is an amusement park, the Hotel Hershey, the Hershey Lodge and Convention Center, Hersheypark Arena and Stadium, the Hershey Museum of American Life, the Hershey Gardens with their award winning rose garden. Chocolate World, the official Visitors Center of the Hershey Company, is also located in Derry Township. The Township of Derry Industrial and Commercial Development Authority opened the Giant Center, a 10,500 seat sports and entertainment facility on property leased from HERCO adjacent to Hersheypark.

Organization and Administration

The present School District was organized in 1914 and operates under the Pennsylvania School Code which was adopted in 1949. The School District is coterminous with Derry Township.

The School District is governed by a board of nine School Directors (the “School Board”) who are residents within the School District and who are elected for four-year terms on a staggered basis. The daily operations and management of the School District are performed by a central administrative staff which is led by the School District Superintendent who is appointed by the School Board. The Superintendent is supported by a Board Secretary, Business Manager and Assistant Superintendent, which are further supported by coordinators and supervisors in specialty fields.

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School Building Facilities

The School District presently operates an early childhood center, one elementary school building, one middle school building and one high school building. An inventory of existing facilities is listed as follows:

**TABLE B-1
DERRY TOWNSHIP SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition / Renovation Date (s)	Grades Housed	Rated Pupil Capacity	2014-15 Enrollment
Elementary:					
Hershey Early Childhood Center.....	2002	-	K-1	750	384
Hershey Primary /Intermediate Elementary School	1954	1991	2-5	1,470	996
<i>Elementary Totals:</i>				2,220	1,380
Secondary:					
Hershey Middle School.....	1966	2013	6-8	1,055	868
Hershey High School	1996	2007	9-12	1,380	1,159
<i>Secondary Totals:</i>				2,435	2,027
			<i>Grand Total:</i>	4,655	3,407

Source: Derry Township School District officials.

Student Enrollments

Student enrollment trends for the School District are illustrated by the following five-year record of actual enrollments and projection of future enrollments, as reported by the School District's Administrative officials.

**TABLE B-2
DERRY TOWNSHIP SCHOOL DISTRICT
ENROLLMENT TRENDS**

School Year	Actual Enrollments ⁽¹⁾			Projected Enrollments ⁽²⁾			
	Elementary	Secondary	Total	School Year	Elementary	Secondary	Total
2010-11	1,876	1,737	3,613	2015-16	1,775	1,944	3,719
2011-12	1,856	1,732	3,588	2016-17	1,734	1,981	3,715
2012-13	1,825	1,780	3,605	2017-18	1,679	1,996	3,675
2013-14	1,723	1,728	3,451	2018-19	1,652	1,990	3,642
2014-15	1,679	1,720	3,399	2019-20	1,567	2,023	3,590

⁽¹⁾ Actual Enrollments are as of October 1, 2014. Actual Enrollments are expected to increase as the school year progresses.

⁽²⁾ Excludes students in full-time out-of-district special education, comprehensive AVTSS, charter schools, state-owned schools, consortium-operated alternative high schools, and juvenile correctional institutions.

Source: Derry Township School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

The School District utilizes the modified accrual basis of accounting under which expenditures other than interest on long term debt are recorded when incurred and revenues are recorded as received in cash unless susceptible to accrual. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. Waggoner, Frutiger & Daub of Camp Hill, Pennsylvania currently serves as the auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of its Audit which can be found at <http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=EA528055>, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

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

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

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "**The Taxpayer Relief Act (Act 1)**" herein) and within 10 days of the receipt of the information about the preliminary budget, 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 PDE 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 PDE approval is required (see "**The Taxpayer Relief Act (Act 1)**" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

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

Summary and Discussion of Financial Results

A summary of the School District's General Fund balance sheet and changes in fund balances are presented in Tables B-3 and B-4. Table B-5 shows revenues and expenditures for the past five years and the 2014-15 budget. The budget for the 2014-15 school year, as adopted June 23, 2014, projected revenue of \$57,093,301 and expenditures of \$57,134,717, which includes a budgetary reserve of \$300,000.

**TABLE B-3
DERRY TOWNSHIP SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
Cash and Cash Equivalents	\$9,428,449	\$9,990,149	\$8,315,250	\$12,192,341	\$12,204,966
Taxes Receivable.....	1,010,314	1,311,416	1,280,165	1,288,918	1,194,474
Interfund Receivable	753,021	908,102	876,641	0	0
Intergovernmental Receivable	2,731,813	2,881,406	2,650,308	3,047,594	2,483,075
Other Receivables.....	26,168	176,723	1,033,392	154,390	132,296
Inventories.....	149,904	141,521	149,287	167,992	158,965
Prepaid Expenses/Expenditures.....	0	0	0	0	15,662
Other.....	703,251	661,184	620,946	612,715	564,247
TOTAL ASSETS	<u>\$14,802,920</u>	<u>\$16,070,501</u>	<u>\$14,925,989</u>	<u>\$17,463,950</u>	<u>\$16,753,685</u>
LIABILITIES					
Accounts Payable	\$2,075,623	\$1,426,274	\$1,614,122	\$1,658,548	\$1,379,866
Accrued Salaries and Benefits.....	2,806,909	2,979,665	2,714,155	3,075,324	3,665,089
Interfund Payables	876,194	2,400,501	1,463,741	3,241,383	2,164,833
Payroll Deductions and Withholdings.....	207,150	200,952	349,994	270,918	279,146
Deferred Revenues	1,222,432	1,262,896	1,091,426	1,238,978	1,091,253
Other Current Liabilities.....	244,494	213,900	3,876	6,002	3,876
TOTAL LIABILITIES	<u>\$7,432,802</u>	<u>\$8,484,188</u>	<u>\$7,237,314</u>	<u>\$9,491,153</u>	<u>\$8,584,063</u>
FUND EQUITIES					
Non-spendable Fund Balance.....	\$149,904	\$802,705	\$770,233	\$780,707	\$738,873
Restricted Fund Balance.....	703,251	25,000	0	0	0
Committed Fund Balance.....	2,579,161	2,884,692	2,884,692	2,986,398	2,884,692
Unassigned Fund Balance	3,937,802	3,873,916	4,033,750	4,205,692	4,546,057
TOTAL FUND EQUITIES	<u>\$7,370,118</u>	<u>\$7,586,313</u>	<u>\$7,688,675</u>	<u>\$7,972,797</u>	<u>\$8,169,622</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$14,802,920</u>	<u>\$16,070,501</u>	<u>\$14,925,989</u>	<u>\$17,463,950</u>	<u>\$16,753,685</u>

Source: School District Annual Financial Reports.

TABLE B-4
DERRY TOWNSHIP SCHOOL DISTRICT GENERAL FUND*
SUMMARY OF CHANGES IN FUND BALANCE
(Years Ending June 30)

	<u>Actual</u>					<u>Budget</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>
Beginning Fund Balance	\$6,785,868	\$7,370,118	\$7,586,313	\$7,688,676	\$7,972,797	\$8,169,623
Prior Period Adjustment.....	0	1,475	0	0	0	0
Surplus (Deficit) of Revenue over Expenditures.....	584,250	214,720	102,362	284,121	196,826	(41,416)
Ending Fund Balance	<u>\$7,370,118</u>	<u>\$7,586,313</u>	<u>\$7,688,676</u>	<u>\$7,972,797</u>	<u>\$8,169,623</u>	<u>\$8,128,207</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 23, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

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Revenue

The School District received \$55,568,751 in revenue in 2013-14 and has budgeted revenue of \$57,093,301 in 2014-15. Local sources contributed a decreasing share of total revenue in the past five years, from 85.5 percent in 2009-10 to 80.6 percent 2013-14. Revenue from Commonwealth sources contributed an increasing share of total revenue from 13.5 percent to 14.9 percent over this period. Federal and other revenue increased from 1.1 percent to 4.5 percent during the period.

**TABLE B-5
DERRY TOWNSHIP SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(For years ending June 30)**

REVENUE:	2010	2011	Actual 2012	2013	2014	Budget 2015 ⁽¹⁾
Local Sources:						
Real Estate Taxes	\$29,599,645	\$30,933,482	\$31,122,401	\$32,696,082	\$32,789,423	\$33,830,050
Interim Real Estate	227,126	93,420	285,800	245,971	120,352	125,000
Total Act 511 Taxes	7,503,690	7,467,733	8,156,416	8,187,329	8,435,818	8,376,000
Payment in Lieu of Taxes	945,978	910,461	777,417	810,375	941,003	949,783
Public Utility Realty Tax	53,087	54,383	53,548	54,064	51,599	51,000
Delinquency on Taxes Levied	915,988	1,024,438	1,031,580	933,989	1,303,008	1,000,000
Earnings on Investments	145,148	85,523	67,663	69,669	68,173	75,000
Revenue from Student Activities	48,576	122,688	237,483	223,047	179,915	185,000
State Revenue Received from Other PA Public Schools	605	11,237	248	6,771	329	0
Federal IDEA Pass Through Revenue	452,936	445,400	467,761	482,333	450,498	450,000
Federal ARRA IDEA Pass Through Revenue	429,264	79,102	0	0	0	0
Rentals	28,867	24,994	29,110	35,714	47,188	33,000
Contributions and Donations from Private Sources	1,953,430	1,788,229	4,000	40,164	5,188	0
Summer School Tuition	39,985	38,217	41,166	5,955	47,259	0
Receipts from Other LEAS in PA - Education	367,675	565,569	534,669	454,868	282,963	0
Other Tuition from Patrons	17,217	19,683	13,571	15,385	15,145	517,000
Refund of Prior Years' Expenditures	7,522	40,214	105,491	62,969	56,597	0
All Other Local Revenues not Specified	15,054	9,507	18,701	6,239	16,055	10,000
Total Local Sources	\$42,751,794	\$43,714,280	\$42,947,025	\$44,330,924	\$44,810,512	\$45,601,833
State Sources:						
Instructional Subsidy	\$1,806,492	\$1,829,932	\$2,071,971	\$2,065,008	\$2,182,647	\$2,182,646
Charter Schools	129,906	112,995	0	0	0	0
Tuition for Orphans & Children	67,246	39,246	59,429	74,711	32,178	60,000
Driver Education	5,265	5,795	5,385	5,425	0	0
Special Education	1,403,371	1,416,640	1,396,991	1,422,855	1,418,558	1,396,991
Transportation	528,631	497,032	487,579	493,080	475,358	508,984
Rentals and Sinking Fund Payments	455,184	399,213	386,884	388,064	390,004	338,832
Health Services	85,615	74,371	76,257	75,922	75,738	76,000
State Property Tax Reduction Allocation	660,499	661,841	661,112	664,215	662,753	664,581
PA Accountability Grant	174,945	164,052	64,454	64,454	64,454	64,454
Revenue for Social Security	848,591	880,759	892,103	878,657	901,706	985,065
Revenue for Retirement	535,370	652,574	1,037,415	1,456,524	2,067,362	2,694,295
Classrooms for the Future	25,000	0	0	0	0	0
Other	0	0	0	100,687	0	0
Total State Sources	\$6,726,117	\$6,734,448	\$7,139,580	\$7,689,602	\$8,270,758	\$8,971,848
Federal Sources:						
Total Federal Sources	\$528,257	\$820,310	\$347,130	\$775,630	\$426,240	\$421,600
Other Financing Sources:						
Total Other Sources	\$0	\$25,834	\$1,898,642	\$2,421,418	\$2,061,241	\$2,098,020
TOTAL REVENUE	\$50,006,167	\$51,294,872	\$52,332,377	\$55,217,574	\$55,568,751	\$57,093,301

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 23, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

Expenditures

**TABLE B-5
DERRY TOWNSHIP SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
EXPENDITURES*
(For years ending June 30)**

EXPENDITURES:	Actual					Budget
	2010	2011	2012	2013	2014	2015⁽¹⁾
Instruction.....	\$25,477,513	\$24,811,460	\$26,670,683	\$27,899,803	\$28,317,736	\$31,105,623
Pupil Personnel.....	1,516,604	1,508,558	1,575,485	1,596,415	1,831,418	1,947,000
Instructional Staff.....	2,002,223	2,132,680	2,017,497	1,976,171	1,953,457	2,169,867
Administration.....	3,057,458	3,404,341	3,436,537	3,300,756	3,639,908	3,997,581
Pupil Health.....	420,765	349,282	397,109	453,302	476,296	537,239
Business.....	678,344	950,960	753,790	782,831	680,769	890,513
Operation and Maintenance.....	4,388,794	4,996,565	4,809,942	4,475,495	4,751,871	4,886,444
Student Transportation.....	1,803,128	1,993,969	2,156,833	2,190,525	2,354,093	2,642,462
Central.....	1,264,461	1,218,651	1,152,289	1,368,421	1,240,205	1,233,376
Other Support Services.....	49,143	53,564	51,488	51,788	51,464	52,000
Non-Instructional Services.....	356,051	1,162,935	1,135,285	1,174,155	1,182,246	1,268,787
Fac. Acq. Const. and Improvement.....	0	0	0	746,844	0	0
Refund of Prior Years Receipts.....	545	15,590	47,126	225,617	7,292	0
Debt Service.....	293,509	288,162	287,721	283,495	289,408	297,631
Fund Transfer.....	8,113,379	8,193,435	7,738,230	8,407,835	8,595,762	5,806,194
Budgetary Reserve.....	0	0	0	0	0	300,000
TOTAL EXPENDITURES	\$49,421,917	\$51,080,152	\$52,230,015	\$54,933,453	\$55,371,925	\$57,134,717
SURPLUS (DEFICIT) OF						
REVENUES OVER EXPENDITURES ...	\$584,250	\$214,720	\$102,362	\$284,121	\$196,826	(\$41,416)

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 23, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

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TAXING POWERS OF THE SCHOOL DISTRICT

In General

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 and other statutes 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 or 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 more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year (which include full time college students with respect to the per capita tax).

The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

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

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

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State 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. If and when a school district has 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 Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2011-12	1.4%
2012-13	1.7
2013-14	1.7
2014-15	2.1
2015-16	1.9

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Expected to be Eligible for Act 1 Exceptions

The Bonds constitute indebtedness incurred after the effective date of Act 1 and, therefore, no exception to the referendum requirement is expected for new taxes to pay the debt service on the Bonds if a tax increase greater than the Index is required. The School District believes that it has included sufficient new tax millage in its 2014/15 budget to cover the full amount of the debt service on the Bonds without exceeding the 2014/15 Index (although the actual tax increase may exceed the 2014/15 Index as a result of the other available and approved (non-debt related) exceptions to the Index).

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 a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District does not levy an occupation tax.

Act 48 of 2003

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:

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

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

Tax Levy Trends

Table B-6 shows the recent trend of tax rates levied by the School District. Table B-7 shows the comparative trend of real property tax rates for the School District, Dauphin County and the municipalities within the School District.

**TABLE B-6
DERRY TOWNSHIP SCHOOL DISTRICT
TAX RATES**

Fiscal Year	Real Estate (mills)	Real Estate Transfer (%)	Wage and Income (%)	Occupation (Mills)	Local Services (\$)	Amusement Tax (%)
2010-11	16.9900	0.5	0.5	1,000.00	5.00	5.0
2011-12	16.9900	0.5	0.5	1,000.00	5.00	5.0
2012-13	17.5541	0.5	0.5	1,000.00	5.00	5.0
2013-14	17.5541	0.5	0.5	1,000.00	5.00	5.0
2014-15	17.9227	0.5	0.5	1,000.00	5.00	5.0

Source: School District officials.

**TABLE B-7
DERRY TOWNSHIP SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)⁽¹⁾**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<i>School District</i>	16.9900	16.9900	17.5541	17.5541	17.9227
<u>Municipality within School District:</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Derry Township.....	1.0966	0.6464	0.9964	0.9964	0.9964
<i>Dauphin County</i> ⁽¹⁾	6.8760	6.8760	6.8760	6.8760	6.8760

⁽¹⁾School District Fiscal Year begins July 1 and ends June 30.

⁽²⁾Does not include County Library Tax.

Source: PA Department of Community Economic Development: www.newpa.com.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$32,789,423 in 2013-14, approximately 59.0 percent of revenues. The School District fiscal year is from July 1 through June 30 and tax bills are issued on July 1 of each year. Taxpayers who remit within two months of July 1 receive a 2 percent discount, and those who remit subsequent to October 31 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 countywide assessment in Dauphin County became effective in 2001.

**TABLE B-8
DERRY TOWNSHIP SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Fiscal Year	Market Value	Assessed Value	Ratio
2010-11	\$2,307,275,585	\$1,910,869,000	82.82%
2011-12	2,340,652,400	1,932,227,400	82.55%
2012-13	2,481,601,399	1,968,412,100	79.32%
2013-14	2,466,170,998	1,966,245,500	79.73%
2014-15*	2,481,601,399	1,993,245,100	80.32%

*Budgeted, taken from the PDE 2028 Budget Report.

Source: Pennsylvania State Tax Equalization Board.

**TABLE B-9
DERRY TOWNSHIP SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2012-13 Market Value	2012-13 Assessed Value	2013-14 Market Value	2013-14 Assessed Value
<i>School District</i>	\$ 2,481,601,399	\$ 1,968,412,100	\$ 2,466,170,998	\$ 1,966,245,500
Derry Township	2,481,601,399	1,968,412,100	2,466,170,998	1,966,245,500
<i>Dauphin County</i>	17,749,782,221	14,533,333,450	17,943,174,947	14,735,290,650

Source: Pennsylvania State Tax Equalization Board.

**TABLE B-10
DERRY TOWNSHIP SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2009-10	2010-11	2011-12	2012-13	2013-14
Residential	\$1,186,684,400	\$1,193,248,600	\$1,197,094,100	\$1,212,005,900	\$1,254,993,000
Lots	22,387,400	22,411,100	22,558,300	23,023,400	21,777,700
Industrial	47,645,900	47,551,900	52,955,500	52,025,100	48,653,100
Commercial	641,013,400	637,321,500	645,974,500	667,458,100	623,493,900
Agriculture	9,897,100	10,213,900	11,726,800	10,117,900	12,928,500
Land	122,000	122,000	122,000	1,923,900	1,923,900
Trailers	0	0	1,540,900	1,617,500	2,262,400
Seasonal	0	0	255,300	240,300	213,000
Total	\$1,907,750,200	\$1,910,869,000	\$1,932,227,400	\$1,968,412,100	\$1,966,245,500

Source: Pennsylvania State Tax Equalization Board.

**TABLE B-11
DERRY TOWNSHIP SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

Fiscal Year	Total Flat Billing	Current Year Collections (July-June)⁽¹⁾	Current Year Collections as Percent of Total Flat Billing	Current Plus Delinquent Collections⁽²⁾	Total Collections as Percent of Total Flat Billing
2009-10	\$30,661,704	\$29,826,771	97.3%	\$30,333,327	98.9%
2010-11	31,845,855	31,026,902	97.4%	31,643,201	99.4%
2011-12	32,438,354	31,408,201	96.8%	32,069,527	98.9%
2012-13	33,828,378	32,942,053	97.4%	33,464,487	98.9%
2013-14	33,996,012	32,140,368	94.5%	32,471,637	95.5%
2014-15 (est.)	35,086,552	33,724,716	96.1%	34,077,358	97.1%

⁽¹⁾Includes penalties less discounts and exonerations.

⁽²⁾Includes delinquent realty taxes collected.

Source: School District officials.

The ten largest real property taxpayers, together with their taxable assessed values, are shown in Table B-12. The aggregate assessed value of these ten taxpayers totals approximately 3.41 percent of total assessed value.

**TABLE B-12
DERRY TOWNSHIP SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

Owner	2014-2015 Assessed Value
Hershey Entertainment & Resorts Company	\$ 52,306,600
Hershey Entertainment & Resorts Company	46,302,400
The Hershey Company	35,647,500
Hershey Entertainment & Resorts Company	33,423,500
Hershey Foods Corp.	30,158,700
Hershey Foods Corp.	29,602,700
Penn State University	28,654,200
Hershey Heights Apartment	15,208,800
FSH Associates LP	13,886,900
Marble Properties	13,245,500
Total	\$298,436,800

Source: School District officials. Represents certain significant holdings as reported by local tax collectors.

Other Taxes

Under Act 511, the School District produced \$8,435,818 in other taxes in 2013-14. Among the taxes authorized by Act 511, the School District currently levies the Real Estate Transfer Tax, Wage & Income Tax, Occupation Flat Tax, Local Services Tax and Amusement Tax. The Act 511 limit, for 2013-14 equal to 12 mills on the market value of real property, was \$29,594,052

Real Estate Transfer. A tax of 0.50% of the value of real estate transfers in 2013-14 yielded \$700,517 or less than one percent of the School District's total revenue.

Wage & Income Tax. The School District levies and receives a tax of 0.5%. In 2013-14 the collected portion of this tax yielded \$4,423,089 or 8.0 percent of the School District's total revenue.

Occupation Flat Tax. A tax of \$1,000.00 is levied on each person with an occupation. In 2013-14 the collected portion of this tax yielded \$1,763,255, or 3.2 percent of total revenue.

Local Services Tax (formerly the Emergency and Municipal Services Tax). The School District levies a Local Services Tax of \$5.00 on each person employed within the School District. In 2013-14 this tax yielded \$141,685, or less than one percent of School District revenues.

Amusement Tax. A tax of 5.0% is levied on the admissions earned by amusement companies. In 2013-14 the collected portion of this tax yielded \$1,407,271, or 2.5 percent of total revenue.

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.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth. Subsidies for special education, pupil transportation, vocational education, health service and debt service are also received by the school district.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the greater of the School District's Market Value Aid Ratio ("Aid Ratio") or 50.00%. The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 56.72 percent. The applicable factor in determining reimbursement from the Commonwealth on the debt service of the Bonds only is estimated to be 50.00%. The product of these two factors is 28.36 percent which is the maximum potential percentage of debt service which will be reimbursed by the Commonwealth.

DEBT AND DEBT LIMITS

Debt Statement

Table B-13 shows the debt of the School District as of January 14, 2015, including the issuance of the Bonds.

**TABLE B-13
DERRY TOWNSHIP SCHOOL DISTRICT
DEBT STATEMENT***

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2015 ⁽¹⁾	\$9,995,000
General Obligation Bonds, Series of 2014	9,675,000
General Obligation Bonds, Series A of 2012.....	3,230,000
General Obligation Bonds, Series of 2012	2,625,000
General Obligation Bonds, Series of 2011	7,815,000
General Obligation Bonds, Series A of 2010.....	13,435,000
General Obligation Bonds, Series of 2008	7,105,000
TOTAL NONELECTORAL DEBT	\$53,880,000
LEASE RENTAL DEBT	
State Public School Building Authority ⁽²⁾	
Guaranteed School Lease Revenue Bonds, Series of 2015.....	\$3,236,754
TOTAL LEASE RENTAL DEBT	\$3,236,754
TOTAL PRINCIPAL OF DIRECT DEBT	\$57,116,754

*Includes the Bonds offered through this Official Statement.

⁽¹⁾ Authorized and incurred debt, but not yet issued. Issuance scheduled for January 2015 and settlement on or about February 26, 2015.

⁽²⁾ Represents the School District's allocable 16.68% pro-rata share of the total principal amount of \$19,405,000 for the Dauphin County Technical School Project.

Table B-14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$57,116,754. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$54,857,390.

**TABLE B-14
DERRY TOWNSHIP SCHOOL DISTRICT
BOND AND BOND INDEBTEDNESS AND DEBT RATIOS***

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt	\$53,880,000	\$52,538,579
Lease Rental Debt	3,236,754	2,318,811
TOTAL DIRECT DEBT	\$57,116,754	\$54,857,390
OVERLAPPING DEBT		
Dauphin County, General Obligation ⁽²⁾	\$46,673,566	\$46,673,566
Municipal Debt	75,054,997	75,054,997
TOTAL OVERLAPPING DEBT	\$121,728,563	\$121,728,563
TOTAL DIRECT AND OVERLAPPING DEBT	\$178,845,317	\$176,585,953
DEBT RATIOS		
Per Capita (2010)	\$7,246.86	\$7,155.31
Percent 2013-14 Assessed Value	9.10%	8.98%
Percent 2013-14 Market Value	7.25%	7.16%

*Includes the Bonds offered through this Official Statement and the authorized, incurred debt, but not yet issued.

⁽¹⁾Does give effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current Aid Ratio. See "Commonwealth Aid to School Districts".

⁽²⁾Pro rata 13.74 percent share of \$339,583,901 principal amount outstanding.

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Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District’s “Borrowing Base”. The “Borrowing Base” is defined as the annual arithmetic average of “Total Revenues” (as defined by the Act) for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2011-12	\$51,802,010
Total Revenues for 2012-13	52,408,093
Total Revenues for 2013-14	55,139,874
Total	<u>\$159,349,977</u>
Annual Arithmetic Average (Borrowing Base)	<u>\$53,116,659</u>

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District’s Borrowing Base produces the following products:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base	\$119,512,483	\$57,116,754	\$62,395,729

*Includes the Bonds described herein, does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

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Debt Service Requirements

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

Future Financing

The School District does not anticipate issuing additional long-term (non-refunding) debt within the next two years.

LABOR RELATIONS

School District Employees

There are presently 527 employees of the School District, including 306 teachers and administrators, and 221 support personnel including secretaries, custodial and maintenance staff, pupil transportation staff, cafeteria staff and teacher aids.

The School District is under contract with the Hershey Education Association, an affiliate of the Pennsylvania State Education Association (“PSEA”), representing the teachers of the School District. The present teachers’ contract expired June 30, 2017. The Hershey Educational Support Professionals Association, an affiliate of PSEA, represents the School District’s support personnel. Their present contract expires June 30, 2016. The School District’s contract negotiations with School District’s support personnel. Their present contract expires June 30, 2016. The School District’s contract its teachers are not subject to binding arbitration. The School District has not experienced a teachers’ strike.

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). 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. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

The Public School Employees Retirement System (PSERS) Board of Trustees certified an annual employer contribution rate of 25.84% for fiscal year 2015-16, which begins on July 1, 2015. This marks the fifth year of planned increases in the employer contribution rate under Act 120 of 2010 which are needed to raise the rate to the actuarially required level.

The 25.84% employer contribution rate is composed of 0.84% for health insurance premium assistance and a pension rate of 25.00%. The pension component of the rate was capped at a 4.50% increase from the previous year. The rate caps established under Act 120 of 2010 remain in effect for the next fiscal year and continue to suppress the pension rate and underfund the System. Based on current projections, fiscal year 2015-16 would be the last fiscal year the rate collars will be in place. Total employer contributions of \$3.45 billion are estimated in 2015-16. The commonwealth reimburses school employers for not less than 50% of the total employer contribution rate. Contributions for the School District are as follows:

2010-11	\$1,312,383
2011-12	2,094,002
2012-13	2,909,242
2013-14	4,142,852
2014-15 (Budget)	5,388,589

The School District is current in all payments.

PSERS is also funded through investment earnings and mandatory member contributions. Investment earnings are the largest source of funding for PSERS. For the most recent fiscal year ended June 30, 2014, PSERS’ investments added over \$7.1 billion in net investment income to the fund. PSERS members contribute from 5.25% to 10.30% of pay depending on their membership class and when they joined PSERS. Members will contribute an average of 7.49% or approximately \$1 billion in 2015-16.

Source: Pennsylvania School Board Association at www.PSBA.org and PSERS at www.PSERS.state.pa.us

Other Post-Employment Benefits

The School District is obligated under collective bargaining agreements to provide future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The School District has become subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District’s annual financial statements for the fiscal year ending June 30, 2009. For a full description, see “Audited Financial Statements – Notes to Financial Statements - Note J – Postemployment Benefits Plan” which can be found at:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=EA528055>

DERRY TOWNSHIP SCHOOL DISTRICT CONTINUING DISCLOSURE UNDERTAKING

Existing Continuing Disclosure Filing History

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

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	11/22/2010 ^[3]	EA390517	11/22/2010	EA390523	Various ^[4]	Various ^[4]
6/30/2011	12/27/2011	1/10/2012	ER476278	1/10/2012	ER476304	1/25/2012 ^[5]	Various ^[5]
6/30/2012	12/27/2012	11/30/2012	EP585700	12/3/2012	EP587046	11/29/2012 ^[6]	Various ^[6]
6/30/2013	12/27/2013	12/17/2013	EA484652	7/30/2013	EP587046	12/17/2013 ^[7]	Various ^[7]
6/30/2014	12/27/2014	12/18/2014	EA528055	8/19/2014	EA528055	12/18/2014	EA528055

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below: <http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

^[3] Filing of the District's PDE-2057 Annual Financial Report. Audited financial statements filed on 1/11/2011 (EMMA ID EA390517)

^[4] Included in various EMMA filings as well as publically available in Official Statements of the School District. Tax collection results, top 10 taxpayers and pupil enrollment were included in the Official Statement for the District's General Obligation Bonds, Series of 2011, whose Official Statement was filed to EMMA on 1/14/2011. A Notice of Reference to Other Submitted Documents was filed by the School District on 1/6/15 (EMMA ID ER669739). The assessed & market values as well as the tax & millage rates was included in the PDE-2028 Budget filed under EMMA ID EA390523 on 11/22/2010.

^[5] Included in various EMMA filings. Tax collection results and tax & millage rates filed under EMMA ID EP505062. Assessed & market values included in PDE-2028 Budget filed under EMMA ID ER476304 on 1/10/2012. Top 10 taxpayers filed under EMMA ID EP505061. Pupil enrollment filed under EMMA ID EP505063.

^[6] Included in various EMMA filings. Tax collection results filed under EMMA ID EA426537. Assessed & market values included in PDE-2028 Budget filed under EMMA ID EP587046 on 12/3/2012. Tax & millage rates filed under EMMA ID EA426541. Top 10 taxpayers filed under EMMA ID EA426542. Pupil enrollment filed under EMMA ID EA426543.

^[7] Included in various EMMA filings. Tax collection results, tax & millage rates, Top 10 taxpayers and pupil enrollment filed under EMMA ID EA484653. Assessed & market values included in PDE-2028 Budget filed under EMMA ID EP587046 on 7/30/2013.

Based on the information above, the School District's annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2010, the School District filed its PDE-2057 Annual Financial Report and budget on November 22, 2010. Its audited financial statements were filed on January 11, 2011. A portion of its operating data was contained in an Official Statement filed to EMMA on January 14, 2011 and a Notice of Reference to Other Submitted Documents was filed to EMMA on January 6, 2015. The remaining portion of its operating data was included in its budget filed on November 22, 2010.

For fiscal year ending June 30, 2011, the School District filed its audited financial statements and budget on January 10, 2012. A portion of its operating data was filed on January 25, 2012 and the remaining portion of its operating data was included in its budget filed on January 10, 2012.

For fiscal year ending June 30, 2012, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2013, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2014, the School District filed its annual financial and operating data in a timely manner.

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APPENDIX C

**HALIFAX AREA SCHOOL DISTRICT
Descriptive, Financial and Economic Information**

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THE SCHOOL DISTRICT

Introduction

The Halifax Area School District is located in Dauphin County (the "County") in central Pennsylvania, approximately 20 miles north of Harrisburg. The School District covers 86.1 square miles and is comprised of Halifax Borough, Halifax Township, Jackson Township, and Wayne Township.

Organization and Administration

The School District is a School District of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth").

The School District became effective July 1, 1964 and merely changed the jointure type organization to a single operative unit governed by a board of nine School Directors (the "School Board") who are residents within the School District and who are elected for four-year terms on a staggered basis. The daily operations and management of the School District are performed by a central administrative staff which is led by the School District Superintendent who is appointed by the School Board. The Superintendent is supported by a Board Secretary, Business Manager and Assistant Superintendent, which are further supported by coordinators and supervisors in specialty fields.

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School Building Facilities

The School District presently operates two elementary school buildings and a middle/senior high school building. An inventory of existing facilities is listed as follows:

**TABLE C-1
HALIFAX AREA SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/Renovation Date(s)	Grades	Rated Pupil Capacity	2014-15 Enrollment⁽¹⁾
Elementary:					
Enders-Fisherville Elementary.....	1958	1988/2001	Pre-K-1	250	181
Halifax Elementary	1968	1988	2-5	475	324
Secondary:					
Halifax Area Middle/High School	1958	1968/1979 1987/1998	6-12	1,001	566

⁽¹⁾As of October 1, 2014.
Source: School District Officials.

Student Enrollments

Student enrollment trends for the School District are illustrated by the following five-year record of actual enrollments and projection of future enrollments, as reported by the School District’s Administrative officials.

**TABLE C-2
HALIFAX AREA SCHOOL DISTRICT
ENROLLMENT TRENDS**

School Year	Actual Enrollments⁽¹⁾			Projected Enrollments⁽²⁾			
	Elementary	Secondary	Total	Year	Elementary	Secondary	Total
2010-11	619	593	1,212	2015-16	590	520	1,110
2011-12	649	538	1,187	2016-17	602	523	1,125
2012-13	625	517	1,142	2017-18	610	528	1,138
2013-14	612	499	1,111	2018-19	620	530	1,150
2014-15 ⁽¹⁾	582	516	1,098	2019-20	625	532	1,157

⁽¹⁾As of October 1, 2014. Actual Enrollments are expected to increase as the school year progresses.
⁽²⁾Excludes students in full-time out-of-district special education, comprehensive AVTSs, charter schools, state-owned schools, consortium-operated alternative high schools, and juvenile correctional institutions.
Source: Halifax Area School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

The School District utilizes the modified accrual basis of accounting under which expenditures other than interest on long term debt are recorded when incurred and revenues are recorded as received in cash unless susceptible to accrual. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Jones & Co., Certified Public Accountants, of Pottsville, Pennsylvania, currently serves as School District Auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of this this Official Statement, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

In the interim, until the Audit becomes available, the School District has filed their State Form PDE 2057 Annual Financial Report for fiscal year ending June 30, 2014; and can be accessed at the following link:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=ER660783>

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Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

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

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

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days of the receipt of the information about the preliminary budget, 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 PDE 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 PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

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

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Summary and Discussion of Financial Results

A summary of the School District's General Fund balance sheet and changes in fund balances are presented in Tables C-3 and C-4. Table C-5 shows revenues and expenditures for the past five years and the 2014-15 budget. The budget for the 2014-15 school year, adopted on June 12, 2014, projected \$17,792,794 in revenue and expenditures of \$17,705,697.

TABLE C-3
HALIFAX AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)

ASSETS	2010	2011	2012	2013	2014
Cash and Cash Equivalents	\$2,065,383	\$2,902,947	\$3,819,415	\$5,058,749	\$5,111,175
Taxes Receivable	968,811	832,636	973,834	988,144	962,453
Due from Other Funds	25,700	13,784	94,086	169,271	220,099
Due from Other Governments.....	1,044,488	937,389	529,442	625,656	9,946
Due From Primary Governments	24,335	0	0	0	808,976
Other Receivables (Include Bond Proceeds Receivable)	58,467	8,578	31,204	28,628	11,324
Inventories	0	48,987	15,145	9,856	0
Prepaid Expenses/Expenditures	198,732	0	0	0	6,095
TOTAL ASSETS	\$4,385,916	\$4,744,321	\$5,463,126	\$6,880,304	\$7,130,068
LIABILITIES					
Due to Other Funds.....	\$28,537	\$76,047	\$96,898	\$63,533	\$60,636
Due to Other Governments	0	160,614	137,276	234,281	185,169
Accounts Payable.....	376,418	239,908	215,632	305,437	420,716
Short-Term Payables.....	187,958	0	0	0	0
Accrued Salaries and Benefits	1,438,335	1,599,742	1,410,757	1,452,003	1,422,400
Deferred Revenues.....	580,318	570,689	621,096	640,103	597,086
Other	0	0	0	0	139,136
TOTAL LIABILITIES	\$2,611,566	\$2,647,000	\$2,481,659	\$2,695,357	\$2,825,143
FUND EQUITIES					
Non-Spendable Fund Balance.....	\$0	\$48,987	\$15,145	\$9,855	\$6,095
Committed Fund Balance.....	492,804	497,514	1,017,814	2,180,744	2,572,856
Unassigned Fund Balance	1,281,546	1,550,820	1,948,508	1,994,348	1,725,974
TOTAL FUND EQUITIES	\$1,774,350	\$2,097,321	\$2,981,467	\$4,184,947	\$4,304,925
TOTAL LIABILITIES AND FUND EQUITIES	\$4,385,916	\$4,744,321	\$5,463,126	\$6,880,304	\$7,130,068

Source: School District Annual Financial Reports.

TABLE C-4
HALIFAX AREA SCHOOL DISTRICT GENERAL FUND*
SUMMARY OF CHANGES IN FUND BALANCE
(Years Ending June 30)

	Actual					Budget
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>
Beginning Fund Balance	\$1,235,122	\$1,774,348	\$2,097,319	\$2,981,465	\$4,184,943	\$4,304,921
Revenues over (under) Expenditure ..	539,226	249,671	884,147	1,203,478	119,978	(833,182)
Prior Period Adjustments	0	73,299	0	0	0	0
Ending Fund Balance	<u>\$1,774,348</u>	<u>\$2,097,319</u>	<u>\$2,981,465</u>	<u>\$4,184,943</u>	<u>\$4,304,921</u>	<u>\$3,471,739</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 12, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

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Revenue

The School District received \$17,915,804 in revenue in 2013-14 and has budgeted revenue of \$18,257,235 in 2014-15. Local sources contributed an increasing share of total revenue in the past five years, from 40.5 percent in 2009-10 to 49.1 percent 2013-14. Revenue from Commonwealth sources contributed an increasing share of total revenue from 39.3 percent to 48.4 percent over this period. Federal and other revenue increased from 20.1 percent to 2.5 percent during the period.

TABLE C-5
HALIFAX AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(For years ending June 30)

REVENUE:	Actual					Budget
Local Sources:	2010	2011	2012	2013	2014	2015⁽¹⁾
Real Estate Taxes	\$5,326,684	\$5,790,121	\$6,079,999	\$6,100,290	\$6,099,716	\$5,982,104
Interim Real Estate Taxes.....	28,516	12,899	24,687	19,392	(3,731)	25,000
Public Utility Realty Tax.....	11,099	10,752	10,659	10,899	10,223	11,000
Payments in Lieu of Current Taxes	9,627	1,539	9,627	9,627	9,627	10,000
Current Per Capita taxes, Sec. 679	23,469	23,880	23,843	23,758	23,424	24,300
Act 511 Taxes	1,629,129	1,548,783	1,381,972	1,657,980	1,656,552	1,727,300
Delinquency on Taxes Levied	598,832	591,111	532,739	524,204	528,058	528,609
Earnings on Investments	46,403	28,485	12,940	6,640	6,146	19,450
Rev. from Student Activities.....	5,006	53,564	49,515	56,827	53,281	63,000
Rev. from Local Government Units	0	4,154	3,866	0	0	244,829
Federal Rev. Received from Other PA Public Schools....	401,400	27,045	0	0	0	0
Federal Rev. Received from Other Intermediate Sources	0	224,996	215,364	211,835	200,767	0
Rentals	2,421	2,837	2,250	1,350	2,193	2,500
Contributions and Donations from Private Sources	8,538	39,056	3,234	113	11,815	7,000
Receipts from Other LEAS in PA-Education	118,080	184,884	203,538	174,812	181,783	0
Federal ARRA IDEA Pass Through Revenue	0	123,819	0	0	0	0
All Other Services Provided Other Governments and LEAs	40,392	0	0	0	0	0
Tuition from Patrons	0	0	0	0	0	190,000
Refunds of Prior Years' Expenditures.....	3,671	(3,498)	0	0	(2,216)	0
All Other Local Revenues Not Specified.....	17,495	22,223	26,740	9,066	13,429	5,000
Total Local Sources	\$8,270,763	\$8,686,650	\$8,580,971	\$8,806,793	\$8,791,068	\$8,840,092
State Sources:						
Basic Instructional Subsidy	\$4,837,796	\$4,611,052	\$5,336,952	\$5,335,458	\$5,411,775	\$5,411,775
Charter Schools	65,534	49,384	0	0	0	0
Driver Education – Student	1,750	1,120	1,680	1,085	1,295	2,000
Special Education - Funding for School Aged Pupils	717,863	713,134	713,134	713,134	713,134	713,134
Educational Assistance Program (Tutoring).....	31,774	32,253	0	0	0	0
Pre-K Counts.....	158,625	193,111	190,938	176,550	161,838	176,500
Transportation	952,504	972,133	709,157	680,755	695,665	700,000
Rentals and Sinking Fund Payments	26,363	91,424	165,233	91,586	90,683	85,528
Health Services	22,472	22,009	21,848	21,281	20,410	21,000
PA Accountability Grant.....	227,554	213,387	83,837	83,837	83,837	83,837
State Property Tax Reduction Allocation	432,508	432,540	432,705	432,500	432,817	432,656
Migratory Children.....	0	16	0	0	0	0
Additional Grants not listed elsewhere	(2,222)	15,311	4,965	0	0	0
Revenue for Social Security	323,084	340,302	320,019	321,990	320,190	321,867
Revenue for Retirement.....	206,510	260,938	375,257	546,944	742,106	874,329
Other State Revenue.....	0	0	14,934	0	0	169,218
Classrooms for the Future	25,000	0	0	0	0	0
Total State Sources	\$8,027,115	\$7,948,114	\$8,370,658	\$8,405,120	\$8,673,750	\$8,991,844
Federal Sources:						
Total Federal Sources	\$1,026,345	\$1,279,047	\$243,761	\$408,199	\$449,279	\$423,299
Other Sources:						
Total Other Sources	\$3,081,652	\$1,841	\$5,500	\$2,883	\$1,707	\$2,000
TOTAL REVENUE	\$20,405,875	\$17,915,652	\$17,200,891	\$17,622,994	\$17,915,804	\$18,257,235

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 12, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

Expenditures

**TABLE C-5
HALIFAX AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
EXPENDITURES*
(For years ending June 30)**

EXPENDITURES:	Actual					Budget
	2010	2011	2012	2013	2014	2015⁽¹⁾
Instruction.....	\$9,656,239	\$10,070,650	\$9,347,808	\$9,406,839	\$10,076,816	\$10,846,783
Pupil Personnel.....	721,370	765,822	714,607	712,785	754,170	828,905
Instructional Staff.....	510,498	513,333	313,592	315,501	325,820	335,433
Administration.....	1,175,835	1,238,147	1,139,322	1,155,166	1,223,338	1,293,505
Pupil Health.....	203,433	223,197	207,264	198,060	236,975	255,050
Business.....	404,116	420,286	436,742	426,919	473,662	507,280
Operation and Maintenance.....	1,375,856	1,428,852	1,315,962	1,325,761	1,542,994	1,549,053
Student Transportation.....	1,199,673	1,218,665	895,537	921,124	923,597	927,000
Central & Other Support Services.....	329,004	314,904	286,306	415,743	443,874	513,469
Operation of Non-instructional Services.....	107,632	411,266	353,614	350,700	385,283	402,334
Facilities Acq., Construction and Improvements.....	13,267	0	0	0	0	0
Debt Service.....	3,781,318	926,983	1,127,775	1,127,188	1,248,496	1,571,605
Fund Transfers.....	368,211	124,085	160,000	60,000	160,000	60,000
Refund of Prior Year Receipts.....	20,197	9,791	18,215	3,730	801	0
Budgetary Reserve.....	0	0	0	0	0	0
	<u>\$19,866,649</u>	<u>\$17,665,981</u>	<u>\$16,316,744</u>	<u>\$16,419,516</u>	<u>\$17,795,826</u>	<u>\$19,090,417</u>
TOTAL EXPENDITURES	<u>9</u>	<u>\$17,665,981</u>	<u>\$16,316,744</u>	<u>\$16,419,516</u>	<u>6</u>	<u>7</u>
SURPLUS (DEFICIT) OF REVENUES						
OVER EXPENDITURES	<u>\$539,226</u>	<u>\$249,671</u>	<u>\$884,147</u>	<u>\$1,203,478</u>	<u>\$119,978</u>	<u>(\$833,182)</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 12, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

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TAXING POWERS OF THE SCHOOL DISTRICT

In General

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 and other statutes 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 or 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 more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year (which include full time college students with respect to the per capita tax).

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The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

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

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

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State 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. If and when a school district has 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 Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2011-12	1.9%
2012-13	2.3
2013-14	2.3
2014-15	2.8
2015-16	2.6

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Expected to be Eligible for Act 1 Exceptions

The Bonds constitute indebtedness incurred after the effective date of Act 1 and, therefore, no exception to the referendum requirement is expected for new taxes to pay the debt service on the Bonds if a tax increase greater than the Index is required. The School District believes that it has included sufficient new tax millage in its 2014/15 budget to cover the full amount of the debt service on the Bonds without exceeding the 2014/15 Index (although the actual tax increase may exceed the 2014/15 Index as a result of the other available and approved (non-debt related) exceptions to the Index).

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 a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District does not levy an occupation tax.

Act 48 of 2003

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:

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

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

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Tax Levy Trends

Table C-6 shows the recent trend of tax rates levied by the School District. Table C-7 shows the comparative trend of real property tax rates for the School District, Dauphin County and the municipalities within the School District.

**TABLE C-6
HALIFAX AREA SCHOOL DISTRICT
TAX RATES**

	<u>Real Estate (mills)</u>	<u>Per Capita (\$)</u>	<u>Real Estate Transfer (%)</u>	<u>Wage and Income (%)</u>	<u>Occupation (\$)</u>
2010-11	19.75	5.00	0.50	0.50	250.00
2011-12	20.45	5.00	0.50	0.50	250.00
2012-13	20.45	5.00	0.50	0.50	250.00
2013-14	20.45	5.00	0.50	0.50	250.00
2014-15	20.45	5.00	0.50	0.50	250.00

Source: School District officials.

**TABLE C-7
HALIFAX AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)⁽¹⁾**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<i>School District⁽¹⁾</i>	19.75000	20.45000	20.45000	20.45000	20.45000
<u>Municipality within School District:</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Halifax Borough	2.05000	3.05000	3.52800	3.52800	3.52800
Halifax Township	0.42000	0.42000	0.93000	0.93000	0.93000
Jackson Township	0.22000	0.22000	0.22000	0.22000	0.22000
Wayne Township	0.51740	0.51740	0.51740	0.51740	0.51740
<i>Dauphin County⁽²⁾</i>	6.87600	6.87600	6.87600	6.87600	6.87600

⁽¹⁾School District Fiscal Year begins July 1 and ends June 30.

⁽²⁾Does not include County Library Tax.

Source: PA Department of Community Economic Development: www.newpa.com.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$ 6,099,716 in 2013-14, approximately 34.0 percent of revenues. The School District fiscal year is from July 1 through June 30 and tax bills are issued on July 1 of each year. Taxpayers who remit within two months of July 1 receive a 2 percent discount, and those who remit subsequent to October 31 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 countywide assessment in Dauphin County became effective in 2001.

**TABLE C-8
HALIFAX AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Fiscal Year	Market Value	Assessed Value	Ratio
2010-11	\$406,833,942	\$334,176,200	82.14%
2011-12	411,931,726	335,846,500	81.53%
2012-13	428,369,733	335,744,000	78.38%
2013-14	426,917,326	336,297,600	78.77%
2014-15*	428,369,734	336,366,400	78.52%

*Budgeted, taken from the PDE 2028 Budget Report.
Source: Pennsylvania State Tax Equalization Board.

**TABLE C-9
HALIFAX AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2012-13 Market Value	2012-13 Assessed Value	2013-14 Market Value	2013-14 Assessed Value
<i>Halifax Area School District</i>	\$ 428,369,733	\$ 335,744,000	\$ 426,917,326	\$ 336,297,600
Halifax Borough	28,620,423	20,314,400	27,208,199	20,283,900
Halifax Township	212,410,113	164,357,900	212,509,548	164,759,800
Jackson Township	105,400,079	81,322,400	105,293,757	81,433,800
Wayne Township	81,939,119	69,749,300	81,905,822	69,820,100
<i>Dauphin County</i>	17,749,782,221	14,533,333,450	17,943,174,947	14,735,290,650

Source: Pennsylvania State Tax Equalization Board.

**TABLE C-10
HALIFAX AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2009-10	2010-11	2011-12	2012-13	2013-14
Residential	\$210,937,300	\$225,410,000	\$219,200,100	\$220,486,700	\$229,749,900
Lots	9,287,700	8,529,100	9,571,600	10,592,000	9,460,300
Industrial	7,595,400	7,595,400	7,595,400	5,515,400	5,515,400
Commercial	35,387,800	37,207,300	33,982,500	35,360,100	28,658,400
Agriculture	52,246,300	52,826,900	54,041,600	49,168,000	48,410,100
Land	2,923,200	2,607,500	3,212,800	6,541,500	6,515,000
Seasonal	713,900	0	657,200	632,400	632,400
Trailers	7,478,500	0	7,585,300	7,447,900	7,356,100
Total	\$326,570,100	\$334,176,200	\$335,846,500	\$335,744,000	\$336,297,600

Source: Pennsylvania State Tax Equalization Board.

TABLE C-11

HALIFAX AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

Year	Tax Levy	Current Year Collections (July-June)	Collections as Percent of Total Adjusted Flat Billing	Total Current Plus Delinquent Collections	Collections as Percent of Total Adjusted Flat Billing
2010-11	\$6,655,522	\$5,790,121	93.96%	\$6,213,157	100.82%
2011-12	6,986,901	6,079,999	93.98%	6,435,547	99.48%
2012-13	6,966,738	6,497,328	100.72%	6,864,656	106.42%
2013-14	7,102,136	6,155,662	95.34%	6,441,193	99.76%
2014-15 (est.)	7,099,593	4,340,455	*	4,444,299	*

*As of October 15, 2014 (still in collection process).
Source: School District officials.

The ten largest real property taxpayers, together with their taxable assessed values, are shown in Table C-12. The aggregate assessed value of these ten taxpayers totals approximately 5.3 percent of total assessed value. Some of these major taxpayers have failed to pay taxes on a current basis, but have paid them with penalties.

TABLE C-12

HALIFAX AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS

Owner	2014-15 Assessed Value
Camp Hebron Incorporated	\$ 3,050,100
Halifax Plaza Associates LP	2,766,900
Lenker Development Group	2,175,400
Oakridge	2,022,800
Masser & Ballay Farms	1,888,400
Strohecker, Larry R. & Janet A.	1,489,500
Farhat, Ismail H. & Garam I.	1,241,800
Fulkroad, Ricky A. & Rodney L.	1,203,200
Laudenslager, Karl W. & Nancy	1,093,200
Chubb, Donald L & Linda K	883,900
Total	\$17,815,200

Source: School District officials. Represents certain significant holdings as reported by local tax collectors.

Other Taxes

Under Act 511, the School District anticipates collecting \$1,656,552 in other taxes in 2013-14. Among the taxes authorized by Act 511, the School District currently levies the Earned Income Tax, Real Estate Transfer Tax, Per Capita Tax and Occupation Tax. The Act 511 limit, for 2011-12, equal to 12 mills on the market value of real property, should be \$5,123,008.

Earned Income Tax. The School District levies a tax of 1.00% (subject to sharing) on the earned income of residents. In 2013-14 the collected portion of this tax expected to yield \$824,741 or 4.6 percent of total revenue.

Real Estate Transfer Tax. A tax of 1.00% (subject to sharing) of the value of real estate transfers is expected to yield \$65,878 in 2013-14 or less than one percent of total revenue.

Per Capita Tax. A tax of \$10.00 (\$5.00 under Act 511 and \$5.00 under the School Code) on each resident over 18 years old is expected to yield \$22,728 in 2013-14 or less than one percent of total revenue.

Occupation Tax. A tax of \$250.00 is levied on each resident working within the School District. In 2013-14 the School District's collected portion of this tax is expected to yield \$743,205 or 4.1 percent of total revenue.

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.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth. Subsidies for special education, pupil transportation, vocational education, health service and debt service are also received by the school district.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the greater of the School District's Market Value Aid Ratio ("Aid Ratio") or 50.00%. The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 56.72 percent. The applicable factor in determining reimbursement from the Commonwealth on the debt service of the Bonds only is estimated to be 50.00%. The product of these two factors is 28.36 percent which is the maximum potential percentage of debt service which will be reimbursed by the Commonwealth.

DEBT AND DEBT LIMITS

Debt Statement

Table C-13 shows the debt of the School District as of January 14, 2015, including the issuance of the Bonds.

**TABLE C-13
HALIFAX AREA SCHOOL DISTRICT
DEBT STATEMENT***

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2014	\$ 9,905,000
General Obligation Bonds, Series of 2013	9,920,000
General Obligation Bonds, Series of 2010	845,000
General Obligation Bonds, Series of 2009	130,000
TOTAL NONELECTORAL DEBT	\$20,800,000
LEASE RENTAL DEBT	
State Public School Building Authority ⁽¹⁾	
Guaranteed School Lease Revenue Bonds, Series of 2015	\$560,805
TOTAL LEASE RENTAL DEBT	\$560,805
TOTAL PRINCIPAL OF DIRECT DEBT	\$21,360,805

*Includes the Bonds offered through this Official Statement.

⁽¹⁾ Represents the School District's allocable 2.89% pro-rata share of the total principal amount of \$19,405,000 for the Dauphin County Technical School Project.

Table C-14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$21,360,805. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$16,482,520.

**TABLE C-14
HALIFAX AREA SCHOOL DISTRICT
BOND AND BOND INDEBTEDNESS AND DEBT RATIOS***

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$20,800,000	\$16,080,760
Lease Rental Debt	560,805	401,760
TOTAL DIRECT DEBT	\$21,360,805	\$16,482,520
OVERLAPPING DEBT		
Dauphin County, General Obligation ⁽²⁾	\$8,079,632	\$8,079,632
Municipal Debt.....	180,000	180,000
TOTAL OVERLAPPING DEBT	\$8,259,632	\$8,259,632
TOTAL DIRECT AND OVERLAPPING DEBT	\$29,620,437	\$24,742,152
DEBT RATIOS		
Per Capita (2010).....	\$3,894.35	\$3,252.98
Percent 2013-14 Assessed Value.....	8.81%	7.36%
Percent 2013-14 Market Value.....	6.94%	5.80%

*Includes the Bonds offered through this Official Statement.

⁽¹⁾Does give effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current Aid Ratio. See "Commonwealth Aid to School Districts".

⁽²⁾Pro rata 2.38 percent share of \$339,583,901 principal amount outstanding.

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Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act) for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2011-12.....	\$17,030,158
Total Revenues for 2012-13.....	17,528,525
Total Revenues for 2013-14.....	17,823,414
Total	\$52,382,097
Annual Arithmetic Average (Borrowing Base).....	<u><u>\$17,460,699</u></u>

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following products:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit: 225% of Borrowing Base.....	\$39,286,573	\$21,360,805	\$17,925,768

*Includes the Bonds described herein, does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

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Debt Service Requirements

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

Future Financing

The School District does not anticipate issuing additional long-term (non-refunding) debt within the next two years.

LABOR RELATIONS

School District Employees

There are presently 196 employees of the School District; 103 employees are teachers, 12 administrative employees, and 81 are support personnel. The support personnel include secretaries, cafeteria staff, custodians and teacher’s aides.

The School District’s teachers are represented by the Halifax Area Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District, which expires on June 30, 2017. Secretaries, custodians, maintenance, and cafeteria employees and teacher aides are represented by a labor union organization. The Halifax Education Support Personnel Associate (HESPA), an affiliate of the Pennsylvania State Education Association (PSEA), under a contract that expires on June 30, 2015.

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). 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. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

The Public School Employees Retirement System (PSERS) Board of Trustees certified an annual employer contribution rate of 25.84% for fiscal year 2015-16, which begins on July 1, 2015. This marks the fifth year of planned increases in the employer contribution rate under Act 120 of 2010 which are needed to raise the rate to the actuarially required level.

The 25.84% employer contribution rate is composed of 0.84% for health insurance premium assistance and a pension rate of 25.00%. The pension component of the rate was capped at a 4.50% increase from the previous year. The rate caps established under Act 120 of 2010 remain in effect for the next fiscal year and continue to suppress the pension rate and underfund the System. Based on current projections, fiscal year 2015-16 would be the last fiscal year the rate collars will be in place. Total employer contributions of \$3.45 billion are estimated in 2015-16. The commonwealth reimburses school employers for not less than 50% of the total employer contribution rate. Contributions for the School District are as follows:

2010-11	\$208,405
2011-12	281,375
2012-13	583,562
2013-14	660,061
2014-15 (Budget)	888,679

The School District is current in all payments.

PSERS is also funded through investment earnings and mandatory member contributions. Investment earnings are the largest source of funding for PSERS. For the most recent fiscal year ended June 30, 2014, PSERS’ investments added over \$7.1 billion in net investment income to the fund. PSERS members contribute from 5.25% to 10.30% of pay depending on their membership class and when they joined PSERS. Members will contribute an average of 7.49% or approximately \$1 billion in 2015-16.

Source: Pennsylvania School Board Association at www.PSBA.org and PSERS at www.PSERS.state.pa.us

Other Post-Employment Benefits

The School District is obligated under collective bargaining agreements to provide future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The School District has become subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District’s annual financial statements for the fiscal year ending June 30, 2009. For a full description, see “Audited Financial Statements – Notes to Financial Statements - Note 15 – Postemployment Benefits Plan” which can be found at:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=EA484865>

HALIFAX AREA SCHOOL DISTRICT CONTINUING DISCLOSURE UNDERTAKING

Existing Continuing Disclosure Filing History

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

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	12/26/2012	EP592059	12/26/2012	EP592056	10/28/2014 ^[3]	ER647895
6/30/2011	12/27/2011	12/26/2012	EP592056	12/26/2012	EP592049	12/26/2012	EP592049
6/30/2012	12/27/2012	12/26/2012 ^[4]	EP592053	12/26/2012	EP592061	Various ^[5]	Various
6/30/2013	12/27/2013	12/23/2013	EA484865	12/23/2013	EA484866	12/23/2013	EA484866
6/30/2014	12/27/2014	12/19/2014 ^[6]	ER660783	7/3/2014	ER634461	10/28/2014 ^[7]	ER647902

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District’s previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

^[3] Some operating data available in 2009-2010 PDE-2057 Annual Financial Report (EMMA ID EP592059)

^[4] Filing of PDE-2057 Annual Financial Report. Audited financial statements filed on 2/15/2013 (EMMA ID EA444469)

^[5] Included in various EMMA filings as well as publically available in an Official Statement of the School District. Tax collection results and pupil enrollment were included in the Official Statement for the District’s General Obligation Bonds, Series of 2013, whose Official Statement was filed to EMMA on 10/2/2013. A Notice of Reference to Other Submitted Documents was filed by the School District on 1/7/15 (EMMA ID ER670375). The assessed & market values as well as the tax & millage rates was included in the PDE-2028 Budget filed under EMMA ID EP592061 on 12/26/2012. The ten largest taxpayers filed under EMMA ID ER670354.

^[6] Filing of PDE-2057 Annual Financial Report.

^[7] Some operating data available in 2014-15 Budget (EMMA ID ER634461)

Based on the information above, the School District’s annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2010, the School District filed its audited financial statements and budget on December 26, 2012. Its operating data was filed on October 28, 2014, with portions of the operating data also contained in its PDE-2057 Annual Financial Report filed on December 26, 2012.

For fiscal year ending June 30, 2011, the School District filed its annual financial and operating data on December 26, 2012.

For fiscal year ending June 30, 2012, the School District filed its PDE-2057 Annual Financial Report and budget on December 26, 2012. Its audited financial statements were filed on February 15, 2013. A portion of its operating data was contained in an Official Statement filed to EMMA on October 2, 2013 and a Notice of Reference to Other Submitted Documents was filed to EMMA on January 7, 2015. Other portions of operating data are included in its budgeted filed on December 26, 2012. The ten largest taxpayers were filed separately on January 7, 2015.

For fiscal year ending June 30, 2013, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2014, the School District filed its PDE-2057 Annual Financial Report on December 19, 2014 and budget on July 3, 2014. Its operating data was filed on October 28, 2014, with portions of the operating data also contained within its budget filed on July 3, 2014.

Failure to Provide Annual Financial Information

As outlined in the table above, the School District failed to provide certain annual financial information in a timely manner during the past (5) five years. The School District filed a “Failure to Provide Annual Financial Information” notice to EMMA on October 31, 2014.

Bond Insurance Rating Downgrades and Upgrades by S&P and/or Moody’s

Some of the School District’s bond issues that have been outstanding during the past five (5) years have been insured by various bond insurance companies that have received rating downgrades and upgrades by both S&P and Moody’s. This information was publicly available from widely accepted information sources at the time of their respective downgrades or upgrades. For informational purposes, the School District filed a summary of rating upgrades and downgrades relating to certain bond insurance companies.

Future Continuing Disclosure Compliance

The School District has conducted a thorough review of its continuing disclosure obligations and submissions. Upon discovering any inadvertent omissions with respect to these filings, the School District, to the best of its knowledge, has attempted to bring its continuing disclosure filings up to date.

In an effort to augment the School District’s procedures and policies to maintain future compliance, the School District has taken additional steps intended to assure future compliance with its Continuing Disclosure Agreements. These steps include implementing the MSRB’s EMMA’s internal notification system whereby the School District will receive timely email reminders a month in advance for all of the School District’s annual disclosure filings and coordinating with the School District’s financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District’s business office will be responsible for ensuring ongoing continuing disclosure compliance. Members of the School District’s business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District’s need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District’s financial statements or budget filing and may not be filed explicitly by themselves.

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APPENDIX D

**LOWER DAUPHIN SCHOOL DISTRICT
Descriptive, Financial and Economic Information**

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THE SCHOOL DISTRICT

Introduction

The Lower Dauphin School District is located in Dauphin County (the “County”) in central Pennsylvania, approximately 8 miles east of Harrisburg. The School District covers 89.1 square miles and is comprised of Hummelstown Borough and the Townships of Conewago, East Hanover, Londonderry and South Hanover. The resident 2010 population served by the School District was approximately 24,736.

Organization and Administration

The School District is governed by a board of nine School Directors (the “School Board”) who are residents within the School District and who are elected for four-year terms on a staggered basis. The daily operations and management of the School District are performed by a central administrative staff which is led by the School District Superintendent who is appointed by the School Board. The Superintendent is supported by a Board Secretary, Business Manager and Assistant Superintendent, which are further supported by coordinators and supervisors in specialty fields.

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School Building Facilities

The School District presently operates five elementary school buildings, a secondary school building which houses some Administrative Offices and special education program, a middle school building and a senior high school building. An inventory of existing facilities is listed as follows:

**TABLE D-1
LOWER DAUPHIN SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date(s)	Grades	Rated Pupil Capacity	2014-15 Enrollment
Elementary:					
Annie B. Nye	1925	1972/1993/2004	K-5	475	367
Conewago	1956	1993/2012	K-5	200	202
East Hanover	1952	1963/1992/2004	K-5	500	415
Elizabeth Z. Price ⁽¹⁾	1891	1981	6-12	24	13
Londonderry	1954	1981/1999	K-5	600	277
South Hanover	1956	1963/1991/2004	K-5	500	389
Secondary:					
Lower Dauphin Middle	1995	2003	6-8	1,142	866
Lower Dauphin Senior High	1960	1995/2003	9-12	1,686	1,175
Lower Dauphin Administrative Offices ..	1976	2006	---	---	---

⁽¹⁾Additional Administrative Offices, student facility and special education programs.
Source: School District Officials.

Student Enrollments

Student enrollment trends for the School District are illustrated by the following five-year record of actual enrollments and projection of future enrollments, as reported by the School District’s Administrative officials.

**TABLE D-2
LOWER DAUPHIN SCHOOL DISTRICT
ENROLLMENT TRENDS**

School Year	Actual Enrollments⁽¹⁾			School Year	Projected Enrollments⁽²⁾		
	Elementary	Secondary	Total		Elementary	Secondary	Total
2010-11	1,994	1,922	3,916	2015-16	1,950	1,860	3,810
2011-12	1,977	1,894	3,871	2016-17	1,965	1,875	3,840
2012-13	1,963	1,915	3,878	2017-18	1,980	1,890	3,870
2013-14	1,956	1,893	3,849	2018-19	1,990	1,895	3,885
2014-15 ⁽¹⁾	1,938	1,848	3,786	2019-20	1,995	1,920	3,915

⁽¹⁾As of October 1, 2014. Actual Enrollments are expected to increase as the school year progresses.
⁽²⁾Excludes students in full-time out-of-district special education, comprehensive AVTSs, charter schools, state-owned schools, consortium-operated alternative high schools, and juvenile correctional institutions.
Source: Lower Dauphin School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

The School District utilizes the modified accrual basis of accounting under which expenditures other than interest on long term debt are recorded when incurred and revenues are recorded as received in cash unless susceptible to accrual. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Brown Schultz Sheridan Fritz, Certified Public Accountants, of Harrisburg, Pennsylvania, currently serves as School District Auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of its Audit which can be found at <http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=EA557408>, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

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Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

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

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

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days of the receipt of the information about the preliminary budget, 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 PDE 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 PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

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

Summary and Discussion of Financial Results

A summary of the School District’s General Fund balance sheet and changes in fund balances are presented in Tables D-3 and D-4. Table D-5 shows revenues and expenditures for the past five years and the 2014-15 budget. The budget for the 2014-15 school year, adopted on June 9, 2014, projected \$57,240,000 in revenue and expenditures of \$60,940,000.

**TABLE D-3
LOWER DAUPHIN SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)**

ASSETS	2010	2011	2012	2013	2014
Cash and Cash Equivalents	\$722,754	\$1,290,245	\$2,165,694	\$459,426	\$1,076,592
Investments.....	12,211,096	12,655,463	15,475,513	21,391,920	22,516,597
Taxes Receivable.....	1,744,093	1,589,272	1,581,106	1,709,013	1,564,327
Interfund Receivable	0	3,432	0	0	0
Intergovernmental Receivable.....	2,301,198	1,826,560	1,715,834	2,116,985	3,083,977
Other Receivables.....	240,148	188,708	153,355	151,943	155,311
Inventories.....	30,000	30,000	30,000	30,000	30,000
TOTAL ASSETS	\$17,249,289	\$17,583,680	\$21,121,502	\$25,859,287	\$28,426,804
LIABILITIES					
Accounts Payable	\$1,372,069	\$614,684	\$825,432	\$978,203	\$1,228,788
Due to Other Funds	0	0	0	3,000,000	0
Accrued Salaries and Benefits.....	2,597,730	2,909,990	3,135,453	3,265,745	4,073,685
Deferred Revenues	1,379,182	1,152,788	1,216,912	1,329,941	1,322,931
Other.....	0	0	0	0	0
TOTAL LIABILITIES	\$5,348,981	\$4,677,462	\$5,177,797	\$8,573,889	\$6,625,404
FUND EQUITIES					
Non-Spendable Fund Balance	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Committed Fund Balance.....	0	7,600,000	7,600,000	7,600,000	7,600,000
Assigned Fund Balance	4,800,000	1,000,000	4,161,505	5,759,554	9,375,145
Unassigned Fund Balance	7,070,308	4,276,218	4,152,200	3,895,844	4,796,255
TOTAL FUND EQUITIES	\$11,900,308	\$12,906,218	\$15,943,705	\$17,285,398	\$21,801,400
TOTAL LIABILITIES AND FUND EQUITIES	\$17,249,289	\$17,583,680	\$21,121,502	\$25,859,287	\$28,426,804

Source: School District Annual Financial Reports.

TABLE D-4
LOWER DAUPHIN SCHOOL DISTRICT GENERAL FUND*
SUMMARY OF CHANGES IN FUND BALANCE
(Years Ending June 30)

	<u>Actual</u>					<u>Budget</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>
Beginning Fund Balance	\$12,003,873	\$11,900,305	\$12,906,216	\$15,943,702	\$17,285,396	\$21,801,399
Revenues over (under) Expenditure..	(103,568)	1,016,930	3,037,486	1,341,694	4,516,003	(3,700,000)
Prior Period Adjustments.....	0	(11,019)	0	0	0	0
Ending Fund Balance	<u>\$11,900,305</u>	<u>\$12,906,216</u>	<u>\$15,943,702</u>	<u>\$17,285,396</u>	<u>\$21,801,399</u>	<u>\$18,101,399</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 9, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

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Revenue

The School District received \$58,237,762 in revenue in 2013-14 and has budgeted revenue of \$57,240,000 in 2014-15. Local sources contributed an increasing share of total revenue in the past five years, from 62.7 percent in 2009-10 to 65.9 percent 2013-14. Revenue from Commonwealth sources contributed a decreasing share of total revenue from 32.0 percent to 33.1 percent over this period. Federal and other revenue decreased from 5.3 percent to 1.0 percent during the period.

TABLE D-5
LOWER DAUPHIN SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(For years ending June 30)

REVENUE:	Actual					Budget
	2010	2011	2012	2013	2014	2015⁽¹⁾
Local Sources:						
Real Estate Taxes.....	\$25,758,593	\$26,012,003	\$26,916,470	\$27,293,054	\$27,572,996	\$27,512,409
Interim Real Estate Taxes	208,675	186,255	241,656	145,081	154,699	200,000
Total Act 511 Taxes.....	5,478,089	6,034,727	6,255,999	7,015,681	7,779,827	6,514,000
Per Capita (Sec. 679) Taxes.....	73,123	73,451	73,450	74,303	74,403	73,000
Public Utility Realty Tax	43,488	49,215	46,755	46,589	44,574	44,000
Payments in Lieu of Current Taxes.....	5,926	5,926	5,926	5,926	5,926	5,925
Delinquency on Taxes Levied.....	1,876,617	1,748,494	1,581,656	1,807,954	1,490,309	1,751,000
Earnings from Investments	45,433	21,679	13,666	17,655	47,136	50,000
Revenue from Student Activities	4,560	75,163	84,066	81,237	83,510	75,000
State Rev. Received - Other Intermediate Sources.....	51,698	49,372	51,540	55,479	60,965	60,000
Rentals.....	80,771	88,339	64,160	82,705	66,433	85,000
Federal IDEA Pass Through Revenue.....	0	0	0	0	701,557	0
Contributions and Donations.....	1,500	67,560	50,059	29,340	21,500	305,000
Refund Prior Years Expenditures.....	8	156	10,731	0	8	0
Receipts from Other LEAS in Pa-Education.....	272,767	169,251	134,549	253,959	259,089	144,000
Other Sources	2,095	1,239	6,483	6,005	6,500	15,000
Total Local Sources	\$33,903,342	\$34,582,829	\$35,537,167	\$36,914,969	\$38,369,432	\$36,834,334
State Sources:						
Basic Instructional Subsidy.....	\$8,268,124	\$8,109,945	\$8,973,999	\$8,966,669	\$9,162,724	\$9,162,436
Tuition for Orphans & Children in Private Homes.....	117,177	112,003	119,830	88,823	96,770	100,000
Special Education	2,230,417	2,155,305	2,091,255	2,091,245	2,091,251	2,091,245
Vocational Education.....	0	0	0	231	0	0
Driver Education.....	7,635	0	0	0	0	0
Alternative Education	11,930	0	0	0	0	0
Early Intervention	0	0	8,910	10,152	0	0
Transportation.....	1,751,435	1,736,679	1,637,272	1,593,004	1,461,161	1,600,000
Rentals and Sinking Fund Payments	1,355,324	1,382,149	1,299,363	1,218,793	1,924,119	898,114
Health Services.....	73,091	72,052	70,602	70,450	71,397	75,000
State Property Tax Reduction Allocation.....	1,344,690	1,343,292	1,343,979	1,343,525	1,345,398	1,347,826
Charter Schools.....	202,919	161,171	0	0	0	0
Revenue for Social Security.....	899,376	931,046	878,324	891,717	898,257	972,275
Revenue for Retirement.....	592,943	706,079	1,029,717	1,509,175	2,058,309	2,712,703
Extra Grants/Not Listed Elsewhere.....	5,000	25,000	6,250	14,543	0	0
PA Accountability Grant.....	447,521	419,658	164,878	164,878	164,878	164,878
Total State Sources.....	\$17,307,583	\$17,154,380	\$17,624,380	\$17,963,205	\$19,274,264	\$19,124,477
Federal Sources:						
Total Federal Sources	\$2,812,039	\$3,777,613	\$1,345,839	\$1,423,001	\$539,066	\$1,226,189
Other Sources:						
Total Other Sources	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000
TOTAL REVENUE	\$54,077,963	\$55,569,821	\$54,562,386	\$56,356,176	\$58,237,762	\$57,240,000

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 9, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

Expenditures

**TABLE D-5
LOWER DAUPHIN SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
EXPENDITURES*
(For years ending June 30)**

EXPENDITURES:	Actual					Budget
	2010	2011	2012	2013	2014	2015⁽¹⁾
Instruction	\$30,639,508	\$32,140,531	\$30,335,929	\$31,127,391	\$32,041,976	\$34,770,398
Pupil Personnel	1,470,767	1,605,895	1,572,660	1,676,557	1,755,361	1,886,400
Instructional Staff	1,795,249	1,867,891	1,922,743	1,995,480	2,134,240	2,563,152
Administration	3,060,073	3,251,406	3,327,614	3,342,149	3,525,402	3,942,323
Pupil Health	460,008	458,309	465,550	484,660	514,694	581,518
Business	405,957	434,205	439,986	492,813	430,533	469,639
Operation and Maintenance	7,403,062	5,437,530	4,367,180	4,423,205	5,205,012	8,604,986
Student Transportation	2,586,376	2,648,827	2,640,724	2,543,147	2,488,008	2,962,864
Other Support Services	38,268	40,279	38,336	38,114	42,179	42,000
Operation of Non-instructional Services	720,135	911,593	919,324	927,455	975,829	1,059,866
Debt Service	0	0	8,707	0	0	36,000
Fund Transfers	5,586,453	5,713,406	5,486,147	7,933,698	4,586,845	3,820,854
Refund of Prior Year Receipts	15,675	43,019	0	29,813	21,680	0
Budgetary Reserve	0	0	0	0	0	200,000
TOTAL EXPENDITURES	\$54,181,531	\$54,552,891	\$51,524,900	\$55,014,482	\$53,721,759	\$60,940,000
SURPLUS (DEFICIT) OF REVENUES						
OVER EXPENDITURES	(\$103,568)	\$1,016,930	\$3,037,486	\$1,341,694	\$4,516,003	(\$3,700,000)

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 9, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

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TAXING POWERS OF THE SCHOOL DISTRICT

In General

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 and other statutes 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 or 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 more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year (which include full time college students with respect to the per capita tax).

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The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

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

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

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State 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. If and when a school district has 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 Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2011-12	1.8%
2012-13	2.1
2013-14	2.0
2014-15	2.5
2015-16	2.3

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Expected to be Eligible for Act 1 Exceptions

The Bonds constitute indebtedness incurred after the effective date of Act 1 and, therefore, no exception to the referendum requirement is expected for new taxes to pay the debt service on the Bonds if a tax increase greater than the Index is required. The School District believes that it has included sufficient new tax millage in its 2014/15 budget to cover the full amount of the debt service on the Bonds without exceeding the 2014/15 Index (although the actual tax increase may exceed the 2014/15 Index as a result of the other available and approved (non-debt related) exceptions to the Index).

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 a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District does not levy an occupation tax.

Act 48 of 2003

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:

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

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

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Tax Levy Trends

Table D-6 shows the recent trend of tax rates levied by the School District. Table D-7 shows the comparative trend of real property tax rates for the School District, Dauphin County and the municipalities within the School District.

**TABLE D-6
LOWER DAUPHIN SCHOOL DISTRICT
TAX RATES**

	Real Estate (mills)	Per Capita⁽¹⁾ (\$)	Real Estate Transfer (%)	Wage and Income (%)	Local Services⁽²⁾ (\$)	Occupation (\$)
2010-11	18.10	10.00	0.50	0.50	10.00	250.00
2011-12	18.42	10.00	0.50	0.50	10.00	250.00
2012-13	18.42	10.00	0.50	0.50	10.00	250.00
2013-14	18.42	10.00	0.50	0.50	10.00	250.00
2014-15	18.42	10.00	0.50	0.50	10.00	250.00

⁽¹⁾ Includes School Code and Act 511 Taxes.

⁽²⁾ Subject to sharing with municipalities at the rate of 50%.

Source: School District officials.

**TABLE D-7
LOWER DAUPHIN SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)⁽¹⁾**

	2010-11	2011-12	2012-13	2013-14	2014-15
School District⁽¹⁾	18.10000	18.42000	18.42000	18.42000	18.42000
<u>Municipalities within School District:</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Conewago Township	0.00000	0.00000	0.00000	0.00000	0.00000
East Hanover Township	0.18000	0.18000	0.18000	0.18000	0.18000
Hummelstown Borough.....	2.00000	2.35000	2.35000	2.35000	2.35000
Londonderry Township	2.50000	2.50000	2.50000	2.50000	2.50000
South Hanover Township ⁽²⁾	0.46110	0.46110	0.2.6300	0.2.6300	0.2.6300
Dauphin County⁽³⁾	6.87600	6.87600	6.87600	6.87600	6.87600

⁽¹⁾ School District Fiscal Year begins July 1 and ends June 30.

⁽²⁾ Includes hydrant and street light tax.

⁽³⁾ Does not include County Library Tax.

Source: PA Department of Community Economic Development: www.newpa.com.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$ 27,572,996 in 2013-14, approximately 47.3 percent of revenues. The School District fiscal year is from July 1 through June 30 and tax bills are issued on July 1 of each year. Taxpayers who remit within two months of July 1 receive a 2 percent discount, and those who remit subsequent to October 31 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 countywide assessment in Dauphin County became effective in 2001.

**TABLE D-8
LOWER DAUPHIN SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Fiscal Year	Market Value	Assessed Value	Ratio
2010-11	\$1,885,061,086	\$1,554,470,100	82.46%
2011-12	1,918,250,264	1,578,631,400	82.30%
2012-13	1,979,129,590	1,595,848,200	80.63%
2013-14	1,997,863,096	1,609,332,000	80.55%
2014-15*	1,979,129,590	1,645,399,400	83.14%

*Budgeted, taken from the PDE 2028 Budget Report.
Source: Pennsylvania State Tax Equalization Board.

**TABLE D-9
LOWER DAUPHIN SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2012-13 Market Value	2012-13 Assessed Value	2013-14 Market Value	2013-14 Assessed Value
<i>Lower Dauphin School District</i>	\$1,979,129,590	\$1,595,848,200	\$1,997,863,096	\$1,609,332,000
Conewago Township	240,736,348	185,207,600	242,526,371	186,101,200
East Hanover Township	666,960,140	530,215,200	672,986,588	533,726,200
Hummelstown Borough	234,067,844	191,004,300	231,156,109	191,757,700
Londonderry Township	335,260,172	262,111,700	337,918,311	263,410,400
South Hanover Township	502,105,086	427,309,400	513,275,717	434,336,500
<i>Dauphin County</i>	17,749,782,221	14,533,333,450	17,943,174,947	14,735,290,650

Source: Pennsylvania State Tax Equalization Board.

**TABLE D-10
LOWER DAUPHIN SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2009-10	2010-11	2011-12	2012-13	2013-14
Residential	\$993,429,300	\$1,003,882,000	\$ 987,026,600	\$1,005,076,000	\$1,071,092,400
Lots	26,865,100	25,716,000	24,019,700	26,546,400	26,091,000
Industrial	23,256,400	22,993,100	23,004,100	22,998,500	22,824,300
Commercial	233,162,900	414,672,700	420,038,100	417,626,300	365,582,100
Agriculture	82,625,800	81,640,000	82,891,900	75,155,300	74,585,600
Land	5,610,800	5,566,300	6,150,700	12,687,300	12,770,700
Seasonal	0	0	3,628,600	3,598,400	3,904,300
Trailers	0	0	31,871,700	32,160,000	32,481,600
Total	\$1,364,950,300	\$1,554,470,100	\$1,578,631,400	\$1,595,848,200	\$1,609,332,000

Source: Pennsylvania State Tax Equalization Board.

**TABLE D-11
LOWER DAUPHIN SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

Year	Tax Levy	Current Year Collections (July-June)	Collections as Percent of Total Adjusted Flat Billing	Total Current Plus Delinquent Collections	Collections as Percent of Total Adjusted Flat Billing
2010-11	\$26,957,516	\$26,012,003	96.49%	\$27,236,702	101.04%
2011-12	27,852,541	26,916,470	96.64	28,060,822	100.75
2012-13	28,185,975	27,293,054	96.83	28,506,302	101.14
2013-14	28,478,362	27,572,996	96.82	28,581,032	100.36
2014-15 (est.)	28,668,029	27,756,386	96.82	28,877,140	100.73

Source: School District officials.

The ten largest real property taxpayers, together with their taxable assessed values, are shown in Table D-12. The aggregate assessed value of these ten taxpayers totals approximately 16.8 percent of total assessed value. Some of these major taxpayers have failed to pay taxes on a current basis, but have paid them with penalties.

**TABLE D-12
LOWER DAUPHIN SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

Owner	2014-15 Assessed Value
GLP Capital LP	\$191,800,000
Amergen	21,604,200
The Meadows of Hershey	15,719,500
Hershey Trust Co.	10,632,200
New Penn Hospitality	9,800,300
Cedar Hershey LLC	7,133,500
Chesapeake Estates	6,337,800
Cedar Manor	4,837,500
GPT Harrisburg	4,672,000
K88 Inc.	3,714,900
Total	\$276,251,900

Source: School District officials. Represents certain significant holdings as reported by local tax collectors.

Other Taxes

Under Act 511, the School District anticipates collecting \$7,779,827 in other taxes in 2013-14. Among the taxes authorized by Act 511, the School District currently levies the Earned Income Tax, Real Estate Transfer Tax, Local Services Tax, Per Capita Tax and Occupation Tax. The Act 511 limit, for 2013-14, equal to 12 mills on the market value of real property, should be \$23,974,357.

Earned Income Tax. The School District levies a tax of 1.00% (subject to sharing) on the earned income of residents. In 2013-14 the collected portion of this tax yielded \$3,626,986 or 6.2 percent of total revenue.

Real Estate Transfer Tax. A tax of 1.00% (subject to sharing) of the value of real estate transfers yielded \$1,692,961 in 2013-14 or 2.9 percent of total revenue.

Per Capita Tax. A tax of \$10.00 (\$5.00 under Act 511 and \$5.00 under the School Code) on each resident over 18 years old yielded \$74,403 in 2013-14 or less than one percent of total revenue.

Occupation Tax. A tax of \$250.00 is levied on each resident working within the School District. In 2013-14 the School District's collected portion of this tax yielded \$2,344,295 or 4.0 percent of total revenue.

Local Services Tax (Emergency & Municipal Services Tax). A tax of \$10.00 is levied on each resident working within the School District. In 2013-14 the collected portion of this tax yielded \$41,182 of total revenue.

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.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth. Subsidies for special education, pupil transportation, vocational education, health service and debt service are also received by the school district.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the greater of the School District's Market Value Aid Ratio ("Aid Ratio") or 50.00%. The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 56.72 percent. The applicable factor in determining reimbursement from the Commonwealth on the debt service of the Bonds only is estimated to be 50.00%. The product of these two factors is 28.36 percent which is the maximum potential percentage of debt service which will be reimbursed by the Commonwealth.

DEBT AND DEBT LIMITS

Debt Statement

Table D-13 shows the debt of the School District as of January 14, 2015, including the issuance of the Bonds.

**TABLE D-13
LOWER DAUPHIN SCHOOL DISTRICT
DEBT STATEMENT***

NONELECTORAL DEBT	Gross Outstanding
General Obligation Bonds, Series of 2013	\$4,880,000
General Obligation Bonds, Series A of 2012	4,040,000
General Obligation Bonds, Series of 2012	7,080,000
General Obligation Bonds, Series of 2010	17,980,000
TOTAL NONELECTORAL DEBT	\$33,980,000
LEASE RENTAL DEBT	
State Public School Building Authority ⁽¹⁾	
Guaranteed School Lease Revenue Bonds, Series of 2015	\$2,621,616
TOTAL LEASE RENTAL DEBT	\$2,621,616
TOTAL PRINCIPAL OF DIRECT DEBT	\$36,601,616

*Includes the Bonds offered through this Official Statement.

⁽¹⁾ Represents the School District's allocable 13.51% pro-rata share of the total principal amount of \$19,405,000 for the Dauphin County Technical School Project.

Table D-14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$36,601,616. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$28,920,048.

**TABLE D-14
LOWER DAUPHIN SCHOOL DISTRICT
BOND AND BOND INDEBTEDNESS AND DEBT RATIOS***

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$33,980,000	\$27,041,923
Lease Rental Debt	2,621,616	1,878,125
TOTAL DIRECT DEBT	\$36,601,616	\$28,920,048
OVERLAPPING DEBT		
Dauphin County, General Obligation ⁽²⁾	\$37,810,596	\$37,810,596
Municipal Debt.....	20,422,147	20,422,147
TOTAL OVERLAPPING DEBT	\$58,232,743	\$58,232,743
TOTAL DIRECT AND OVERLAPPING DEBT	\$94,834,359	\$87,152,792
DEBT RATIOS		
Per Capita (2010).....	\$3,833.86	\$3,523.32
Percent 2013-14 Assessed Value.....	5.89%	5.42%
Percent 2013-14 Market Value.....	4.75%	4.36%

*Includes the Bonds offered through this Official Statement.

⁽¹⁾Does give effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current Aid Ratio. See “Commonwealth Aid to School Districts”.

⁽²⁾Pro rata 11.13 percent share of \$339,583,901 principal amount outstanding.

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Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District’s “Borrowing Base”. The “Borrowing Base” is defined as the annual arithmetic average of “Total Revenues” (as defined by the Act) for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2011-12	\$53,263,023
Total Revenues for 2012-13	55,137,383
Total Revenues for 2013-14	56,313,643
Total	\$164,714,049
Annual Arithmetic Average (Borrowing Base)	<u>\$54,904,683</u>

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following products:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base	\$123,535,537	\$36,601,616	\$86,933,921

*Includes the Bonds described herein, does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

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Debt Service Requirements

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

Future Financing

The School District does not anticipate issuing additional long-term (non-refunding) debt within the next two years.

LABOR RELATIONS

School District Employees

There are presently 532 employees of the School District; 310 employees are teachers, 22 administrative employees, and 200 are support personnel. The support personnel include secretaries, custodians and teachers' aides.

The School District's teachers are represented by the Educators of Lower Dauphin, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District, which expires on June 30, 2017. The custodians and crossing guards are represented by the American Federation of State, County and Municipal Employees District Council 90, under a contract which expires on June 30, 2016.

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). 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. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

The Public School Employees Retirement System (PSERS) Board of Trustees certified an annual employer contribution rate of 25.84% for fiscal year 2015-16, which begins on July 1, 2015. This marks the fifth year of planned increases in the employer contribution rate under Act 120 of 2010 which are needed to raise the rate to the actuarially required level.

The 25.84% employer contribution rate is composed of 0.84% for health insurance premium assistance and a pension rate of 25.00%. The pension component of the rate was capped at a 4.50% increase from the previous year. The rate caps established under Act 120 of 2010 remain in effect for the next fiscal year and continue to suppress the pension rate and underfund the System. Based on current projections, fiscal year 2015-16 would be the last fiscal year the rate collars will be in place. Total employer contributions of \$3.45 billion are estimated in 2015-16. The commonwealth reimburses school employers for not less than 50% of the total employer contribution rate. Contributions for the School District are as follows:

2010-11	\$1,389,443
2011-12	2,008,446
2012-13	3,028,789
2013-14	4,117,056
2014-15 (Budget)	5,426,378

The School District is current in all payments.

PSERS is also funded through investment earnings and mandatory member contributions. Investment earnings are the largest source of funding for PSERS. For the most recent fiscal year ended June 30, 2014, PSERS' investments added over \$7.1 billion in net investment income to the fund. PSERS members contribute from 5.25% to 10.30% of pay depending on their membership class and when they joined PSERS. Members will contribute an average of 7.49% or approximately \$1 billion in 2015-16.

Source: Pennsylvania School Board Association at www.PSBA.org and PSERS at www.PSERS.state.pa.us

Other Post-Employment Benefits

The School District is obligated under collective bargaining agreements to provide future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The School District has become subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District's annual financial statements for the fiscal year ending June 30, 2009. For a full description, see "Audited Financial Statements – Notes to Financial Statements - Note 11 – Postemployment Benefits Plan" which can be found at:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=EA557408>

LOWER DAUPHIN SCHOOL DISTRICT CONTINUING DISCLOSURE UNDERTAKING

Existing Continuing Disclosure Filing History

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

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	1/26/2011	EP423842	7/28/2010	EA363265	Various ^[3]	Various ^[3]
6/30/2011	12/27/2011	12/8/2011	ER459762	1/7/2015	ER670394	Various ^[4]	Various ^[4]
6/30/2012	12/27/2012	12/4/2012	EP587545	12/4/2012	EP587709	Various ^[5]	Various ^[5]
6/30/2013	12/27/2013	12/4/2013	EP632009	12/4/2013	EP632020	12/5/2013	EA483949
6/30/2014	12/27/2014	12/4/2014	EA557408	12/4/2014	EA557410	12/4/2014	EA558039

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below: <http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

^[3] Included in various EMMA filings as well as publically available in Official Statements of the School District. Tax collection results, top 10 taxpayers and pupil enrollment were included in the Official Statement for the District's General Obligation Bonds, Series of 2010 and Series A of 2010, whose Official Statement was filed to EMMA on 9/1/2010. A Notice of Reference to Other Submitted Documents was filed by the School District on January 7, 2015 (EMMA ID ER670213). The assessed & market values as well as the tax & millage rates was included in the PDE-2028 Budget filed under EMMA ID EA363265 on 7/28/2010.

^[4] Included in various EMMA filings as well as publically available Official Statement of the School District. Assessed & market values, tax collection results, tax & millage rates, top 10 taxpayers and pupil enrollment were included in the Official Statement filed to EMMA on 5/30/2012. A Notice of Reference to Other Submitted Documents was filed by the School District on January 7, 2015 (EMMA ID ER670219). The assessed & market values as well as the tax & millage rates can also be found in the PDE-2028 Budget filed under EMMA ID ER670394 on 1/7/2015.

^[5] Included in various EMMA filings as well as publically available in Official Statements of the School District. Tax collection results, top 10 taxpayers and pupil enrollment were included in the Official Statement for the District's General Obligation Bonds, Series A of 2012, whose Official Statement was filed to EMMA on 11/27/2012. A Notice of Reference to Other Submitted Documents was filed by the School District on 1/7/2015 (EMMA ID ER670224). The assessed & market values as well as the tax & millage rates was included in the PDE-2028 Budget filed under EMMA ID EP587709 on 12/4/2012.

Based on the information above, the School District's annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2010, the School District filed its audited financial statements on January 26, 2011 and its budget on July 28, 2010. A portion of its operating data was contained in Official Statements filed to EMMA on September 1, 2010 and a Notice of Reference to Other Submitted Documents was filed to EMMA on January 7, 2015. The remaining portion of its operating data was included in its budget filed on July 28, 2010.

For fiscal year ending June 30, 2011, the School District filed its audited financial statements on December 8, 2011. Its operating data was contained in an Official Statement filed to EMMA on May 30, 2012 and a Notice of Reference to Other Submitted Documents was filed to EMMA on January 7, 2015. Its budget was filed on January 7, 2015.

For fiscal year ending June 30, 2012, the School District filed its audited financial statements and budget on December 4, 2012. A portion of its operating data was contained in an Official Statement filed to EMMA on November 27, 2012 and a Notice of Reference to Other Submitted Documents was filed to EMMA on January 7, 2015. The remaining portion of its operating data was included in its budget filed on December 4, 2012.

For fiscal year ending June 30, 2013, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2014, the School District filed its annual financial and operating data in a timely manner

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APPENDIX E

**MIDDLETOWN AREA SCHOOL DISTRICT
Descriptive, Financial and Economic Information**

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THE SCHOOL DISTRICT

Introduction

The Middletown Area School District is located in the southern portion of Dauphin County (the “County”), approximately ten miles from the City of Harrisburg and just east of the Susquehanna River. The School District consists of Lower Swatara Township and the Boroughs of Middletown and Royalton. The School District is situated in the eastern part of the United States, on the western fringe of the highly urbanized and industrial region which sprawls from Washington, D.C., to Boston, Massachusetts.

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

Organization and Administration

The School District is a School District of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth").

The School District is governed by a board of nine School Directors (the “School Board”) who are residents within the School District and who are elected for four-year terms on a staggered basis. The daily operations and management of the School District are performed by a central administrative staff which is led by the School District Superintendent who is appointed by the School Board. The Superintendent is supported by a Board Secretary and Assistant to the Superintendent, which are further supported by directors in specialty fields.

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School Building Facilities

The School District presently operates three elementary school buildings, a middle school building and a high school building. An inventory of existing facilities is listed as follows:

**TABLE E-1
MIDDLETOWN AREA SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date(s)	Grades	Rated Pupil Capacity	2014-15 Enrollment
Elementary:					
Lyall J. Fink	1964	2008 & 2013	K-5	450	221
John C. Kunkel.....	1962	1996	K-5	475	433
Robert G. Reid	2003	---	K-5	600	466
Secondary:					
Middletown Area Middle	2007	---	6-8	932	526
Middletown Area High	1962	1991 & 2001	9-12	865	647

Source: School District Officials.

Student Enrollments

Student enrollment trends for the School District are illustrated by the following five-year record of actual enrollments and projection of future enrollments, as reported by the School District’s Administrative officials.

**TABLE E-2
MIDDLETOWN AREA SCHOOL DISTRICT
ENROLLMENT TRENDS**

School Year	Actual Enrollments⁽¹⁾			Projected Enrollments⁽²⁾			
	Elementary	Secondary	Total	School Year	Elementary	Secondary	Total
2010-11	1,047	1,262	2,309	2015-16	1,163	1,141	2,304
2011-12	1,063	1,234	2,297	2016-17	1,167	1,130	2,297
2012-13	1,097	1,214	2,311	2017-18	1,169	1,148	2,317
2013-14	1,114	1,229	2,343	2018-19	1,163	1,171	2,334
2014-15 ⁽¹⁾	1,120	1,173	2,293	2019-20	1,154	1,210	2,364

⁽¹⁾As of October 1, 2014. Actual Enrollments are expected to increase as the school year progresses.

⁽²⁾Excludes students in full-time out-of-district special education, comprehensive AVTSs, charter schools, state-owned schools, consortium-operated alternative high schools, and juvenile correctional institutions.

Source: Middletown Area School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Assistant to the Superintendent for Finance and Operations and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

The School District utilizes the modified accrual basis of accounting under which expenditures other than interest on long term debt are recorded when incurred and revenues are recorded as received in cash unless susceptible to accrual. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Boyer & Ritter, Certified Public Accountants, of Camp Hill, Pennsylvania, currently serves as School District Auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of its Audit which can be found at <http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=ER662915>, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

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Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

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

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

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days of the receipt of the information about the preliminary budget, 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 PDE 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 PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

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

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Summary and Discussion of Financial Results

A summary of the School District’s General Fund balance sheet and changes in fund balances are presented in Tables E-3 and E-4. Table E-5 shows revenues and expenditures for the past five years and the 2014-15 budget. The budget for the 2014-15 school year, adopted on June 23, 2014, projected a balanced budget of revenue and expenditures of \$40,681,199, which includes a budgetary reserve of \$420,000.

**TABLE E-3
MIDDLETOWN AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)**

ASSETS	Actual				
	2010	2011	2012	2013	2014
Cash and Cash Equivalent	\$475,689	\$396,961	\$8,754,556	\$9,953,577	\$5,675,701
Investments	6,022,706	6,639,442	780,245	2,209,139	6,570,156
Taxes Receivable, net.....	1,950,453	2,321,255	2,382,707	2,479,401	2,163,934
Due From Other Funds.....	13,009	27,513	4,379	18,082	34,711
Due From Other Governments	264,430	152,138	75,343	32,199	42,857
State and Federal Revenue Receivables	1,573,373	1,072,791	1,089,725	587,210	1,053,007
Other Receivables	16,721	8,897	210,461	17,948	39,486
Prepaid Expenses	23,366	5,860	5,817	12,434	51,076
TOTAL ASSETS	\$10,339,747	\$10,624,857	\$13,303,233	\$15,309,990	\$15,630,928
LIABILITIES					
Accounts Payable	\$993,098	\$1,181,677	\$725,795	\$865,110	\$617,769
Due to Other Funds	1,894,865	615,882	960,829	2,909,270	2,204,068
Accrued Salaries and Benefits.....	1,296,927	1,360,070	1,477,794	1,573,143	1,947,112
Payroll Deductions and Withholdings	210,323	226,050	191,342	206,764	232,157
Deferred Inflows of Resources	936,063	1,290,497	1,352,123	1,156,564	1,169,809
Other Current Liabilities	0	100	18,651	17,070	27,907
TOTAL LIABILITIES	\$5,331,276	\$4,674,276	\$4,726,534	\$6,727,921	\$6,198,822
FUND EQUITIES					
Non-spendable Fund Balance.....	\$23,366	\$5,860	\$5,817	\$12,434	\$51,076
Restricted Fund Balance.....	467,268	467,268	467,268	467,268	467,268
Committed Fund Balance.....	1,537,329	2,724,138	5,299,518	5,020,599	5,892,204
Assigned Fund Balance.....	0	0	138,431	169,336	0
Unassigned Fund Balance	2,980,508	2,753,315	2,665,665	2,912,432	3,021,558
TOTAL FUND EQUITY	\$5,008,471	\$5,950,581	\$8,576,699	\$8,582,069	\$9,432,106
TOTAL LIABILITIES AND FUND EQUITIES	\$10,339,747	\$10,624,857	\$13,303,233	\$15,309,990	\$15,630,928

Source: School District Annual Financial Reports.

**TABLE E-4
MIDDLETOWN AREA SCHOOL DISTRICT GENERAL FUND*
SUMMARY OF CHANGES IN FUND BALANCE
(Years Ending June 30)**

	Actual					Budget 2015 ⁽¹⁾
	2010	2011	2012	2013	2014	
Beginning Fund Balance	\$4,249,956	\$5,008,471	\$5,950,582	\$8,576,700	\$8,582,071	\$9,432,109
Prior Period Adjustments	0	(8,621)	0	0	0	0
Revenues over (under) Expenditure ..	758,515	950,732	2,626,118	5,370	850,039	0
Ending Fund Balance	\$5,008,471	\$5,950,582	\$8,576,700	\$8,582,071	\$9,432,109	\$9,432,109

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 23, 2014. See “Budgeting Process” herein.

Source: School District Annual Financial Reports and Budget.

Revenue

The School District received \$40,143,192 in revenue in 2013-14 and has budgeted revenue of \$40,681,199 in 2014-15. Local sources contributed an increasing share of total revenue in the past five years, from 63.6 percent in 2009-10 to 64.9 percent 2013-14. Revenue from Commonwealth sources contributed an increasing share of total revenue from 32.1 percent to 33.5 percent over this period. Federal and other revenue decreased from 4.3 percent to 1.6 percent during the period.

TABLE E-5
MIDDLETOWN AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(For years ending June 30)

REVENUES	Actual					Budget
Local Sources:	2010	2011	2012	2013	2014	2015⁽¹⁾
Current Real Estate Taxes	\$16,628,520	\$16,992,897	\$17,375,983	\$17,850,102	\$18,381,967	\$18,860,235
Interim Real Estate Taxes	152,271	115,412	109,484	149,921	160,527	100,000
Public Utility Realty Tax	30,929	31,745	31,603	32,215	30,092	30,000
Payments in Lieu of Current Taxes/State & Local	3,129	3,951	3,117	2,812	2,496	2,500
Current Act 511 Taxes	5,010,975	5,713,469	5,189,891	5,999,914	5,392,756	5,478,000
Delinquency on Taxes Levied/						
Assessed by the LEA	777,464	722,451	996,685	1,555,342	1,036,352	1,034,000
Earnings on Investments	87,363	155,050	105,032	91,274	100,850	90,000
Revenue from Student Activities	554	61,682	60,817	49,164	59,580	60,500
Revenue from Local Government Units	4,000	25,000	4,860	6,623	0	0
State Rev. Rcvd. From Other PA Public Schools	28,329	3,000	3,686	4,888	0	0
State Rev. Rcvd. From Other						
Intermediary Sources	0	0	0	17,591	14,696	0
Federal Rev. Rcvd. From Other						
PA Public Schools	0	0	7,501	9,801	7,234	0
Federal IDEA Pass Through Revenue	491,824	483,282	465,129	429,636	424,268	424,168
Federal ARRA IDEA Pass Through Revenue	217,164	281,168	53,683	0	0	0
Federal Rev. Rcvd. From Other Intermed. Sources	26,783	34,484	53,318	68,548	56,317	48,500
Rentals	27,771	26,744	29,337	24,308	36,561	24,000
Contributions and Donations from						
Private Sources	20,191	13,722	4,385	1,394	16,146	0
Regular Day School Tuition	7,380	6,240	600	0	0	0
Summer School Tuition	10,337	9,370	7,238	12,545	10,921	9,500
Receipts from Other LEAS in PA - Education	152,116	69,892	158,453	35,719	33,331	0
Refund of Prior Years' Expenditures	82,853	30,038	89,983	175,281	238,517	0
All Other Local Revenues Not Specified	17,285	19,692	30,626	46,354	53,159	20,818
Total Local Sources	\$23,777,235	\$24,799,291	\$24,781,410	\$26,563,432	\$26,055,769	\$26,182,239
State Sources:						
Basic Instructional Subsidy	\$6,708,747	\$6,613,709	\$7,289,958	\$7,287,269	\$7,424,369	\$7,424,415
Charter Schools	84,556	114,463	0	0	0	0
Tuition - Orphans & Children Placed						
in Private Homes	122,103	569	59,637	45,892	126,109	0
Special Education	1,538,024	1,529,979	1,529,979	1,529,979	1,529,982	1,529,979
Transportation	634,205	655,947	601,330	606,639	586,119	586,118
Rental and Sinking Fund Payments	505,732	528,350	521,691	538,000	532,295	553,580
Health Services	59,862	48,151	47,327	47,440	47,675	47,500
State Property Tax Reduction Allocation	923,566	922,003	921,635	920,269	919,638	923,981
PA Accountability Grant	444,901	417,201	163,913	163,913	163,913	163,913
Dual Enrollment Grants	10,834	4,423	7,933	0	0	0
Other Revenue not Listed	0	40	0	0	160	311,280
Revenue for Social Security Payments	597,817	629,885	588,756	602,469	604,460	631,110
Revenue for Retirement Payments	364,461	459,395	662,529	962,937	1,499,628	1,741,787
Total State Sources	\$11,994,809	\$11,924,115	\$12,394,689	\$12,704,807	\$13,434,347	\$13,913,663
Federal Sources:						
Total Federal Sources	\$1,592,787	\$1,982,411	\$950,957	\$844,505	\$622,204	\$585,297
Other Sources:						
Total Other Sources	\$5,537	\$107,693	\$285,414	\$7,826	\$30,872	\$0
TOTAL REVENUES	\$37,370,369	\$38,813,510	\$38,412,470	\$40,120,570	\$40,143,192	\$40,681,199

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 23, 2014. See "Budgeting Process" herein.
Source: School District Annual Financial Reports and Budget.

Expenditures

TABLE E-5
MIDDLETOWN AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
EXPENDITURES*
(For years ending June 30)

EXPENDITURES	Actual					Budget
	2010	2011	2012	2013	2014	2015 ⁽¹⁾
Instruction.....	\$20,399,140	\$20,558,739	\$18,394,946	\$19,767,682	\$19,947,990	\$21,602,661
Pupil Personnel.....	1,101,747	1,167,265	1,573,237	1,724,089	1,724,835	1,765,496
Instructional Staff Services.....	888,565	1,052,688	907,078	944,585	1,068,852	1,004,577
Administrative Services.....	2,114,939	2,206,455	2,083,079	2,067,809	2,218,418	2,327,567
Pupil Health.....	355,389	352,233	404,392	441,618	447,212	457,915
Business Services.....	541,626	505,559	466,443	494,078	517,463	531,462
Operation and Maintenance of Plant Services.....	3,170,119	3,446,790	2,997,946	3,080,523	3,147,467	3,369,365
Student Transportation Services.....	1,484,383	1,464,821	1,447,447	1,445,655	1,463,381	1,415,571
Central & Other Support Services.....	661,996	782,790	730,329	897,370	966,528	1,015,523
Other Support Services.....	24,160	24,655	23,319	23,575	23,013	23,575
Student & Community.....	200,071	785,091	773,880	887,524	956,350	996,118
Facilities, Acq., Const. and Impr.....	5,022	114,598	829,005	37,586	24,275	0
Debt Service.....	0	328,563	0	0	0	0
Refund of Prior Year Receipts.....	327,614	0	83,959	301,408	6,616	0
Fund Transfer.....	5,337,083	5,072,531	5,071,292	8,001,698	6,780,753	5,751,369
Budgetary Reserve.....	0	0	0	0	0	420,000
TOTAL EXPENDITURES	\$36,611,854	\$37,862,778	\$35,786,352	\$40,115,200	\$39,293,153	\$40,681,199
REVENUES OVER (UNDER)						
EXPENDITURES	\$758,515	\$950,732	\$2,626,118	\$5,370	\$850,039	\$0

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 23, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

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TAXING POWERS OF THE SCHOOL DISTRICT

In General

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 and other statutes 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 or 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 more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year (which include full time college students with respect to the per capita tax).

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The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

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

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

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State 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. If and when a school district has 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 Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2011-12	1.8%
2012-13	2.2
2013-14	2.2
2014-15	2.7
2015-16	2.4

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Expected to be Eligible for Act 1 Exceptions

The Bonds constitute indebtedness incurred after the effective date of Act 1 and, therefore, no exception to the referendum requirement is expected for new taxes to pay the debt service on the Bonds if a tax increase greater than the Index is required. The School District believes that it has included sufficient new tax millage in its 2014/15 budget to cover the full amount of the debt service on the Bonds without exceeding the 2014/15 Index (although the actual tax increase may exceed the 2014/15 Index as a result of the other available and approved (non-debt related) exceptions to the Index).

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 a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District does not levy an occupation tax.

Act 48 of 2003

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:

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

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

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Tax Levy Trends

Table E-6 shows the recent trend of tax rates levied by the School District. Table E-7 shows the comparative trend of real property tax rates for the School District, Dauphin County and the municipalities within the School District.

**TABLE E-6
MIDDLETOWN AREA SCHOOL DISTRICT
TAX RATES**

Fiscal Year	Real Estate (mills)	Real Estate Transfer (%)	Wage and Income (%)	Patron Parking (%)	Local Services (\$)⁽¹⁾
2010-11	20.66	0.5	1.25	10.0	10.00
2011-12	20.99	0.5	1.25	10.0	10.00
2012-13	21.40	0.5	1.25	10.0	10.00
2013-14	21.81	0.5	1.25	10.0	10.00
2014-15	22.15	0.5	1.25	10.0	10.00

⁽¹⁾ A tax of either \$5.00 or \$10.00 is levied on each resident working within the School District depending upon the municipality where the business is located.
Source: School District officials.

**TABLE E-7
MIDDLETOWN AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)⁽¹⁾**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<i>School District⁽¹⁾</i>	20.6600	20.9900	21.4000	21.8100	22.1500
<i>Municipalities within the School District:</i>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Lower Swatara Township.....	2.50000	2.50000	2.5000	3.2500	3.2500
Middletown Borough	4.84800	4.84800	4.8480	5.6310	4.8480
Royalton Borough	2.82500	2.82500	2.8250	2.8250	2.8250
<i>Dauphin County⁽²⁾</i>	6.87600	6.87600	6.87600	6.87600	6.87600

⁽¹⁾School District Fiscal Year begins July 1 and ends June 30.

⁽²⁾Does not include County Library Tax.

Source: PA Department of Community Economic Development: www.newpa.com.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$18,381,967 in 2013-14, approximately 45.8 percent of total revenue. The School District fiscal year is from July 1 through June 30 and tax bills are issued on July 1 of each year. Taxpayers who remit within three months of July 1 receive a 2 percent discount, and those who remit subsequent to November 30 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 countywide assessment in Dauphin County became effective in 2001.

**TABLE E-8
MIDDLETOWN AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Fiscal Year	Market Value	Assessed Value	Ratio
2010-11	\$1,046,223,440	\$935,375,000	89.40%
2011-12	1,046,765,964	933,638,700	89.19%
2012-13	1,102,269,208	927,070,600	84.11%
2013-14	1,116,042,241	937,553,900	84.01%
2014-15*	1,102,269,207	940,372,100	85.31%

*Budgeted, taken from the PDE 2028 Budget Report.
Source: Pennsylvania State Tax Equalization Board.

**TABLE E-9
MIDDLETOWN AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2012-13 Market Value	2012-13 Assessed Value	2013-14 Market Value	2013-14 Assessed Value
<i>Middletown Area School District</i>	\$ 1,102,269,208	\$ 927,070,600	\$ 1,116,042,241	\$ 937,553,900
Lower Swatara Township.....	775,740,537	633,465,100	785,066,728	641,333,200
Middletown Borough	275,005,553	254,891,100	280,773,912	257,209,500
Royalton Borough	51,523,117	38,714,400	50,201,601	39,011,200
<i>Dauphin County</i>	17,749,782,221	14,533,333,450	17,943,174,947	14,735,290,650

Source: Pennsylvania State Tax Equalization Board.

**TABLE E-10
MIDDLETOWN AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2009-10	2010-11	2011-12	2012-13	2013-14
Residential.....	\$515,423,500	\$519,653,500	\$517,817,600	\$519,069,100	\$555,845,400
Lots.....	10,245,600	9,701,700	6,115,000	7,166,100	5,405,400
Industrial	175,810,500	193,028,300	183,555,500	191,086,300	179,108,500
Commercial	195,910,700	200,345,200	198,112,900	182,732,600	169,979,900
Agriculture	9,874,900	10,183,700	10,233,200	9,073,300	8,963,500
Land	2,462,800	2,462,600	2,460,300	3,562,800	3,467,400
Trailers	0	0	15,316,300	14,352,500	14,755,900
Seasonal	0	0	27,900	27,900	27,900
Total	\$909,728,000	\$935,375,000	\$933,638,700	\$927,070,600	\$937,553,900

Source: Pennsylvania State Tax Equalization Board.

**TABLE E-11
MIDDLETOWN AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collections (July-June)</u>	<u>Collections as Percent of Total Adjusted Flat Billing</u>	<u>Total Current Plus Delinquent Collections</u>	<u>Collections as Percent of Total Adjusted Flat Billing</u>
2010-11	\$19,067,966	\$17,914,900	93.95%	\$18,619,013	97.65%
2011-12	19,414,894	18,305,338	94.29%	19,244,586	99.12%
2012-13	19,868,789	18,770,371	94.47%	19,931,058	100.31%
2013-14	20,476,449	19,301,605	94.26%	20,302,194	99.15%
2014-15 (est.)	20,829,242	19,784,216	94.98%	20,768,216	99.71%

Source: School District officials.

The ten largest real property taxpayers, together with their taxable assessed values, are shown in Table E-12. The aggregate assessed value of these ten taxpayers totals approximately 14.6 percent of total assessed value.

**TABLE E-12
MIDDLETOWN AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

<u>Owner</u>	<u>2014-15 Assessed Value</u>
AMP Incorporated	\$25,451,500
Third Clabell Company	19,418,100
Keystone Operating Partners	17,471,700
Phoenix Contact Services Inc.	16,562,000
Bre US Industrial Partners	12,659,900
Exeter 1400 LP	10,829,400
PVWIP CBC LP	9,735,100
Highspire Terminals Corp.	8,825,200
BSA III, LLC and Tri-Martin IV	8,322,900
FedEx National LTL Inc.	7,954,100
Total	\$137,229,900

Source: School District officials.

Other Taxes

Under Act 511, the School District anticipates collecting \$5,392,756 in other taxes in 2013-14. Among the taxes authorized by Act 511, the School District currently levies the Earned Income Tax, Real Estate Transfer Tax, Local Services Tax and Patron Parking Tax. The Act 511 limit, for 2013-14, equal to 12 mills on the market value of real property, should be \$12,561,192.

Earned Income Tax. The School District levies a tax of 1.25% on the earned income of residents. In 2013-14 the collected portion of this tax yielded \$4,539,689 or 11.3 percent of total revenue.

Real Estate Transfer Tax. A tax of 0.5% of the value of real estate transfers yielded \$218,877 in 2013-14 or 0.5 percent of total revenue.

Local Services Tax (Emergency & Municipal Services Tax). A tax of either \$5.00 or \$10.00 is levied on each resident working within the School District depending upon the municipality where the business is located. In 2013-14 the collected portion of this tax yielded \$53,132 of total revenue.

Patron Parking Tax. The School District levies a tax of 10% on each paid parking transaction within the School District. In 2013-14 the collected portion of this tax yielded \$581,057 or 1.45 percent of total revenue.

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.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth. Subsidies for special education, pupil transportation, vocational education, health service and debt service are also received by the school district.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the greater of the School District's Market Value Aid Ratio ("Aid Ratio") or 50.00%. The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 56.72 percent. The applicable factor in determining reimbursement from the Commonwealth on the debt service of the Bonds only is estimated to be 50.00%. The product of these two factors is 28.36 percent which is the maximum potential percentage of debt service which will be reimbursed by the Commonwealth.

DEBT AND DEBT LIMITS

Debt Statement

Table E-13 shows the debt of the School District as of January 14, 2015, including the issuance of the Bonds.

**TABLE E-13
MIDDLETOWN AREA SCHOOL DISTRICT
DEBT STATEMENT***

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series B of 2014 (Capital Appreciation Bonds)	\$11,462,476
General Obligation Bonds, Series A of 2014	28,020,000
General Obligation Bonds, Series of 2013	21,315,000
General Obligation Bonds, Series of 2009	1,185,000
General Obligation Notes, Series A of 2008	4,925,000
General Obligation Bonds, Series of 2008	1,185,000
TOTAL NONELECTORAL DEBT	\$68,092,476
LEASE RENTAL DEBT	
State Public School Building Authority ⁽¹⁾	
Guaranteed School Lease Revenue Bonds, Series of 2015	\$1,465,078
TOTAL LEASE RENTAL DEBT	\$1,465,078
TOTAL PRINCIPAL OF DIRECT DEBT	\$69,557,554

*Includes the Bonds offered through this Official Statement.

⁽¹⁾ Represents the School District's allocable 7.55% pro-rata share of the total principal amount of \$19,405,000 for the Dauphin County Technical School Project.

Table E-14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$69,557,554. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$58,430,015.

**TABLE E-14
MIDDLETOWN AREA SCHOOL DISTRICT
BOND AND BOND INDEBTEDNESS AND DEBT RATIOS***

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt	\$68,092,476	\$57,380,434
Lease Rental Debt	1,465,078	1,049,582
TOTAL DIRECT DEBT	\$69,557,554	\$58,430,015
OVERLAPPING DEBT		
Dauphin County, General Obligation ⁽²⁾	\$21,121,679	\$21,121,679
Municipal Debt	45,805,315	45,805,315
TOTAL OVERLAPPING DEBT	\$66,926,994	\$66,926,994
TOTAL DIRECT AND OVERLAPPING DEBT	\$136,484,548	\$125,357,009
DEBT RATIOS		
Per Capita (2010)	\$7,550.59	\$6,935.00
Percent 2013-14 Assessed Value	14.56%	13.37%
Percent 2013-14 Market Value	12.23%	11.23%

*Includes the Bonds offered through this Official Statement.

⁽¹⁾Does give effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current Aid Ratio. See "Commonwealth Aid to School Districts".

⁽²⁾Pro rata 6.22 percent share of \$339,583,901 principal amount outstanding.

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Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act) for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2011-12.....	\$37,122,632
Total Revenues for 2012-13.....	39,397,213
Total Revenues for 2013-14.....	39,341,508
Total	\$115,861,353
Annual Arithmetic Average (Borrowing Base).....	<u><u>\$38,620,451</u></u>

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following products:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit: 225% of Borrowing Base.....	\$86,896,015	\$69,557,554	\$17,338,461

*Includes the Bonds described herein, does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

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Debt Service Requirements

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

Future Financing

The School District does not anticipate issuing additional long-term (non-refunding) debt within the next two years.

LABOR RELATIONS

School District Employees

The current collective bargaining agreement between the School District and its professional employees, represented by the Middletown Area Education Association, extends until June 30, 2015. Relations between the School District and Association have been good.

The current collective bargaining agreement between the School District and its maintenance and custodial staff, represented by the Middletown Area Education Support Personnel Association, extends until June 30, 2016. Relations between the School District and the Association have been good.

There are presently 321 employees of the School District, including 212 teachers, administrators, and other professional employees, and 109 support personnel including secretaries, maintenance staff and aides.

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). 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. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

The Public School Employees Retirement System (PSERS) Board of Trustees certified an annual employer contribution rate of 25.84% for fiscal year 2015-16, which begins on July 1, 2015. This marks the fifth year of planned increases in the employer contribution rate under Act 120 of 2010 which are needed to raise the rate to the actuarially required level.

The 25.84% employer contribution rate is composed of 0.84% for health insurance premium assistance and a pension rate of 25.00%. The pension component of the rate was capped at a 4.50% increase from the previous year. The rate caps established under Act 120 of 2010 remain in effect for the next fiscal year and continue to suppress the pension rate and underfund the System. Based on current projections, fiscal year 2015-16 would be the last fiscal year the rate collars will be in place. Total employer contributions of \$3.45 billion are estimated in 2015-16. The commonwealth reimburses school employers for not less than 50% of the total employer contribution rate. Contributions for the School District (net of state reimbursement) are as follows:

2010-11	\$ 480,707
2011-12	655,676
2012-13	941,907
2013-14	1,117,217
2014-15 (Budget)	1,741,787

The School District is current in all payments.

PSERS is also funded through investment earnings and mandatory member contributions. Investment earnings are the largest source of funding for PSERS. For the most recent fiscal year ended June 30, 2014, PSERS' investments added over \$7.1 billion in net investment income to the fund. PSERS members contribute from 5.25% to 10.30% of pay depending on their membership class and when they joined PSERS. Members will contribute an average of 7.49% or approximately \$1 billion in 2015-16.

Source: Pennsylvania School Board Association at www.PSBA.org and PSERS at www.PSERS.state.pa.us

Other Post-Employment Benefits

The School District is obligated under collective bargaining agreements to provide future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The School District has become subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District’s annual financial statements for the fiscal year ending June 30, 2009. For a full description, see “Audited Financial Statements – Notes to Financial Statements - Note 15 – Postemployment Benefits Plan” which can be found at:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=ER662915>

MIDDLETOWN AREA SCHOOL DISTRICT CONTINUING DISCLOSURE UNDERTAKING

Existing Continuing Disclosure Filing History

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

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	12/21/2010	ER388472	12/21/2010	ER388472	12/21/2010	ER388472
6/30/2011	12/27/2011	12/21/2011	ER467939	12/21/2011	ER467939	12/21/2011	ER467939
6/30/2012	12/27/2012	12/19/2012	EA429428	12/19/2012	EA429428	12/19/2012	EA429428
6/30/2013	12/27/2013	12/20/2013	ER595429	7/29/2013	EA471098	12/20/2013	ER595429
6/30/2014	12/27/2014	12/23/2014	ER662915	7/31/2014	ER639315	12/23/2014	ER662915

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District’s previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

Based on the information above, the School District’s annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2010, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2011, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2012, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2013, the School District filed its annual financial and operating data in a timely manner.

For fiscal year ending June 30, 2014, the School District filed its annual financial and operating data in a timely manner.

APPENDIX F

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Descriptive, Financial and Economic Information**

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THE SCHOOL DISTRICT

Introduction

The Susquehanna Township School District, which is comprised of the Township of Susquehanna, extends across the eastern part of Dauphin County (the "County") and is contiguous to the City of Harrisburg, the State Capital.

Organization and Administration

The present organization of the School District became effective July 1, 1964 when the jointure type organization was changed to a single operative unit with a nine member Board of School Directors (the "School Board").

The School District is governed by a board of nine School Directors (the "School Board") who are residents within the School District and who are elected for four-year terms on a staggered basis. The daily operations and management of the School District are performed by a central administrative staff which is led by the School District Superintendent who is appointed by the School Board. The Superintendent is supported by a Board Secretary and Assistant Superintendent, which are further supported by coordinators and supervisors in specialty fields.

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School Building Facilities

The School District presently operates two elementary school buildings, a middle school building and a senior high school building. An inventory of existing facilities is listed as follows:

**TABLE F-1
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date(s)	Grades	Rated Pupil Capacity	2014-15 Enrollment
Elementary:					
Thomas J. Holtzman, Jr.....	1929	1989/2004	3-5	750	550
Sara Lindemuth.....	1967	1989/2009	K-2	800	639
Secondary:					
Susquehanna Township Middle	1952	1967/2008	6-8	900	606
Susquehanna Township High.....	1960	1967/2008	9-12	1,100	868

Source: School District Officials.

Student Enrollments

Student enrollment trends for the School District are illustrated by the following five-year record of actual enrollments and projection of future enrollments, as reported by the School District’s Administrative officials.

**TABLE F-2
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
ENROLLMENT TRENDS**

School Year	Actual Enrollments⁽¹⁾			Projected Enrollments⁽²⁾			
	Elementary	Secondary	Total	Year	Elementary	Secondary	Total
2010-11	1,207	1,759	2,966	2015-16	1,536	1,273	2,809
2011-12	1,184	1,722	2,906	2016-17	1,610	1,295	2,905
2012-13	1,178	1,646	2,824	2017-18	1,706	1,228	2,934
2013-14	1,200	1,577	2,777	2018-19	1,721	1,300	3,021
2014-15 ⁽¹⁾	1,189	1,474	2,663	2019-20	1,782	1,309	3,091

⁽¹⁾As of December 16, 2014. Actual Enrollments are expected to increase as the school year progresses.

⁽²⁾Excludes students in full-time out-of-district special education, comprehensive AVTSs, charter schools, state-owned schools, consortium-operated alternative high schools, and juvenile correctional institutions.

Source: Susquehanna Township School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

The School District utilizes the modified accrual basis of accounting under which expenditures other than interest on long term debt are recorded when incurred and revenues are recorded as received in cash unless susceptible to accrual. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Trout, Ebersole & Groff LLP, Certified Public Accountants, of Lancaster, Pennsylvania, currently serves as School District Auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of this Official Statement, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

In the interim, until the Audit becomes available, the School District has filed their State Form PDE 2057 Annual Financial Report for fiscal year ending June 30, 2014; and can be accessed at the following link:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=EA558955>

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Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

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

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

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days of the receipt of the information about the preliminary budget, 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 PDE 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 PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

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

Summary and Discussion of Financial Results

A summary of the School District’s General Fund balance sheet and changes in fund balances are presented in Tables F-3 and F-4. Table F-5 shows revenues and expenditures for the past five years and the 2014-15 budget. The budget for the 2014-15 school year, adopted on June 16, 2014, projected \$52,842,193 in revenue and expenditures of \$52,673,463.

**TABLE F-3
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)**

ASSETS	2010	2011	2012	2013	2014
Cash and Cash Equivalent.....	\$4,791,162	\$7,539,876	\$9,702,903	\$10,905,173	\$12,313,252
Investments	5,049,633	5,069,957	5,077,398	5,083,691	5,089,081
Taxes Receivable, net.....	3,613,996	4,248,380	4,464,563	4,491,420	4,361,769
Due From Other Funds.....	76,832	190,107	25,501	30,812	65,569
Due From Other Governments	900,331	974,424	455,674	756,990	773,970
Other Receivables	49,874	9,541	4,119	3,784	0
Prepaid Expenses	2,500	0	0	0	0
TOTAL ASSETS	\$14,484,328	\$18,032,285	\$19,730,158	\$21,271,870	\$22,603,641
LIABILITIES					
Accounts Payable	\$666,513	\$567,135	\$674,317	\$348,916	\$717,645
Due to Other Funds	500,000	100,000	0	0	404,594
Accrued Salaries and Benefits.....	2,000,936	2,405,258	2,849,037	3,274,149	3,448,765
Deferred Revenue.....	2,895,352	3,341,432	3,377,023	3,182,585	3,532,340
TOTAL LIABILITIES	\$6,062,801	\$6,413,825	\$6,900,377	\$6,805,650	\$8,103,344
FUND EQUITIES					
Assigned Fund Balance.....	\$5,321,527	\$8,518,460	\$9,729,781	\$9,792,216	\$11,400,298
Unassigned Fund Balance	3,100,000	3,100,000	3,100,000	4,674,004	3,099,999
TOTAL FUND EQUITY	\$8,421,527	\$11,618,460	\$12,829,781	\$14,466,220	\$14,500,297
TOTAL LIABILITIES AND FUND EQUITIES	\$14,484,328	\$18,032,285	\$19,730,158	\$21,271,870	\$22,603,641

Source: School District Annual Financial Reports.

TABLE F-4
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT GENERAL FUND*
SUMMARY OF CHANGES IN FUND BALANCE
(Years Ending June 30)

	Actual					Budget
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>
Beginning Fund Balance	\$6,222,470	\$8,421,521	\$11,620,032	\$12,829,775	\$14,466,213	\$14,424,075
Revenues over (under) Expenditure..	0	0	0	0	(210,868)	0
Prior Period Adjustments.....	2,199,051	3,198,511	1,209,743	1,636,438	168,730	(20,000)
Ending Fund Balance	<u>\$8,421,521</u>	<u>\$11,620,032</u>	<u>\$12,829,775</u>	<u>\$14,466,213</u>	<u>\$14,424,075</u>	<u>\$14,404,075</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 16, 2014. See “Budgeting Process” herein.

Source: School District Annual Financial Reports and Budget.

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Revenue

The School District received \$52,842,193 in revenue in 2013-14 and has budgeted revenue of \$44,826,253 in 2014-15. Local sources contributed a decreasing share of total revenue in the past five years, from 79.2 percent in 2009-10 to 64.8 percent 2013-14. Revenue from Commonwealth sources contributed a decreasing share of total revenue from 17.8 percent to 16.1 percent over this period. Federal and other revenue decreased from 3.0 percent to 19.1 percent during the period.

**TABLE F-5
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(For years ending June 30)**

REVENUES	Actual					Budget
	2010	2011	2012	2013	2014	2015 ⁽¹⁾
Local Sources:						
Current Real Estate Taxes.....	\$23,643,370	\$24,337,596	\$24,167,444	\$24,505,506	\$25,244,450	\$25,536,510
Public Utility Realty Tax	38,159	44,831	43,845	44,206	41,355	44,000
Current Per Capita Taxes, Sec. 679.....	61,196	58,394	54,188	60,691	59,538	61,000
Current Act 511 Taxes	5,336,687	5,702,311	5,858,636	6,919,344	6,199,795	6,925,000
Delinquent on Taxes Levied	2,445,611	2,169,802	2,412,810	2,575,813	1,957,575	2,500,000
Earnings on Investments	139,658	68,829	58,387	32,340	33,776	35,000
Revenue from Student Activities	60,454	58,365	47,248	54,063	43,649	54,000
Federal Revenue Received from						
Other PA Public Schools.....	616,496	570,525	526,598	511,031	483,841	495,000
Other Revenue from Intermediary Sources	0	6,500	2,500	0	0	0
Rentals.....	66,440	72,133	51,037	92,426	72,118	72,000
Regular Day School Tuition.....	65,002	54,054	27,852	13,617	76,675	35,000
Receipts from Other LEAS in PA	1,154	18,860	0	20,630	10,738	21,242
Refunds of Prior Years' Expenditures	0	1,790	20,339	2,636	0	0
All Other Local Revenues Not Specified	71,924	100,239	66,926	72,745	8,724	0
Total Local Sources	\$32,546,152	\$33,264,228	\$33,337,810	\$34,905,048	\$34,232,233	\$35,778,752
State Sources:						
Basic Instructional Subsidy.....	\$2,750,238	\$2,955,943	\$3,317,337	\$3,312,493	\$3,432,903	\$3,432,445
Charter Schools.....	120,777	97,222	0	0	0	0
Tuition - Orphans & Children Placed in						
Private Homes.....	279,333	218,684	191,076	92,272	54,283	100,000
Special Education	1,409,612	1,389,649	1,327,376	1,327,376	1,327,376	1,327,376
Transportation.....	744,234	831,095	747,528	745,697	725,710	750,000
Rental and Sinking Fund Payments.....	92,044	63,595	62,670	62,575	62,967	62,670
Health Services	56,691	57,966	58,839	55,584	55,146	53,708
State Property Tax Reduction Allocation	450,947	453,627	457,814	461,416	454,255	456,765
PA Accountability Grant.....	240,030	232,085	88,433	88,433	88,433	88,433
Dual Enrollment Grants	18,875	3,018	233	0	0	0
Additional Grants no listed	2,241	0	0	0	0	0
Revenue for Social Security Payments.....	682,324	697,204	622,199	727,015	703,280	719,100
Revenue for Retirement Payments	438,757	547,466	493,564	1,214,082	1,587,222	1,655,904
Classrooms for the Future.....	25,000	0	0	0	0	0
Total State Sources	\$7,311,102	\$7,547,553	\$7,367,070	\$8,086,942	\$8,491,575	\$8,646,401
Federal Sources:						
Total Federal Sources	\$1,249,789	\$1,844,645	\$445,052	\$677,068	\$497,324	\$401,100
Other Sources:						
Total Other Sources	\$0	\$0	\$0	\$0	\$9,621,061	\$0
TOTAL REVENUES	\$41,107,043	\$42,656,426	\$41,149,931	\$43,669,058	\$52,842,193	\$44,826,253

*Totals may not add due to rounding.
⁽¹⁾Budget, as adopted June 16, 2014. See "Budgeting Process" herein.
Source: School District Annual Financial Reports and Budget.

Expenditures

TABLE F-5
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
EXPENDITURES*
(For years ending June 30)

EXPENDITURES	Actual					Budget
	2010	2011	2012	2013	2014	2015⁽¹⁾
Instruction	\$24,159,349	\$24,356,610	\$24,730,095	\$25,688,565	\$27,033,856	\$27,655,865
Pupil Personnel.....	1,203,587	1,265,349	1,230,610	1,146,303	1,216,413	1,300,834
Instructional Staff Services.....	989,361	1,012,959	693,487	1,137,990	972,048	881,290
Administrative Services.....	2,087,775	2,267,894	2,372,225	2,534,423	2,906,152	2,967,895
Pupil Health.....	288,997	308,324	392,573	345,683	359,869	458,965
Business Services	661,334	617,383	649,379	732,654	802,616	852,389
Operation and Maintenance of Plant Services	3,211,425	3,273,098	3,234,477	3,345,760	3,637,666	3,585,608
Student Transportation Services	1,948,874	1,947,186	1,861,122	1,816,117	2,020,316	1,890,043
Central & Other Support Services	578,961	646,773	572,296	672,494	729,119	1,335,295
Other Support Services.....	40,882	42,658	40,296	40,133	40,055	40,000
Student & Community.....	905,236	818,263	790,134	824,466	857,285	944,132
Debt Service.....	2,816,407	231,973	0	202,259	12,098,066	2,933,937
Refund of Prior Year Receipts.....	15,804	7,046	472,340	0	2	0
Fund Transfer	0	2,662,399	2,901,154	3,545,773	0	0
TOTAL EXPENDITURES	\$38,907,992	\$39,457,915	\$39,940,188	\$42,032,620	\$52,673,463	\$44,846,253
REVENUES OVER (UNDER)						
EXPENDITURES	\$2,199,051	\$3,198,511	\$1,209,743	\$1,636,438	\$168,730	(\$20,000)

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 16, 2014. See "Budgeting Process" herein.

Source: School District Annual Financial Reports and Budget.

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TAXING POWERS OF THE SCHOOL DISTRICT

In General

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 and other statutes 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 or 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 more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year (which include full time college students with respect to the per capita tax).

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The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

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

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

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State 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. If and when a school district has 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 Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2011-12	1.4%
2012-13	1.7
2013-14	1.7
2014-15	2.1
2015-16	1.9

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Expected to be Eligible for Act 1 Exceptions

The Bonds constitute indebtedness incurred after the effective date of Act 1 and, therefore, no exception to the referendum requirement is expected for new taxes to pay the debt service on the Bonds if a tax increase greater than the Index is required. The School District believes that it has included sufficient new tax millage in its 2014/15 budget to cover the full amount of the debt service on the Bonds without exceeding the 2014/15 Index (although the actual tax increase may exceed the 2014/15 Index as a result of the other available and approved (non-debt related) exceptions to the Index).

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 a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District does not levy an occupation tax.

Act 48 of 2003

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:

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

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

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Tax Levy Trends

Table F-6 shows the recent trend of tax rates levied by the School District. Table F-7 shows the comparative trend of real property tax rates for the School District, Dauphin County and the municipalities within the School District.

**TABLE F-6
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
TAX RATES**

Fiscal Year	Millage	Per Capita⁽¹⁾ (\$)	Real Estate Transfer (%)	Earned Income Tax (%)	Occupation Tax (\$)	Local Services Tax (\$)
2010-11	16.43	10.00	0.50	0.50	270	5.00
2011-12	16.43	10.00	0.50	0.50	270	5.00
2012-13	16.43	10.00	0.50	0.50	270	5.00
2013-14	16.84	10.00	0.50	0.50	270	5.00
2014-15	17.02	10.00	0.50	0.50	270	5.00

⁽¹⁾\$5.00 under Act 511 and \$5.00 under the School Code.
Source: School District officials.

**TABLE F-7
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)⁽¹⁾**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<i>School District⁽¹⁾</i>	16.4300	16.4300	16.4300	16.8400	17.020
<u>Municipality within the School District:</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Susquehanna Township	2.0980	2.0980	2.5980	2.5980	2.5980
<i>Dauphin County⁽²⁾</i>	6.8760	6.8760	6.8760	6.8760	6.8760

⁽¹⁾School District Fiscal Year begins July 1 and ends June 30.

⁽²⁾Does not include County Library Tax.

Source: PA Department of Community Economic Development: www.newpa.com.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$25,244,450 in 2013-14, approximately 45.9 percent of revenues. The School District fiscal year is from July 1 through June 30 and tax bills are issued on July 1 of each year. Taxpayers who remit within two months of July 1 receive a 2 percent discount, and those who remit subsequent to October 31 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 countywide assessment in Dauphin County became effective in 2001.

**TABLE F-8
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Fiscal Year	Market Value	Assessed Value	Ratio
2010-11	\$1,650,209,015	\$1,563,667,500	94.76%
2011-12	1,807,730,986	1,595,717,300	88.27%
2012-13	1,903,372,601	1,616,556,500	84.93%
2013-14	1,914,421,054	1,625,896,800	84.93%
2014-15*	1,903,372,601	1,636,689,400	85.99%

*Budgeted, taken from the PDE 2028 Budget Report.
Source: Pennsylvania State Tax Equalization Board.

**TABLE F-9
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2012-13 Market Value	2012-13 Assessed Value	2013-14 Market Value	2013-14 Assessed Value
<i>Susquehanna Township School District</i>	\$ 1,903,372,601	\$ 1,616,556,500	\$ 1,914,421,054	\$ 1,625,896,800
Susquehanna Township	1,903,372,601	1,616,556,500	1,914,421,054	1,625,896,800
<i>Dauphin County</i>	17,749,782,221	14,533,333,450	17,943,174,947	14,735,290,650

Source: Pennsylvania State Tax Equalization Board.

**TABLE F-10
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2009-10	2010-11	2011-12	2012-13	2013-14
Residential	\$ 992,752,900	\$1,003,251,600	\$1,013,224,500	\$1,030,844,900	\$1,039,055,100
Lots	14,443,300	16,250,900	15,779,100	14,650,800	15,435,300
Industrial	54,162,000	54,162,000	54,227,500	53,773,800	52,767,300
Commercial	485,975,300	487,424,400	510,630,300	514,248,200	515,655,500
Agriculture	1,424,400	1,470,900	1,372,000	775,200	501,800
Land	1,107,700	1,107,700	483,900	969,900	1,139,400
Trailers	1,139,900	0	0	1,293,700	1,342,400
Total	\$1,551,005,500	\$1,563,667,500	\$1,595,717,300	\$1,616,556,500	\$1,625,896,800

Source: Pennsylvania State Tax Equalization Board.

**TABLE F-11
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

Year	Tax Levy	Current Year Collections (July-June)	Collections as Percent of Total Adjusted Flat Billing	Total Current Plus Delinquent Collections	Collections as Percent of Total Adjusted Flat Billing
2010-11	\$25,995,251	\$24,655,758	94.85%	\$26,045,442	100.19%
2011-12	26,244,806	24,501,501	93.36%	25,901,501	98.69%
2012-13	26,320,860	24,505,118	93.10%	25,851,479	98.22%
2013-14	27,112,568	25,241,668	93.10%	25,407,869	93.71%
2014-15 (est.)	27,400,185	25,536,510	93.20%	27,236,510	99.40%

Source: School District officials.

The ten largest real property taxpayers, together with their taxable assessed values, are shown in Table F-12. The aggregate assessed value of these ten taxpayers totals approximately 8.2 percent of total assessed value. Some of these major taxpayers have failed to pay taxes on a current basis, but have paid them with penalties.

**TABLE F-12
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

Owner	2014-15 Assessed Value
Pennsylvania State Employees Credit Union	\$21,778,800
Capital Blue Cross	21,443,700
Union Square Shopping Center	17,438,200
ISTAR Harrisburg, LP	13,311,200
Dauphin Plaza Associates LP	11,382,900
UD Properties	10,526,900
DRG Northwoods Crossing LLC	9,839,300
Olewin Sysco Food Service	9,780,100
CSC Clock Tower LP	9,446,000
Nationwide Mutual Insurance Co.	9,136,200
Total	\$134,083,200

Source: School District officials. Represents certain significant holdings as reported by local tax collectors.

Other Taxes

Under Act 511, the School District anticipates collecting \$6,199,795 in other taxes in 2013-14. Among the taxes authorized by Act 511, the School District currently levies the Earned Income Tax, Real Estate Transfer Tax, Local Services Tax, Per Capita Tax and Occupation Tax. The Act 511 limit, for 2013-14, equal to 12 mills on the market value of real property, should be \$22,973,052.65.

Earned Income Tax. The School District levies a tax of 1.00% (subject to sharing) on the earned income of residents. In 2013-14 the collected portion of this tax yielded \$3,350,868 or 6.8 percent of total revenue.

Real Estate Transfer Tax. A tax of 1.00% (subject to sharing) of the value of real estate transfers yielded \$683,984 in 2013-14 or 1.3 percent of total revenue.

Per Capita Tax. A tax of \$10.00 (\$5.00 under Act 511 and \$5.00 under the School Code) on each resident over 18 years old yielded \$59,538 in 2013-14 or less than one percent of total revenue.

Occupation Tax. A tax of \$250.00 is levied on each resident working within the School District. In 2013-14 the School District's collected portion of this tax yielded \$2,018,524 or 3.8 percent of total revenue.

Local Services Tax (Emergency & Municipal Services Tax). A tax of \$10.00 is levied on each resident working within the School District. In 2013-14 the collected portion of this tax yielded \$86,880 of total revenue.

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.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth. Subsidies for special education, pupil transportation, vocational education, health service and debt service are also received by the school district.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the greater of the School District's Market Value Aid Ratio ("Aid Ratio") or 50.00%. The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 56.72 percent. The applicable factor in determining reimbursement from the Commonwealth on the debt service of the Bonds only is estimated to be 50.00%. The product of these two factors is 28.36 percent which is the maximum potential percentage of debt service which will be reimbursed by the Commonwealth.

DEBT AND DEBT LIMITS

Debt Statement

Table F-13 shows the debt of the School District as of January 14, 2015, including the issuance of the Bonds.

**TABLE F-13
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
DEBT STATEMENT***

NONELECTORAL DEBT	Gross Outstanding
General Obligation Bonds, Series of 2014	\$7,355,000
General Obligation Bonds, Series of 2013	6,855,000
General Obligation Bonds, Series A of 2012	7,250,000
General Obligation Bonds, Series of 2012	9,985,000
General Obligation Bonds, Series of 2011 (Limited Tax Obligation)	5,365,000
TOTAL NONELECTORAL DEBT	\$36,810,000
LEASE RENTAL DEBT	
State Public School Building Authority ⁽¹⁾	
Guaranteed School Lease Revenue Bonds, Series of 2015	\$2,512,948
TOTAL LEASE RENTAL DEBT	\$2,512,948
TOTAL PRINCIPAL OF DIRECT DEBT	\$39,322,948

*Includes the Bonds offered through this Official Statement.

⁽¹⁾ Represents the School District's allocable 12.95% pro-rata share of the total principal amount of \$19,405,000 for the Dauphin County Technical School Project.

Table F-14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$39,322,948. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$38,909,065.

**TABLE F-14
SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
BOND AND BOND INDEBTEDNESS AND DEBT RATIOS***

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$36,810,000	\$36,810,000
Lease Rental Debt	2,512,948	2,099,065
TOTAL DIRECT DEBT	\$39,322,948	\$38,909,065
OVERLAPPING DEBT		
Dauphin County, General Obligation ⁽²⁾	\$36,231,412	\$36,231,412
Municipal Debt.....	34,980,772	34,980,772
TOTAL OVERLAPPING DEBT	\$71,212,184	\$71,212,184
TOTAL DIRECT AND OVERLAPPING DEBT	\$110,535,132	\$110,121,249
DEBT RATIOS		
Per Capita (2010).....	\$4,598.73	\$4,581.51
Percent 2013-14 Assessed Value.....	6.80%	6.77%
Percent 2013-14 Market Value.....	5.77%	5.75%

*Includes the Bonds offered through this Official Statement.

⁽¹⁾Does give effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current Aid Ratio. See "Commonwealth Aid to School Districts".

⁽²⁾Pro rata 10.67 percent share of \$339,583,901 principal amount outstanding.

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Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District’s “Borrowing Base”. The “Borrowing Base” is defined as the annual arithmetic average of “Total Revenues” (as defined by the Act) for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2011-12	\$41,472,242
Total Revenues for 2012-13	43,606,483
Total Revenues for 2013-14	43,158,165
Total	<u>\$128,236,890</u>
Annual Arithmetic Average (Borrowing Base)	<u>\$42,745,630</u>

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following products:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$96,177,667	\$39,322,948	\$56,854,719

*Includes the Bonds described herein, does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

Debt Service Requirements

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

Future Financing

The School District does not anticipate issuing additional long-term (non-refunding) debt within the next two years.

LABOR RELATIONS

School District Employees

There are presently 401 employees of the School District, including 230 teachers and 26 administrators as well as 145 full time/part-time support personnel. The support personnel include secretaries, custodial, cafeteria employees, maintenance and teachers’ aides.

The School District's teachers are represented by the Susquehanna Township Education Association ("STEA"), an affiliate of the Pennsylvania State Education Association, under a contract with the School District, which expired on June 30, 2013 (contract negotiations are currently underway). The School District's custodial, maintenance and cafeteria employees are represented by Teamsters Local Union No. 776 under a contract which expired on June 30, 2013 (contract negotiations are currently underway). The School District's secretaries, aides/assistants, technicians and clerical employees are represented by the Susquehanna Township Education Support Professional Association, an affiliate of the Pennsylvania State Education Association; under a contract which expired on June 30, 2013 (contract negotiations are currently underway).

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). 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. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

The Public School Employees Retirement System (PSERS) Board of Trustees certified an annual employer contribution rate of 25.84% for fiscal year 2015-16, which begins on July 1, 2015. This marks the fifth year of planned increases in the employer contribution rate under Act 120 of 2010 which are needed to raise the rate to the actuarially required level.

The 25.84% employer contribution rate is composed of 0.84% for health insurance premium assistance and a pension rate of 25.00%. The pension component of the rate was capped at a 4.50% increase from the previous year. The rate caps established under Act 120 of 2010 remain in effect for the next fiscal year and continue to suppress the pension rate and underfund the System. Based on current projections, fiscal year 2015-16 would be the last fiscal year the rate collars will be in place. Total employer contributions of \$3.45 billion are estimated in 2015-16. The commonwealth reimburses school employers for not less than 50% of the total employer contribution rate. Contributions for the School District are as follows:

2010-11	\$ 727,124
2011-12	1,586,802
2012-13	1,925,991
2013-14	3,377,473
2014-15 (Budget)	4,209,433

The School District is current in all payments.

PSERS is also funded through investment earnings and mandatory member contributions. Investment earnings are the largest source of funding for PSERS. For the most recent fiscal year ended June 30, 2014, PSERS' investments added over \$7.1 billion in net investment income to the fund. PSERS members contribute from 5.25% to 10.30% of pay depending on their membership class and when they joined PSERS. Members will contribute an average of 7.49% or approximately \$1 billion in 2015-16.

Source: Pennsylvania School Board Association at www.PSBA.org and PSERS at www.PSERS.state.pa.us

Other Post-Employment Benefits

The School District is obligated under collective bargaining agreements to provide future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The School District has become subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District's annual financial statements for the fiscal year ending June 30, 2009. For a full description, see "Audited Financial Statements – Notes to Financial Statements - Note 15 – Postemployment Benefits Plan" which can be found at:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=ER593549>

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT CONTINUING DISCLOSURE UNDERTAKING

Existing Continuing Disclosure Filing History

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

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	4/27/2011	EA400923	5/4/2011	EA405292	6/2/2011 ^[3]	^[3]
6/30/2011	12/27/2011	1/10/2012	ER476107	1/6/2015	ER669847	7/31/2012 ^[4]	^[4]
6/30/2012	12/27/2012	1/17/2013	EP598141	1/6/2015	ER669848	Various ^[5]	Various
6/30/2013	12/27/2013	12/17/2013 ^[6]	ER593549	12/17/2013	ER593549	12/17/2013	ER593549
6/30/2014	12/27/2014	12/8/2014 ^[7]	EA558955	12/8/2014	EA558955	12/8/2014	EA558955

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

^[3] Included in the Official Statement for the District's General Obligation Bonds, Series of 2011 (Limited Tax Obligations), whose Official Statement was filed to EMMA on 6/2/2011. A Notice of Reference to Other Submitted Documents was filed by the School District on 1/6/2015 (EMMA ID ER669852).

^[4] Included in the Official Statement for the District's General Obligation Bonds, Series of 2012, whose Official Statement was filed to EMMA on 7/31/2012. A Notice of Reference to Other Submitted Documents was filed by the School District on 1/6/2015 (EMMA ID ER669855).

^[5] Included in various EMMA filings as well as publically available in Official Statements of the School District. Tax collection results and pupil enrollment were included in the Official Statement for the District's General Obligation Bonds, Series of 2013, whose Official Statement was filed to EMMA on 8/26/2013. The top ten largest taxpayers were in the Official Statement for the District's General Obligation Bonds, Series A of 2012, whose Official Statement was filed to EMMA on 8/28/12. The assessed & market values as well as the tax & millage rates was included in the PDE-2028 Budget filed under EMMA ID ER669848 on 1/6/2015. A Notice of Reference to Other Submitted Documents was filed by the School District on 1/7/15 (EMMA ID ER670492).

^[6] Filing of PDE-2057 Annual Financial Report. Audited financial statements filed on 4/2/2014 (EMMA ID ER593549)

^[7] Filing of PDE-2057 Annual Financial Report.

Based on the information above, the School District's annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2010, the School District filed its audited financial statements on April 27, 2011 and budget on May 4, 2011. The operating data was included in an Official Statement of the School Districted filed on June 2, 2011. A Notice of Reference to Other Submitted Documents was filed on January 6, 2015.

For fiscal year ending June 30, 2011, the School District filed its audited financial statements on January 10, 2012 and budget on January 6, 2015. The operating data was included in an Official Statement of the School Districted filed on July 31, 2012. A Notice of Reference to Other Submitted Documents was filed on January 6, 2015.

For fiscal year ending June 30, 2012, the School District filed its audited financial statements on January 17, 2013. The budget was filed to EMMA on January 6, 2015. Its operating data was included in Official Statements filed to EMMA on August 28, 2012 and August 26, 2013, as well as the budget. A Notice of Reference to Other Submitted Documents was filed on January 7, 2015.

For fiscal year ending June 30, 2013, the School District filed its PDE-2057 Annual Financial Report, budget and operating data in a timely manner. Its audited financial statements were filed on April 2, 2014.

For fiscal year ending June 30, 2014, the School District filed its PDE-2057 Annual Financial Report, budget and operating data in a timely manner.

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APPENDIX G
DAUPHIN COUNTY
Demographics

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Population

Table G-1 which follows shows recent population trends for the School District, Dauphin County and the State of Pennsylvania. Table G-2 shows 2000 age composition and average number of persons per household in Dauphin County and for the State.

**TABLE G-1
RECENT POPULATION TRENDS**

Geographic Area	Census: April 1, 2010	Census: April 1, 2000	Change: 2000 to 2010	
	Number	Number	Number	Percent
Dauphin County	268,100	251,798	16,302	6.5%
Pennsylvania	12,702,379	12,281,054	421,325	3.4%

Source: U.S. Census Bureau, Census 2000 & 2010 Redistricting Data (Public Law 94-171) Summary File.

**TABLE G-2
AGE COMPOSITION**

	0-17	18-64	65+	Persons Per
	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Household</u>
Dauphin County	24.3%	61.5%	14.2%	2.54
Pennsylvania	23.8%	60.6%	15.6%	2.57

Source: Pennsylvania State Data Center, 2000 General Population and Housing Characteristics: Pennsylvania.

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Employment

Overall employment data are not compiled for the School District or municipalities within it, but such data are compiled for the Dauphin County and the MSA as of February 2014.

TABLE G-3
NONFARM JOBS BY INDUSTRY
HARRISBURG-CARLISLE METROPOLITAN STATISTICAL AREA
(Cumberland, Dauphin and Perry counties)

ESTABLISHMENT DATA	Industry Employment			Net Change From:		
	Feb. 2014	Jan. 2014	Dec. 2013	Feb. 2013	Jan. 2014	Feb. 2013
Total Nonfarm	326,000	325,200	331,200	320,500	800	5,500
Total Private	265,700	265,400	270,600	259,500	300	6,200
Goods Producing	29,700	29,800	30,500	29,500	-100	200
Mining, Logging, and Construction	10,000	10,100	10,500	10,000	-100	0
Manufacturing	19,700	19,700	20,000	19,500	0	200
Durable Goods	10,400	10,400	10,500	10,400	0	0
Non-Durable Goods	9,300	9,300	9,500	9,100	0	200
Food mfg.	5,400	5,400	5,500	5,200	0	200
SERVICE-PROVIDING	296,300	295,400	300,700	291,000	900	5,300
PRIVATE SERVICE-PROVIDING	236,000	235,600	240,100	230,000	400	6,000
Trade, Transportation, and Utilities	64,300	64,700	67,200	63,400	-400	900
Wholesale trade.....	11,600	11,600	11,700	11,500	0	100
Retail trade.....	31,100	31,500	33,300	30,700	-400	400
General merchandise stores.....	4,900	5,100	5,700	4,900	-200	0
Transportation, Warehousing and Utilities.....	21,600	21,600	22,200	21,200	0	400
Transportation and Warehousing	20,700	20,700	21,300	20,300	0	400
Truck transportation.....	8,200	8,100	8,300	8,000	100	200
Warehousing and storage	7,000	7,000	7,100	6,800	0	200
Information	4,900	4,900	4,900	4,800	0	100
Financial Activities	22,600	22,600	22,700	22,200	0	400
Finance and Insurance.....	19,800	19,700	19,800	19,500	100	300
Professional and Business Services	46,200	46,000	46,800	43,300	200	2,900
Professional and technical services	16,100	15,900	15,700	15,600	200	500
Management of companies & enterprises	8,700	8,700	8,700	8,400	0	300
Administrative and waste services	21,400	21,400	22,400	19,300	0	2,100
Educational and Health Services	52,100	51,700	51,800	51,500	400	600
Educational services.....	8,400	7,500	8,200	8,500	900	-100
Health care and social assistance.....	43,700	44,200	43,600	43,000	-500	700
Hospitals	15,200	15,400	15,200	15,100	-200	100
Leisure and Hospitality	29,000	28,900	29,700	27,700	100	1,300
Accommodation and food service.....	22,600	22,700	23,400	22,400	-100	200
Food services and drinking places	18,300	18,400	18,900	18,100	-100	200
Other Services	16,900	16,800	17,000	17,100	100	-200
Government	60,300	59,800	60,600	61,000	500	-700
Federal Government.....	7,000	7,100	7,200	7,300	-100	-300
State Government.....	32,800	32,200	32,500	33,000	600	-200
Local Government.....	20,500	20,500	20,900	20,700	0	-200
Local government educational services.....	13,600	13,500	13,800	13,800	100	-200
Local government excluding educational services	6,900	7,000	7,000	6,900	-100	0

Data benchmarked to March 2013

Data changes of 100 may be due to rounding

Source: Paworkstats.state.pa.us

Table G-4 shows recent trends in labor force, employment and unemployment for Dauphin County and the Commonwealth. The unemployment rate for Dauphin County has been lower than the statewide average. Employment for Dauphin County has increased for the County at a faster rate than the rate for the Commonwealth.

TABLE G-4
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
(Dauphin County)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽¹⁾</u>	Compound Average Annual % Rate
<i>Dauphin County</i>							
Civilian Labor Force (000).....	136.7	134.9	137.8	139.3	136.5	140.2	0.51%
Employment (000).....	126.5	123.7	127.3	128.6	128.3	132.4	0.92%
Unemployment (000).....	10.2	11.2	10.5	10.7	8.1	7.7	-5.47%
Unemployment Rate.....	7.5%	8.3%	7.6%	7.7%	6.0%	5.5%	
<i>Pennsylvania</i>							
Civilian Labor Force (000).....	6,383.0	6,340.0	6,386.0	6,487.0	6,424.0	6,430.0	0.15%
Employment (000).....	5,870.0	5,791.0	5,879.0	5,973.0	5,990.0	6,032.0	0.55%
Unemployment (000).....	514.0	549.0	507.0	513.0	434.0	397.0	-5.03%
Unemployment Rate.....	8.0%	8.7%	7.9%	7.9%	6.8%	6.2%	

⁽¹⁾As of February 2014.

Source: Pennsylvania State Employment Service.

Listed below are some of the larger employers of the region:

<u>Name</u>	<u>Product/Service</u>
Commonwealth of Pennsylvania	Government
Milton S. Hershey Medical Center	Health Care
Hershey Company	Manufacturer of Confections
Hershey Entertainment and Resorts	Amusement parks, golf, resorts, hotels
Pinnacle Health Systems	Health Care
Federal Government	Government
PA Higher Education Assistance Agency	Higher Education
Tyco Electronics Corporation	Manufacturer
Harrisburg Area Community College	Education
Pennsylvania State University	Education

Source: Center for Workforce Information & Analysis website.

Income

The data on Table G-5 show recent trends in per capita income for the School District, the County and Pennsylvania over the 2000-2009 period.

**TABLE G-5
RECENT TRENDS IN PER CAPITA INCOME***

	<u>2000</u>	<u>2009</u>	Compound Average Annual % Change <u>2000-2009</u>
Dauphin County	22,134	27,402	2.40%
Pennsylvania.....	20,880	26,678	2.76%

*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: 2000: U.S. Census Bureau, Summary File 1 (SF 1) and Summary File 3 (SF 3) & 2009: U.S. Census Bureau, 2005-2009 American Community Survey.

Commercial Activity

Table G-6 shows recent trends for retail sales in Dauphin County and the Commonwealth.

**TABLE G-6
TOTAL RETAIL SALES
(000)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Dauphin County	\$ 4,323,994	\$ 4,595,850	\$ 4,594,147	\$ 4,294,807	\$ 5,646,558
Pennsylvania.....	174,483,292	188,193,104	188,149,727	187,412,600	199,975,257

Source: The Nielson Company.

Educational Institutions

Widener Law School campus is located within the School District. The School District 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, 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.

The largest of these schools in terms of enrollment is the Harrisburg Area Community College which was the first comprehensive Community College to be established in the Commonwealth and serves the MSA. Founded in 1964 and fully accredited, this two year college occupies a campus of 157 acres. Enrollment has grown from less than 500 to over 4,500 students, and the College offers both career and transfer programs.

The Penn State Harrisburg Campus offers baccalaureate and graduate degree programs. Enrollment at the Harrisburg Campus, located in Middletown, is approximately 3,416. 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 1,990 full-time students. The Dickinson School of Law, also located in Carlisle, is the second oldest law school in the Commonwealth having been founded in 1834. The School is part of Penn State. Present enrollment for the three year juris doctorate program is about 538 students. Messiah College is a liberal arts institution located in Grantham with current enrollment of approximately 2,000 students.

Residents of the School District 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.

Medical Facilities

The residents of the School District are served by five major medical institutions: Pinnacle Health Systems which consists of four facilities within the system: Community General Osteopathic Hospital, Harrisburg Hospital, Frederickson Outpatient Center, and Seidle Hospital; and Milton S. Hershey Medical Center of Pennsylvania State University.

Transportation and Highway Services

The School District is served by Interstate 81 which connects it with Scranton, Wilkes-Barre, Binghamton, New York and Syracuse, New York to the north, and major cities to the south; Interstate 78 which connects the School District with Allentown-Bethlehem-Easton and New York City to the east; Interstate 83 which runs south to York and Baltimore; and Interstate 76 (Pennsylvania Turnpike) which connects the School District with Philadelphia and Pittsburgh. U.S. 11, 15, 22, 322 and 422 and Interstate Route 283 also serve the School District.

Harrisburg International Airport, located in Middletown, has a 10,000-foot runway and can handle the nations' 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 US Airways, United Airlines, Delta Airlines, American Airlines, Northwest Airlines, Continental Airlines and Air Canada, in addition to several commuter airlines. The Harrisburg Airport offers approximately 90 non-stop flights daily to destinations such as New York, Chicago, St. Louis, Detroit, Pittsburgh, Baltimore, Atlanta, Washington, DC, Charlotte, Boston, Philadelphia and Raleigh/Durham. General aviation service is also available at the Capital City Airport and three other airports in the Harrisburg Metropolitan Area.

Norfolk Southern facilities, which include the mainline of the former Conrail, offer freight transportation to and from the Harrisburg area. The yard at Enola in Cumberland School District is one of the largest classification yards on the Norfolk Southern system. AMTRAK operates regular daily passenger service through the School District to major eastern, southern and western cities. The Harrisburg Transportation Center serving AMTRAK and Greyhound Bus Lines provide bus service throughout the country.

Utilities

Verizon (telephone), PPL Utilities (electric), Amergen Energy Company, UGI Corporation (natural gas) and United Water Company (water) are the major utilities, which provide service in the School District.

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APPENDIX H
FORM OF BOND COUNSEL OPINION

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[Date of Closing]

Re: \$19,405,000 State Public School Building Authority
Guaranteed School Lease Revenue Bonds
(Dauphin County Technical Refunding Project), Series of 2015
Dated as of [Date of Closing]

OPINION

We have acted as Bond Counsel in connection with the issuance and sale by the State Public School Building Authority (the "Authority") of \$19,405,000 aggregate principal amount of the Authority's Guaranteed School Lease Revenue Bonds (Dauphin County Technical School Refunding Project), Series of 2015 (the "Bonds"), being issued under the provisions of the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the "Act"), of the Commonwealth of Pennsylvania (the "Commonwealth"), and pursuant to a Trust Indenture, dated as of February 18, 2015 (the "Indenture") from the Authority to Manufacturers and Traders Trust Company, as trustee (the "Trustee").

The Bonds are being issued for the purpose of providing funds for the payment of (i) a project consisting of the refunding of the State Public School Building Authority School Lease Revenue Bonds (Dauphin County Technical School Project), Series of 2007, and paying costs and expenses related thereto, and (ii) the costs and expenses of issuing the Bonds.

The proceeds of the Bonds are being provided by the Authority to the Joint Board and the Central Dauphin School District, Derry Township School District, Halifax Area School District, Lower Dauphin School District, Middletown Area School District, and Susquehanna Township School District, all located in Dauphin County, Pennsylvania (collectively, the "Participating School Districts"), pursuant to a Sublease Agreement, dated as of February 18, 2015, between the Authority and the Joint Board and Participating School Districts (the "Sublease Agreement"), pursuant to which the Joint Board and Participating School Districts covenant to make sublease rental payments to the Authority in the amounts and on the dates required for the payment of principal of and interest on the Bonds. Under the terms of the Sublease Agreement, each of the Participating School Districts has guaranteed payment of its proportionate share, determined as provided in the Sublease Agreement, of the principal of and interest on the Bonds Outstanding, as

that term is defined in the Indenture, from time to time. Under the Indenture, the Authority has pledged and assigned to the Trustee as security for the payment of the Bonds all revenues of the Authority derived from, and all right, title and interest of the Authority in and to, the Sublease Agreement and the Bonds (except certain rights to indemnification and to the payment of the Authority's fees and expenses thereunder).

As Bond Counsel to the Authority, we have examined certified copies of the proceedings of the Authority relative to the issuance of the Bonds, an executed counterpart of the Indenture and of the Sublease Agreement, a non-arbitrate certificate of the Authority and the Joint Board, and usual closing certificates and documents, together with such statutes and other materials as we have deemed necessary and appropriate to render the opinion set forth herein. In rendering such opinion, we have examined and relied upon the opinion of the solicitor to the Joint Board with respect to the due execution and delivery by the Joint Board of the Sublease Agreement and the valid and binding effect of the Sublease Agreement on the Joint Board, the opinion of the solicitor to the Authority with respect to the due execution and delivery by the Authority of the Indenture, Sublease Agreement and the Bonds and the valid and binding effect of the Indenture, Sublease Agreement and the Bonds on the Authority, and the General Certificates of each of the Participating School Districts with respect to the due authorization, execution and delivery by each of the Participating School Districts of the Sublease Agreement and the valid and binding effect of the Sublease Agreement on each of the Participating School Districts. We have also examined a specimen of an executed Bond, and assume that all Bonds will be issued in registered form as required by the Indenture.

We have further relied upon covenants of the Authority and the Joint Board and Participating School Districts set forth in the Indenture and the Sublease Agreement, respectively, wherein the Authority and the Joint Board and Participating School Districts agree to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations in effect thereunder, in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Authority is a body corporate and politic, is validly existing under the laws of the Commonwealth and has the corporate power and lawful authority (a) to execute and deliver the Indenture and the Sublease Agreement, and (b) to issue and deliver the Bonds.
2. Each of the Indenture and the Sublease Agreement has been duly executed, acknowledged and delivered by the Authority and, upon due authorization, execution, acknowledgment and delivery of the Indenture by the Trustee and the Sublease Agreement by the Joint Board and Participating School Districts, each is a legal, valid and binding obligation of the Authority enforceable against it in accordance with its terms.

3. Each of the Participating School Districts has the power to unconditionally guaranty the payment of its proportionate share, determined in accordance with the Sublease Agreement, of the principal of and interest on the Bonds and, under the terms of the Sublease Agreement, has duly guaranteed such payment to the extent that the Bonds shall be “Outstanding,” as that term is defined in the Indenture, from time to time, under the Indenture. For payment in respect of such guaranty of its proportionate share of the Bonds, each of the Participating School Districts has pledged its full faith, credit and taxing power.

4. The issuance and sale of the Bonds have been duly authorized by the Authority and the Bonds have been duly executed and delivered by the Authority. Assuming their due authentication by the Trustee, the Bonds are valid, binding and enforceable obligations of the Authority and are entitled to the benefit and security of the Indenture, to the extent indicated therein.

5. The Indenture creates the valid pledge it purports to create in respect of the revenues of the Authority payable by the Joint Board and Participating School Districts under the Sublease Agreement.

6. Under the laws of the Commonwealth as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and interest on the Bonds is exempt from the Commonwealth’s Personal Income Tax and the Commonwealth’s Corporate Net Income Tax.

7. Under present statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although it should be noted that in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. The opinions expressed in the preceding sentence are subject to the condition that the Authority and the Joint Board and Participating School Districts comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, as the Authority and the Joint Board and the Participating School Districts have covenanted to do in the Indenture and the Sublease Agreement and other aforementioned documents. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that rights of holders of the Bonds and the enforceability thereof and of the other documents mentioned herein may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering the foregoing opinions, we advise you that the Bonds do not pledge the general credit of the Authority or the credit or taxing power of the Commonwealth or of any political subdivision thereof (other than the Participating School Districts), nor will the Commonwealth, or any political subdivision thereof (other than the Participating School Districts), be liable for payment of the principal of, premium, if any, or interest on the Bonds, nor shall the Bonds be deemed obligations of the Commonwealth or of any political subdivision thereof (other than the Participating School Districts).

Very truly yours,

APPENDIX I
CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the JOINT SCHOOL BOARD OF THE DAUPHIN COUNTY TECHNICAL SCHOOL, Dauphin County, Pennsylvania (the “Joint School Board”) and CENTRAL DAUPHIN SCHOOL DISTRICT, DERRY TOWNSHIP SCHOOL DISTRICT, HALIFAX AREA SCHOOL DISTRICT, LOWER DAUPHIN SCHOOL DISTRICT, MIDDLETOWN AREA SCHOOL DISTRICT, and SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT, all located in Dauphin County, Pennsylvania (the “Participating School Districts”), in connection with the issuance of the Guaranteed School Lease Revenue Bonds (Dauphin County Technical School Refunding Project), Series of 2015, dated as of _____, 2015 (the “Bonds”) of the State Public School Building Authority. The Bonds are being issued pursuant to a Resolution duly adopted by the Joint School Board and Participating School Districts (collectively, the “Resolution”). The Joint School Board and Participating School Districts make the following certifications and representations as an inducement to the Participating Underwriter and others to purchase the Bonds:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Joint School Board and Participating School Districts for the benefit of the holders or beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Joint School Board pursuant to, and as described in, Section 3 of this Disclosure Certificate.

“Business Day” shall mean a day other than a Saturday, a Sunday, or a day on which the New York Stock Exchange is closed or a day on which banks located in the Commonwealth are authorized by law to be closed.

“Commonwealth” shall mean the Commonwealth of Pennsylvania.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final official statement relating to the Bonds prepared by or on behalf of the Authority and distributed in connection with the offering and sale of the Bonds by the Participating Underwriters.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports. The Joint School Board and each of the Participating Districts will file with the MSRB, respectively:

(a) *Financial Information of the Joint School Board.* Annually, within 210 days following the close of each of the Joint School Board’s fiscal years, beginning with its fiscal year ending June 30, 2015, the following financial information and operating information for the Joint School Board:

- the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards

- a summary of the budget for the current fiscal year

(b) *Financial Information of the Participating School Districts.*

Annually, within 210 days following the close of each of the Participating School District’s fiscal years, beginning with the fiscal year ending June 30, 2015, the following financial information and operating information for each of the Participating School Districts:

- the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards

- a summary of the budget for the current fiscal year

(c) *Audited Financial Statements.* If not submitted as part of the annual financial information of the Joint School Board or each of the Participating School Districts in accordance with subparagraphs (a) and (b) above, then when and if available, financial statements of the Joint School Board or each of the Participating School Districts for the most recent fiscal year audited in accordance with generally accepted auditing standards.

Each Annual Report may be submitted as a single document or as separate documents comprising a package. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Joint School Board or the Participating School Districts which have been filed with MSRB or with the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Joint School Board or the Participating Districts, as applicable, shall clearly identify each other document so incorporated by reference.

SECTION 4. Notices of Late Filing of Annual Information. If the Joint School Board or Participating School Districts have failed to file, or are unable to file, an Annual Report with the MSRB within the time set forth in Section 3 above, the Joint School Board and the Participating School Districts, as applicable, will file, in a timely manner, a notice with the MSRB stating such fact and, if appropriate, the date by which the Joint Board or the Participating School District expects to file the applicable Annual Report.

SECTION 5. Reporting of Significant Events. In a timely manner not in excess of ten (10) Business Days after the occurrence of the event, the Joint School Board or the Participating School Districts will file with the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

- principal and interest payment delinquencies;
- non-payment related defaults, if material;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- 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-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- modifications to rights of holders of the Bonds, if material;
- bond calls, if material, and tender offers;
- defeasances;
- release, substitution, or sale of property securing repayment of the Bonds, if material;
- rating changes;
- bankruptcy, insolvency, receivership or similar event of the Joint School Board or the Participating School Districts;
- the consummation of a merger, consolidation, or acquisition involving the Joint School Board or the Participating School Districts or the sale of all or substantially all of the assets of the Joint School Board or the Participating School Districts, 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
- appointment of a successor or additional trustee, or the change of name of a trustee, if material.

The Joint School Board or the Participating School Districts may from time to time choose to provide notice of the occurrence of certain other events affecting the Bonds, the Joint School Board or the Participating School Districts, in addition to those listed above, if, in the judgment of the Joint School Board or the Participating School Districts, such other event is material with respect to the Bonds, but the Joint School Board or the Participating School

Districts do not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

SECTION 6. Dissemination Agent. The Joint School Board and Participating School Districts may, at any time and from time to time, appoint or engage another person (the “Dissemination Agent”) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge such Dissemination Agent, with or without appointing a successor, and without notice to holders or beneficial owners of the Bonds.

SECTION 8. Termination of Disclosure Obligation. The Joint School Board and Participating School Districts’ obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds.

SECTION 9. Amendment. The Joint School Board and Participating School Districts reserve the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate as the result of a change in legal requirements or change in the nature of the Joint School Board and Participating School Districts; provided that the Joint School Board and Participating School Districts agrees that any such modification will be done in a manner consistent with the Rule.

SECTION 10. Default. In the event of a failure of the Joint School Board and Participating School Districts to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Joint School Board and Participating School Districts to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Joint School Board and Participating School Districts to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Joint School Board and Participating School Districts, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, The Joint School Board causes this Continuing Disclosure Certificate to be executed on its behalf by the Chairperson all as of the date first above written.

JOINT SCHOOL BOARD OF THE DAUPHIN
COUNTY TECHNICAL SCHOOL,
Dauphin County, Pennsylvania

By: _____
Chairperson

IN WITNESS WHEREOF, The undersigned causes this Continuing Disclosure Certificate to be executed on its behalf by the President or Vice President, all as of the date first above written.

CENTRAL DAUPHIN SCHOOL DISTRICT,
Dauphin County, Pennsylvania

By: _____
(Vice) President of the Board of School Directors

IN WITNESS WHEREOF, The undersigned causes this Continuing Disclosure Certificate to be executed on its behalf by the President or Vice President, all as of the date first above written.

DERRY TOWNSHIP SCHOOL DISTRICT,
Dauphin County, Pennsylvania

By: _____
(Vice) President of the Board of School Directors

IN WITNESS WHEREOF, The undersigned causes this Continuing Disclosure Certificate to be executed on its behalf by the President or Vice President, all as of the date first above written.

HALIFAX AREA SCHOOL DISTRICT,
Dauphin County, Pennsylvania

By: _____
(Vice) President of the Board of School Directors

IN WITNESS WHEREOF, The undersigned causes this Continuing Disclosure Certificate to be executed on its behalf by the President or Vice President, all as of the date first above written.

LOWER DAUPHIN SCHOOL DISTRICT,
Dauphin County, Pennsylvania

By: _____
(Vice) President of the Board of School Directors

IN WITNESS WHEREOF, The undersigned causes this Continuing Disclosure Certificate to be executed on its behalf by the President or Vice President, all as of the date first above written.

MIDDLETOWN AREA SCHOOL DISTRICT,
Dauphin County, Pennsylvania

By: _____
(Vice) President of the Board of School Directors

IN WITNESS WHEREOF, The undersigned causes this Continuing Disclosure Certificate to be executed on its behalf by the President or Vice President, all as of the date first above written.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT,
Dauphin County, Pennsylvania

By: _____
(Vice) President of the Board of School Directors

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APPENDIX J

**AUDITED FINANCIAL STATEMENTS OF THE TECHNICAL SCHOOL
FOR FISCAL YEAR ENDED JUNE 30, 2014**

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Dauphin County Technical School
Year Ended June 30, 2014



TROUT, EBERSOLE & GROFF^{LLP}

CPAs | BUSINESS ADVISORS

SERVICE | ANSWERS | TRUST

Dauphin County Technical School

Financial Statements with Supplementary Information

Year Ended June 30, 2014

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Dauphin County Technical School

Financial Statements with Supplementary Information

Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board Officers and Members
Dauphin County Technical School
Harrisburg, Pennsylvania

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 **Dauphin County Technical School**, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 misstatements, whether due to fraud or error.

Auditors' 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 of 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 auditors' 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.

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ELIZABETHTOWN OFFICE: 222 South Market Street, Suite 202, Elizabethtown, PA 17022 • 717-367-3225 • Fax 717-367-3324

HARRISBURG OFFICE: 2000 Linglestown Road, Suite 104, Harrisburg, PA 17110 • 717-545-0453 • Fax 717-545-7374

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 **Dauphin County Technical School** as of June 30, 2014, 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.

Change in Accounting Principle

As described in Note 17 to the financial statements, **Dauphin County Technical School** changed its method of accounting for bond issuance costs applicable to the government-wide financial statements as a result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 13, budgetary comparison information on pages 45 and 46, and other postemployment benefits (OPEB) information on pages 47 through 49, 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Dauphin County Technical School's** basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2014, on our consideration of the School's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

October 16, 2014
Lancaster, Pennsylvania

Trout, Ebersole & Groff, LLP

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

Dauphin County Technical School
MANAGEMENT'S DISCUSSION and ANALYSIS
Year Ended June 30, 2014

The discussion and analysis of **Dauphin County Technical School's** financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School's financial performance.

Joint Venture

Dauphin County Technical School is a joint venture of six public school districts in Dauphin County, Pennsylvania organized under the Public School Code of Pennsylvania. The School provides career and technical education programs for high school students who are residents of the participating school districts and out of school youths and adults. Each school district is responsible for a share of the operating budget based on student enrollment using a formula described within the Articles of Agreement. The participating school districts include: Central Dauphin School District, Derry Township School District, Halifax Area School District, Lower Dauphin School District, Middletown Area School District, and Susquehanna Township School District. Continuing education classes for out of school youths and adults receive no school district funding and operate on student paid tuition, and federal and state grants that become available.

Mission Statement

The mission of the **Dauphin County Technical School** is to prepare students to enter post-secondary education and industry with the attitude, skills, and knowledge necessary to be successful in a constantly changing and competitive world.

Vision

Through the utilization of a curriculum firmly grounded in academic and industry-based standards, **Dauphin County Technical School** will provide all students with the skills, and knowledge necessary to actively enter a dynamic and competitive high skills work force and/or post-secondary education.

Shared Values

Dauphin County Technical School will promote educational achievement among students by:

- Requiring all students to demonstrate proficiency on Pennsylvania's Academic Standards and/or a locally designed assessment to graduate;
- Providing a variety of academic and career and technical training programs to meet the needs and interests of all students, with appropriate counseling in the selection of a vocation;
- Providing a safe environment conducive to achievement by maintaining an atmosphere that encourages respect, responsibility, positive attitudes, integrity, safety, and pride in work;
- Assessing individuals through the use of on-going evaluations that reflect students' knowledge in academic and career and technical areas.

Dauphin County Technical School will produce self-directed, life-long learners by:

- Preparing students who will have increased opportunities for success in their chosen career path;
- Providing opportunities for students to learn how to be collaborative, high-quality contributors to the economic and cultural life of their communities;
- Instilling the skills and work habits to be productive members of a changing society;
- Providing opportunities for adults to train and/or retrain in occupational areas.

Dauphin County Technical School
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2014

Shared Values (Continued)

Dauphin County Technical School will develop responsible and involved citizens by:

- Providing an understanding of how occupations relate to the economic and civic well-being of the community and nation;
- Creating an awareness of the responsibilities of full-time employment and independent adult living and citizenship;
- Encouraging students, staff, and alumni, to contribute to the economic and civic well-being of the community;
- Increasing and enhancing the number of educational options for students to achieve high standards with particular attention to career and technical education.

Dauphin County Technical School will encourage communication and interaction between the School and the community by:

- Promoting student and staff volunteerism in community events and public service projects;
- Cultivating relationships with employers and industry through shadowing, internship, and cooperative education opportunities.

Dauphin County Technical School will prepare adaptive users of advanced technologies by:

- Designing and promoting student development on all levels toward advanced technical knowledge, concepts, and skills in relation to the requirements of industry and society.

Dauphin County Technical School will develop caring, supportive family and community members by:

- Encouraging proactive family involvement in the educational process;
- Increasing awareness of the roles and responsibilities of family and community living.

Financial Highlights

The participating school districts provide the largest sum of revenue, which supports the secondary education program and totaled \$10,501,556 for 2013-2014. This amount is based on a funding formula that is agreed upon by all school districts as part of the articles of agreement. Contributions from the participating school districts are as follows:

- | | |
|--|-------------|
| • Central Dauphin School District | \$5,877,813 |
| • Derry Township School District | \$658,141 |
| • Halifax Area School District | \$409,131 |
| • Lower Dauphin School District | \$1,282,069 |
| • Middletown Area School District | \$1,076,703 |
| • Susquehanna Township School District | \$1,197,699 |

Total contributions from participating school districts were 72% of the secondary program's local revenue for 2013-2014.

Bonded debt service of \$1,717,161, consisting of principal and interest, was paid by the participating school districts during 2013-2014.

Dauphin County Technical School
 MANAGEMENT'S DISCUSSION and ANALYSIS
 (Continued)
 Year Ended June 30, 2014

Financial Statements

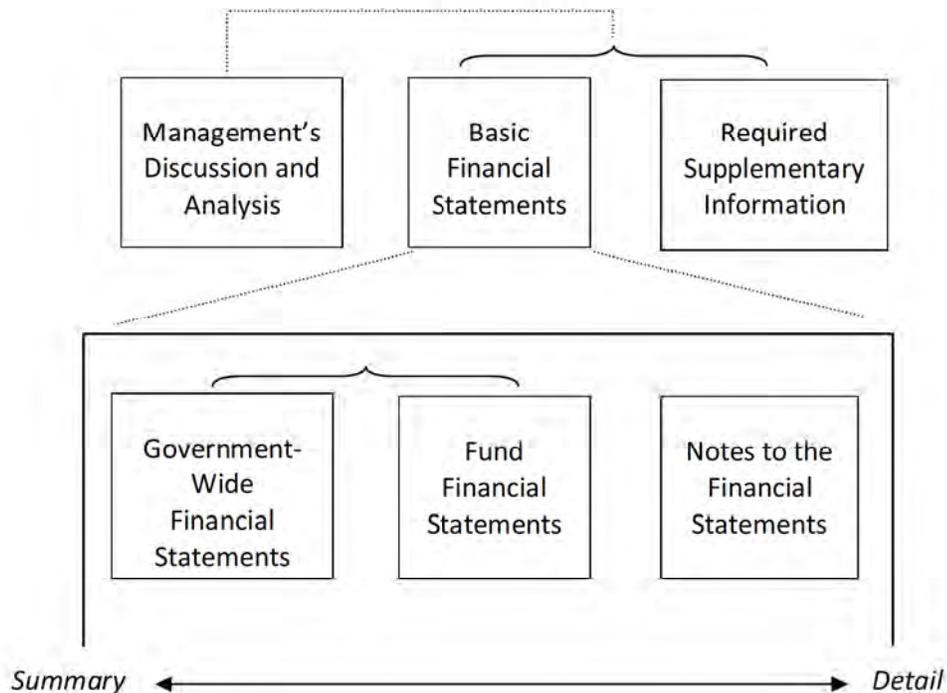
The financial statements consist of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of **Dauphin County Technical School**. The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School's operations in more detail than the government-wide statements. The governmental funds statements tell how the School's services were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School operates like a business. For the School, this is the food service fund. Fiduciary fund statements provide information about financial relationships where the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements with the comparison of **Dauphin County Technical School's** budget for the year.

Figure A-1 shows how the required parts of the financial report are arranged and relate to one another:

Figure A-1
 Required Components of
Dauphin County Technical School's
 Financial Report



Dauphin County Technical School
 MANAGEMENT'S DISCUSSION and ANALYSIS
 (Continued)
 Year Ended June 30, 2014

Financial Statements (Continued)

Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
 Major Features of **Dauphin County Technical School's**
 Government-Wide and Fund Financial Statements
 Fund Statements

	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds).	The activities of the School that are not proprietary or fiduciary, such as education, administration, and community services.	Activities the School operates similar to private business - food services.	Instances in which the School is the trustee or agent to someone else's resources - student activity funds & scholarship funds.
Required financial statements.	Statement of net position; statement of activities.	Balance sheet; statement of revenues, expenditures, and changes in fund balance.	Statement of net position; statement of revenues, expenses, and changes in 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 resources 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, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow-outflow information.	All revenues and expenses during 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 payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Dauphin County Technical School
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2014

OVERVIEW of FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. 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 government-wide statements report the School's net position and how it has changed. Net position, the difference between the School's assets and liabilities, is one way to measure the School's financial health or position.

Over time, increases or decreases in the School's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School, you need to consider additional factors, such as changes in the member school district contributions and the projected enrollment of the students.

The government-wide financial statements of the School are divided into two categories:

- **Governmental Activities** - All of the School's basic services are included here, such as instruction, administration, and community services. Participating school district contributions, state and federal subsidies, and grants finance most of these activities.
- **Business-Type Activities** - The School operates a food service operation and charges fees to staff, students, and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The School's fund financial statements provide detailed information about the most significant funds, not the School as a whole. Some funds are required by state law and by bond requirements.

- **Governmental Funds** - Most of the School's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Dauphin County Technical School
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2014

Fund Financial Statements (Continued)

- Proprietary Funds - These funds are used to account for the School's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School charges customers for services it provides, whether to outside customers or to other units in the School, these services are generally reported in proprietary funds. The food service fund is the School's proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provides more detail and additional information, such as cash flows.
- Fiduciary Funds - The School is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The School 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 School excludes these activities from the other financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the School as a Whole

The School's total net position was \$6,634,063 at June 30, 2014.

Table A-1
Net Position
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	5.1	5.9	0.1	0.0	5.2	5.9
Net Capital Assets	<u>25.4</u>	<u>25.8</u>	<u>0.1</u>	<u>0.1</u>	<u>25.5</u>	<u>25.9</u>
Total Assets	30.5	31.7	0.2	0.1	30.7	31.8
Current and Other Liabilities	3.4	4.2	0.0	0.0	3.4	4.2
Long-Term Liabilities	<u>20.6</u>	<u>21.5</u>	<u>0.0</u>	<u>0.0</u>	<u>20.6</u>	<u>21.5</u>
Total Liabilities	24.0	25.7	0.0	0.0	24.0	25.7
Net Position						
Invested in Capital Assets, net of Related Debt	4.6	4.1	0.1	0.1	4.7	4.2
Restricted	0.0	0.0	0.0	0.0	0.0	0.0
Unrestricted	<u>1.9</u>	<u>1.9</u>	<u>0.1</u>	<u>0.0</u>	<u>2.0</u>	<u>1.9</u>
Total Net Position	6.5	6.0	0.2	0.1	6.7	6.1

Dauphin County Technical School
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2014

Financial Analysis of the School as a Whole (Continued)

Most of the School's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is a combination of designated and undesignated amounts. The designated balances are amounts set-aside to fund future equipment purchases or capital projects as may be planned by the School. The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School's activities that are supported by other general revenues. The largest general revenue category is the contributions from the participating school districts.

Table A-2 takes the information from that statement so you can see our total revenues for the year.

Table A-2
Changes in Net Position
(In Millions)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
REVENUE						
Program Revenues:						
Charges for Services	3.3	2.9	0.4	0.3	3.7	3.2
Operating Grants and Contributions	2.4	2.2	0.4	0.3	2.8	2.5
Capital Grants and Contributions	0.0	0.0	0.0	0.0	0.0	0.0
General Revenues:						
Receipts from Member Districts	10.5	10.0	0.0	0.0	10.5	10.0
Other	<u>0.8</u>	<u>0.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.8</u>	<u>0.9</u>
Total Revenues	17.0	16.0	0.8	0.6	17.8	16.6
EXPENSES						
Instruction	9.5	8.8	0.0	0.0	9.5	8.8
Instructional Student Support	2.0	1.8	0.0	0.0	2.0	1.8
Administration	1.2	1.0	0.0	0.0	1.2	1.0
Pupil Health	0.1	0.1	0.0	0.0	0.1	0.1
Business Services	0.6	0.5	0.0	0.0	0.6	0.5
Operation and Maintenance of Plant	2.2	2.2	0.0	0.0	2.2	2.2
Other Services	0.0	0.0	0.0	0.0	0.0	0.0
Interest on Long-Term Debt	0.9	0.9	0.0	0.0	0.9	0.9
Food Services	<u>0.0</u>	<u>0.0</u>	<u>0.7</u>	<u>0.6</u>	<u>0.7</u>	<u>0.6</u>
Total Expenses	<u>16.5</u>	<u>15.3</u>	<u>0.7</u>	<u>0.6</u>	<u>17.2</u>	<u>15.9</u>
Increase in Net Position	0.5	0.7	0.1	0.0	0.6	0.7
Net Position - End of Year	6.5	6.0	0.2	0.1	6.7	6.1

Dauphin County Technical School
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2014

Financial Analysis of the School as a Whole (Continued)

The tables below present the expenses of both the governmental activities and the business-type activities of the School.

Table A-3 shows the School's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, student activities, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local revenue and other miscellaneous revenues.

**Table A-3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Functions/Programs:				
Instruction	9,455,329	8,698,248	4,443,094	4,167,277
Instructional Student Support	2,022,090	1,823,564	1,575,102	1,399,710
Administration	1,168,428	1,016,571	1,085,788	955,391
Pupil Health Services	84,248	80,373	60,103	59,203
Business Services	576,524	536,695	543,294	510,957
Operation and Maintenance	2,219,012	2,198,073	2,170,556	2,160,590
Student Activities	36,471	41,923	34,860	40,668
Other Support Services	5,809	6,040	(499)	5,641
Interest on Long-Term Debt	<u>876,836</u>	<u>905,422</u>	<u>876,836</u>	<u>905,422</u>
Total Governmental Activities	16,444,747	15,306,909	10,789,134	10,204,859

Table A-4 reflects the activities of the food service program, the only business-type activity of the School.

**Table A-4
Business-Type Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Functions/Programs:				
Food Services	681,584	631,980	(32,411)	(10,250)
Investment Earnings	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Business-Type Activities	681,584	631,980	(32,411)	(10,250)

The statement of revenues, expenses, and changes in net position for this proprietary fund will further detail the actual results of operations.

Dauphin County Technical School
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2014

Fund Balances

At June 30, 2014, the School's governmental funds reported a combined fund balance of \$2,883,623, which is a decrease of \$33,634 from June 30, 2013. This net decrease is the result of making capital improvements to the building and summer school.

General Fund

The general fund maintains two reserved fund balances as determined by the joint board resolutions to the articles of agreement. One fund balance shall not exceed five percent of the amount of the proposed expenditures set forth in the general fund budget for the current fiscal year. The fund balance is available for the payment only of health insurance claims which may be required to be paid by the School pursuant to its self-insured health care program. The other fund balance shall not exceed fifteen percent of the amount of the proposed expenditures set forth in the general fund budget for the current fiscal year. The fund balance is available for the payment only of retirement expenditures for PSERS. At June 30, 2014, the School has a committed fund balance of \$2,687,115 of which \$641,542 is for health care and \$2,045,573 is for retirement. The committed fund balance was \$2,669,922 at June 30, 2013.

The general fund also includes the adult education program. At June 30, 2014, the School has an assigned fund balance of \$104,885, which is an increase of \$32,349 from June 30, 2013, for the adult education program. Any excess revenues over expenditures including the committed and assigned fund balances at year end are returned to the member districts.

Capital Projects Fund

The School is preparing for future capital projects and for new and replacement equipment purchases each year. In order to fund these projects and equipment without the need for additional school district contributions or borrowing issues, the School has established this fund and makes regular transfers from the general fund to this fund. At June 30, 2014, the School has an assigned fund balance of \$25,170, which is a decrease of \$29,402 from June 30, 2013. This net decrease is the result of making capital improvements (HVAC renovations, fire hydrants and elevator replacements) to the building.

General Fund Budget

During the fiscal year, the Joint Operating Committee (JOC) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School. A schedule showing the School's original and final budget amounts compared with amounts actually paid and received is provided.

The School applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues increased \$951,929 as a result of additional approved grants and the inclusion of the adult education program. Budgeted expenditures and other financing uses increased \$922,654 to compensate for the additional approved grants and the adult education program. The net income in budgetary appropriations is a result of the adult education program. Transfers between specific categories of expenditures/financing uses occur during the year.

Dauphin County Technical School
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2014

CAPITAL ASSET and DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the School had \$25,380,569 in governmental funds and \$120,928 in business-type funds invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deletions, and depreciation) of \$295,700 from governmental activities and a net decrease of \$11,192 from business-type activities from June 30, 2013.

Table A-5
Governmental Activities
Capital Assets, net of Depreciation

	2014	2013
Land	36,120	36,120
Construction in Progress	327,901	-0-
Buildings	22,534,739	22,920,820
Furniture and Equipment	2,440,841	2,682,204
Vehicles	<u>40,968</u>	<u>37,125</u>
Total Capital Assets	25,380,569	25,676,269

Debt Administration

Bond Obligations - As of June 30, 2014, the **Dauphin County Technical School** has outstanding bond obligations of \$20,825,000.

Leases - The School has entered into operating and capital leases for copiers, a postage machine with meter, HVAC mechanical systems, and IT equipment.

Other obligations include accrued vacation pay and sick leave for specific employees of the School.

FACTORS BEARING on DAUPHIN COUNTY TECHNICAL SCHOOL'S FUTURE

Some factors that will affect the future finances of the School are employee health benefits and PSERS projected retirement rates (2014-2015 21.40%; 2015-2016 25.84%; 2016-2017 29.27%; 2017-2018 30.25%), along with collective bargaining agreements with the Educators Association and Support Personnel Association.

CONTACTING the SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School's finances and to show the Joint Operating Committee's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, **Dauphin County Technical School**, 6001 Locust Lane, Harrisburg, PA 17109.

The financial information of the Dauphin County Area Vocational Technical School Authority (the Authority) is blended into the School's financial statements. The separate financial statements of the Authority can be obtained from the business office of the School.

Dauphin County Technical School

STATEMENT of NET POSITION

June 30, 2014

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and Cash Equivalents	\$ 3,963,674	\$ 59,332	\$ 4,023,006
Investments	10,062	-0-	10,062
Prepaid Expenses	39,548	-0-	39,548
Due from Other Governments	1,032,045	-0-	1,032,045
Other Receivables	7,299	9,777	17,076
Inventories	-0-	7,731	7,731
Total Current Assets	5,052,628	76,840	5,129,468
Noncurrent Assets			
Land	36,120	-0-	36,120
Construction in Progress	327,901	-0-	327,901
Buildings, net of Accumulated Depreciation	22,534,739	-0-	22,534,739
Equipment, net of Accumulated Depreciation	2,440,841	120,928	2,561,769
Vehicles, net of Accumulated Depreciation	40,968	-0-	40,968
Bond Insurance, net of Accumulated Amortization	39,098	-0-	39,098
Total Noncurrent Assets	25,419,667	120,928	25,540,595
TOTAL ASSETS	30,472,295	197,768	30,670,063
LIABILITIES			
Current Liabilities			
Due to Other Governments	1,431,740	-0-	1,431,740
Accounts Payable	460,810	154	460,964
Current Portion of Bonds Payable	870,000	-0-	870,000
Current Portion of Capital Lease	38,629	-0-	38,629
Current Portion of Compensated Absences	48,815	-0-	48,815
Accrued Salaries and Benefits	104,928	512	105,440
Accrued Interest	251,367	-0-	251,367
Unearned Revenues	14,180	1,879	16,059
Other Current Liabilities	157,347	-0-	157,347
Total Current Liabilities	3,377,816	2,545	3,380,361
Noncurrent Liabilities			
Bonds Payable, net of Unamortized Discount	19,844,174	-0-	19,844,174
Long-Term Portion of Capital Lease	95,230	-0-	95,230
Long-Term Portion of Compensated Absences	476,898	17,199	494,097
Other Postemployment Benefits	217,057	5,081	222,138
Total Noncurrent Liabilities	20,633,359	22,280	20,655,639
TOTAL LIABILITIES	24,011,175	24,825	24,036,000
NET POSITION			
Invested in Capital Assets, net of Related Debt	4,571,634	120,928	4,692,562
Unrestricted	1,889,486	52,015	1,941,501
TOTAL NET POSITION	\$ 6,461,120	\$ 172,943	\$ 6,634,063

See notes to financial statements.

Dauphin County Technical School
 STATEMENT of ACTIVITIES
 Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Regular Instruction	\$ 5,578,363	\$ 1,893,837	\$ 726,883	\$ -	\$ (2,957,643)	\$ -	\$ (2,957,643)
Vocational Instruction	3,692,478	1,253,485	970,590	39,387	(1,429,016)	-	(1,429,016)
Other Instruction Programs	52,209	17,723	3,936	-	(30,550)	-	(30,550)
Adult Education	132,279	95,131	11,263	-	(25,885)	-	(25,885)
Pupil Personnel	730,298	-	124,253	-	(606,045)	-	(606,045)
Instructional Support Staff	1,291,792	-	322,735	-	(969,057)	-	(969,057)
Administration	1,168,428	-	82,640	-	(1,085,788)	-	(1,085,788)
Pupil Health	84,248	-	24,145	-	(60,103)	-	(60,103)
Business Services	576,524	-	33,230	-	(543,294)	-	(543,294)
Operation of Plant and Maintenance Services	2,219,012	-	48,456	-	(2,170,556)	-	(2,170,556)
Other Support Services	5,809	-	6,308	-	499	-	499
Student Activities	36,471	-	1,611	-	(34,860)	-	(34,860)
Interest on Long-Term Debt	876,836	-	-	-	(876,836)	-	(876,836)
Total Governmental Activities	16,444,747	3,260,176	2,356,050	39,387	(10,789,134)	-	(10,789,134)
Business-Type Activities:							
Food Services	681,584	361,514	352,481	-	-	32,411	32,411
Total Government	\$ 17,126,331	\$ 3,621,690	\$ 2,708,531	\$ 39,387	(10,789,134)	32,411	(10,756,723)
General Revenues:							
Receipts from Member School Districts					10,501,556	-	10,501,556
Investment Earnings					27,652	-	27,652
Miscellaneous Income					807,590	-	807,590
Total General Revenues					11,336,798	-	11,336,798
CHANGES in NET POSITION					547,664	32,411	580,075
NET POSITION							
Beginning, as Originally Stated					6,058,757	140,532	6,199,289
Effect of Change in Accounting Principle (Note 17)					(145,301)	-	(145,301)
Beginning, as Restated					5,913,456	140,532	6,053,988
Ending					\$ 6,461,120	\$ 172,943	\$ 6,634,063

See notes to financial statements.

Dauphin County Technical School

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund	Capital Projects Fund		
ASSETS					
Cash and Cash Equivalents	\$ 3,379,157	\$ 330,824	\$ 180,808	\$ 72,885	\$ 3,963,674
Investments	-0-	10,062	-0-	-0-	10,062
Prepaid Expenses	39,548	-0-	-0-	-0-	39,548
Due from Other					
Governments	957,982	74,063	-0-	-0-	1,032,045
Other Receivables	5,128	-0-	1,571	600	7,299
TOTAL ASSETS	<u>4,381,815</u>	<u>414,949</u>	<u>182,379</u>	<u>73,485</u>	<u>5,052,628</u>
LIABILITIES and FUND BALANCES					
LIABILITIES					
Due to Other Funds	143,127	-0-	-0-	-0-	143,127
Due to Other					
Governments	1,026,853	404,887	-0-	-0-	1,431,740
Accounts Payable	295,807	-0-	157,209	7,794	460,810
Accrued Salaries					
and Benefits	104,928	-0-	-0-	-0-	104,928
Deferred Revenues	4,880	-0-	-0-	9,300	14,180
Other Current Liabilities	14,220	-0-	-0-	-0-	14,220
TOTAL LIABILITIES	<u>1,589,815</u>	<u>404,887</u>	<u>157,209</u>	<u>17,094</u>	<u>2,169,005</u>
FUND BALANCES					
Nonspendable	39,548	-0-	-0-	-0-	39,548
Committed	2,687,115	-0-	-0-	-0-	2,687,115
Assigned	104,885	10,062	25,170	56,391	196,508
Unassigned	(39,548)	-0-	-0-	-0-	(39,548)
TOTAL FUND BALANCES	<u>2,792,000</u>	<u>10,062</u>	<u>25,170</u>	<u>56,391</u>	<u>2,883,623</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 4,381,815</u>	<u>\$ 414,949</u>	<u>\$ 182,379</u>	<u>\$ 73,485</u>	<u>\$ 5,052,628</u>

See notes to financial statements.

Dauphin County Technical School
 RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
 to the STATEMENT of NET POSITION
 June 30, 2014

Total Fund Balances - Governmental Funds		\$ 2,883,623
Amount reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$39,143,365, and the accumulated depreciation is \$13,762,796.		
		25,380,569
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	(20,825,000)	
Accrued Interest on Long-Term Debt	(251,367)	
Bond Insurance, net of Amortization	39,098	
Bond Discount, net of Amortization	110,826	
Capital Lease	(133,859)	
Compensated Absences	(525,713)	
Other Postemployment Benefits	<u>(217,057)</u>	<u>(21,803,072)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 6,461,120</u>

See notes to financial statements.

Dauphin County Technical School

STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - GOVERNMENTAL FUNDS Year Ended June 30, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund	Capital Projects Fund		
REVENUES					
Local Sources:					
Receipts from Member School Districts	\$ 9,040,234	\$ 1,312,274	\$ 149,048	\$ -0-	\$ 10,501,556
Interest - Earnings on Investments	26,413	6	1,058	175	27,652
Tuition	3,260,026	-0-	-0-	150	3,260,176
Other Revenue	402,704	404,886	-0-	-0-	807,590
Total Local Sources	12,729,377	1,717,166	150,106	325	14,596,974
State Sources	1,815,651	-0-	-0-	2,272	1,817,923
Federal Sources	577,514	-0-	-0-	-0-	577,514
Total Revenues	15,122,542	1,717,166	150,106	2,597	16,992,411
EXPENDITURES					
Current:					
Instruction	9,236,586	-0-	-0-	56,376	9,292,962
Support Services	3,787,801	-0-	2,050	-0-	3,789,851
Operation and Maintenance of Plant Services	1,961,838	-0-	177,458	-0-	2,139,296
Operation of Noninstructional Services	41,628	-0-	-0-	-0-	41,628
Total Current	15,027,853	-0-	179,508	56,376	15,263,737
Debt Services:					
Principal	36,529	840,000	-0-	-0-	876,529
Interest and Fiscal Charges	8,618	877,161	-0-	-0-	885,779
Total Debt Services	45,147	1,717,161	-0-	-0-	1,762,308
Total Expenditures	15,073,000	1,717,161	179,508	56,376	17,026,045
EXCESS of REVENUES over EXPENDITURES	49,542	5	(29,402)	(53,779)	(33,634)
NET CHANGES in FUND BALANCES	49,542	5	(29,402)	(53,779)	(33,634)
FUND BALANCES					
Beginning	2,742,458	10,057	54,572	110,170	2,917,257
Ending	<u>\$ 2,792,000</u>	<u>\$ 10,062</u>	<u>\$ 25,170</u>	<u>\$ 56,391</u>	<u>\$ 2,883,623</u>

See notes to financial statements.

Dauphin County Technical School
 RECONCILIATION of the GOVERNMENTAL FUNDS
 STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES
 to the STATEMENT of ACTIVITIES
 Year Ended June 30, 2014

Total Net Changes in Fund Balances - Governmental Funds \$ (33,634)

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

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

Depreciation Expense	(1,107,674)	
Capital Outlays	821,735	
Loss on Disposal	<u>(9,761)</u>	(295,700)

The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of insurance costs, premiums, discounts, and similar sites when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term obligations and related items is as follows:

Repayment of Debt Principal	876,529	
Amortization of Bond Insurance Costs	(4,177)	
Amortization of Bond Discount	(11,841)	
Decrease in Accrued Interest	<u>8,943</u>	869,454

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

Increase in Compensated Absences	(7,525)	
Decrease in Postemployment Benefits	<u>15,069</u>	<u>7,544</u>

CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES \$ 547,664

See notes to financial statements.

Dauphin County Technical School

STATEMENT of NET POSITION -

PROPRIETARY FUND

June 30, 2014

	Food Service
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 59,332
Other Receivables	9,777
Inventories	<u>7,731</u>
Total Current Assets	76,840
Noncurrent Assets	
Equipment, net of Accumulated Depreciation	<u>120,928</u>
TOTAL ASSETS	<u>197,768</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	154
Accrued Salaries and Benefits	512
Deferred Revenues	<u>1,879</u>
Total Current Liabilities	2,545
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	17,199
Other Postemployment Benefits	<u>5,081</u>
Total Noncurrent Liabilities	<u>22,280</u>
TOTAL LIABILITIES	<u>24,825</u>
NET POSITION	
Invested in Capital Assets, net of Related Debt	120,928
Unrestricted	<u>52,015</u>
TOTAL NET POSITION	<u>\$ 172,943</u>

See notes to financial statements.

Dauphin County Technical School
 STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -
 PROPRIETARY FUND
 Year Ended June 30, 2014

	Food Service
OPERATING REVENUES	
Food Service Revenue	\$ 361,514
OPERATING EXPENSES	
Salaries	180,557
Employee Benefits	124,739
Purchased Property Services	30
Supplies	362,269
Travel	920
Depreciation	<u>13,069</u>
Total Operating Expenses	<u>681,584</u>
OPERATING LOSS	(320,070)
NONOPERATING REVENUES	
State Sources	40,800
Federal Sources	<u>311,681</u>
Total Nonoperating Revenues	<u>352,481</u>
CHANGES in NET POSITION	32,411
NET POSITION	
Beginning	<u>140,532</u>
Ending	<u>\$ 172,943</u>

See notes to financial statements.

Dauphin County Technical School

STATEMENT of CASH FLOWS -

PROPRIETARY FUND

Year Ended June 30, 2014

	Food Service
CASH FLOWS from OPERATING ACTIVITIES	
Cash Received from Users	\$ 357,470
Cash Payments to Employees for Service	(302,125)
Cash Payments to Suppliers for Goods and Services	<u>(344,159)</u>
Net Cash Used by Operating Activities	(288,814)
CASH FLOWS from NON-CAPITAL FINANCING ACTIVITIES	
State Sources	40,800
Federal Sources	<u>291,770</u>
Net Cash Provided by Non-Capital Financing Activities	332,570
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	<u>(1,877)</u>
INCREASE in CASH and CASH EQUIVALENTS	41,879
CASH and CASH EQUIVALENTS	
Beginning of Year	<u>17,453</u>
End of Year	<u>59,332</u>
RECONCILIATION of OPERATING LOSS to NET CASH PROVIDED	
by OPERATING ACTIVITIES:	
Operating Loss	(320,070)
ADJUSTMENTS to RECONCILE OPERATING LOSS to NET CASH PROVIDED	
by OPERATING ACTIVITIES	
Depreciation	13,069
Donated Commodities Used	19,911
Increase in Accounts Receivable	(3,163)
Increase in Inventories	(982)
Increase in Accounts Payables	131
Increase in Accrued Salaries and Benefits	10
Decrease in Deferred Revenue	(881)
Increase in Accrued Compensated Absences	3,548
Decrease in Accrued Other Postemployment Benefits	<u>(387)</u>
Total Adjustments	<u>31,256</u>
Net Cash Used by Operating Activities	<u>\$ (288,814)</u>

See notes to financial statements.

Dauphin County Technical School
 STATEMENT of NET POSITION - FIDUCIARY FUNDS
 June 30, 2014

	Scholarship Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,285	\$ -0-
Investments	9,751	-0-
Interfund Receivable	-0-	143,127
Other Receivables	<u>-0-</u>	<u>5,900</u>
TOTAL ASSETS	<u>11,036</u>	<u>149,027</u>
LIABILITIES		
Accounts Payable	-0-	5,061
Due to Student Groups	<u>-0-</u>	<u>143,966</u>
TOTAL LIABILITIES	<u>-0-</u>	<u>149,027</u>
NET POSITION	<u>\$ 11,036</u>	<u>\$ -0-</u>

See notes to financial statements.

Dauphin County Technical School
 STATEMENT of CHANGES in NET POSITION - FIDUCIARY FUNDS
 Year Ended June 30, 2014

	Scholarship Fund
ADDITIONS	
Gifts and Contributions	\$ -0-
Interest	<u>64</u>
Total Additions	64
DEDUCTIONS	
Scholarships Awarded	<u>500</u>
CHANGES in NET POSITION	(436)
NET POSITION	
Beginning	<u>11,472</u>
Ending	<u>\$ 11,036</u>

See notes to financial statements.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Dauphin County Technical School (the School) is a full-time, comprehensive public vocational-technical high school serving Central Dauphin, Derry Township, Halifax Area, Lower Dauphin, Middletown Area, and Susquehanna Township School Districts. Students from other school districts may attend on a tuition basis. The School services approximately 1,000 students.

The accounting policies of the **Dauphin County Technical School** conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The following is a summary of the School's significant accounting policies:

Reporting Entity

The **Dauphin County Technical School** is governed by a Joint Board consisting of two representatives from each of its member school districts (Central Dauphin, Derry Township, Halifax Area, Lower Dauphin, Middletown Area, and Susquehanna Township). It receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

Accounting principles generally accepted in the United States of America require that the reporting entity include 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Therefore, these financial statements present the **Dauphin County Technical School** (the primary government) and its component unit, the Dauphin County Area Vocational Technical School Authority (the Authority). The Authority is included in the reporting entity because of the significance of its operational and financial relationship with the School.

The Authority is governed by a six member board appointed by the School's Joint Board. Although it is legally separate from the School, the Authority is reported as if it were part of the primary government because its sole purpose is to finance the construction, improvement, and maintenance of the School's buildings and grounds. The financial statement information of the Authority is blended into the School's financial statements in the capital projects fund and the debt service fund. The separate financial statements of the Authority can be obtained from the business administrator of the School.

Joint Venture

The School, in conjunction with two other governmental entities that provide educational services, created the Public School Health Insurance Cooperative (PSHIC). The PSHIC was formed to provide a self-funded health plan for employees and dependents of its members. At June 30, 2014, there are nine members in PSHIC. As of the date of this report, separate financial statements for PSHIC have not been issued.

Fund Accounting

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in each of the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its blended component unit. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by receipts from member school districts and intergovernmental resources, are reported separately in the government-wide financial statements from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

The statement of activities represents a comparison between direct expenses and program revenues for business-type activities and for each function of the School's governmental activities. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Receipts from member districts and other items not properly included among program revenues are reported instead of general revenues.

Fund financial statements are also provided in the report for all the governmental funds, proprietary funds, and the fiduciary funds of the School. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School's enterprise fund are food service charges. Operating expenses from the School's enterprise fund include food production costs, supplies, administrative costs, and depreciation of capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The School reported the following major governmental funds:

General Fund - The general fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund. The operating agreement between the School and its members provides that an excess or deficiency of revenues over expenditures becomes a payable to or a receivable from the members.

Capital Project Fund - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (except those accounted for in proprietary funds).

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The School operates one enterprise fund, the food service fund. This fund accounts for the activities of the School's food service program.

The School accounts for assets held by the School in a trustee capacity in a private purpose trust fund. This fund accounts for the receipts and disbursements of monies contributed by the School for scholarships and memorials.

The School operates an activity fund. This fund accounts for the monies authorized by Section 511 of the Public School Code of 1949 for school publications and organizations.

Additionally, the School reports the following nonmajor governmental fund:

Summer School Fund - Used to account for revenues and expenses related to the summer school program, which is managed by the School for the member school districts.

Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported on the statement of net position.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned funds are available for expenditure, it is the School's policy to use committed funds first, assigned funds second, and unassigned funds last, unless the Joint Operating Committee has provided otherwise in its commitment or assignment actions.

Cash and Cash Equivalents

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits, and certificates of deposit held three months or less and are carried at cost plus accrued interest, which approximates fair value.

Investments

Investments are recorded at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventory

A physical inventory of the cafeteria fund food and supplies was taken as of June 30, 2014. The inventory consisted of government donated commodities, which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2014, are reported as deferred revenue.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 - 50 Years
Land Improvements	15 - 20 Years
Equipment	5 - 20 Years

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the statement of net position. Bond premiums, discounts, and insurance costs, material to the financial statements, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond insurance costs are reported as deferred charges and amortized over the term of the related debt.

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

The School accrues unused vacation, sick leave, and personal days as a liability. Upon termination or retirement, the employee will be paid for these accumulated absences in accordance with School policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability reflected.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations (Continued)

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. The School has accrued the employer's share of social security and Medicare taxes.

Pension Plan

Substantially all full-time and qualifying part-time employees of the School participate in a cost-sharing multiple employer defined benefit pension plan. The School recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in governmental funds. (That is, if contributions from governmental funds are required but not made, the difference would not be reported as an expenditure until payable with expendable, available financial resources.) The School made all required contributions for the year ended June 30, 2014, and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

Interfund Activity

Exchange transactions between governmental funds are eliminated on the government-wide statements.

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

Estimates

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

Accounting Standards Adopted in Year Ended June 30, 2014

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The significant effect was the School's unamortized deferred bond issuance costs as of June 30, 2013, were written off in a beginning balance restatement of the governmental activities by \$145,301 for the implementation of this new standard.

In March 2012, GASB issued Statement No. 66, *Technical Corrections, an Amendment of GASB Statements No. 10 and 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. The School's beginning balances and current year results were not affected by the implementation of this new standard.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Adopted in Year Ended June 30, 2014 (Continued)

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which replaces the requirements of GASB Statement No. 25. The objective of this statement is to improve financial reporting by state and local governmental pension plans. The provisions of this statement are effective for the School's 2014 financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to provide accounting and financial reporting guidance to a governmental financial reporting entity that offers nonexchange financial guarantees and for governmental entities that receive guarantees on their obligations. The School's beginning balances and current year results were not affected by the implementation of this new standard.

Pending Changes in Accounting Principals

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this statement are effective for the School's June 30, 2015, financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The provisions of this statement are effective for the School's June 30, 2015, financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends GASB Statement No. 68. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

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

NOTE 2 - EXPLANATION of CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS and GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Capital related differences include non-facility related fixed asset purchases that are recorded as an expenditure in the functional categories listed under current expenditures in the government fund statements and capitalization and recording of depreciation expense in the statement of activities.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - EXPLANATION of CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS and GOVERNMENT-WIDE STATEMENTS (Continued)

The School has implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Components of fund balance in governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent, either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for a specific purpose because of constitutional provisions, enabling legislation, or because of constraints that are imposed by external parties, such as creditors, grantors, or other governments.

Committed - amounts that can be spent only for specific purposes determined by a formal action of the board of the School. The Joint Operating Committee is the highest level of decision-making authority for the organization. Commitments of fund balance may be established, modified, or rescinded only by formal action of the Joint Operating Committee.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for a specific purpose. The Joint Operating Committee has granted the business administrator the authority to assign funds for the School. Any assignment by the business administrator must be affirmed by the Joint Operating Committee at its next meeting.

Unassigned - all other spendable amounts (the residual) of the general fund.

At June 30, 2014, fund balances are classified as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	39,548	-0-	-0-	-0-	39,548
Committed to:					
Health Care	641,542	-0-	-0-	-0-	641,542
PSERS	2,045,573	-0-	-0-	-0-	2,045,573
Assigned to:					
Adult Education	104,885	-0-	-0-	-0-	104,885
Debt Service	-0-	10,062	-0-	-0-	10,062
Capital Acquisitions	-0-	-0-	25,170	-0-	25,170
Summer School	-0-	-0-	-0-	56,391	56,391
Unassigned	<u>(39,548)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(39,548)</u>
Total Fund					
Balances	2,792,000	10,062	25,170	56,391	2,883,623

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - CASH and CASH EQUIVALENTS

In accordance with Section 440.1 of the Public School Code of 1949, as amended, the School is permitted to invest its monies as follows:

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

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

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

Cash and Cash Equivalents - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School does not have a policy for custodial credit risk. As of June 30, 2014, \$4,058,335 of the School's bank balance of \$4,323,569 was exposed to custodial credit risk as:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the School's Name	<u>4,058,335</u>
	4,058,335

Reconciliation of Cash and Cash Equivalents to the Financial Statement

Uninsured Amount Above	4,058,335
Insured Amount	<u>265,234</u>
Bank Balance	4,323,569
Outstanding Checks	<u>(291,217)</u>
Carrying Amount - Bank Balances	4,032,352
Petty Cash	1,100
Deposits in Transit	590
Certificate of Deposit Classified as an Investment on the Balance Sheet	<u>(9,751)</u>
Total Cash and Cash Equivalents per Financial Statement	4,024,291

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - CASH and CASH EQUIVALENTS (Continued)

Investments

As of June 30, 2014, the School has the following investments:

Investment	Fair Value
PA Local Government Investment Trust	10,062
Reconciliation of Cash and Cash Equivalents to the Financial Statement	
Total Investments Above	10,062
Certificates of Deposit Classified as Investments on the Balance Sheet	<u>9,751</u>
Total Investments per Financial Statement	19,813

Interest Rate Risk

The School has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The School has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2014, the School investments are rated as:

Investment	Standard & Poor's
PA Local Government Investment Trust	AAAm

Concentration of Credit Risk

The School places no limit on the amount they may invest in any one issuer. Investments that exceed 5% of the reporting unit's total investments are as follows:

Governmental Activities:	
PA Local Government Investment Trust	100%
Debt Service Fund:	
PA Local Government Investment Trust	100%

Custodial Credit Risk

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

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - INTERFUND ACTIVITY

Individual fund receivable and payable balances at June 30, 2014, are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	-0-	143,127
Fiduciary:		
Agency Fund	<u>143,127</u>	<u>-0-</u>
	143,127	143,127

The general fund owes the activity fund \$143,127 for the activity fund's cash balance at June 30, 2014.

NOTE 5 - DUE from/to OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School. Amounts due to other governments represent payables for excess revenues received by the School. At June 30, 2014, the following amounts are due from/to other governmental units:

	Due From	Due To
Local Sources:		
Other School Districts for Education	652,998	988,097
State Sources:		
Retirement Subsidy	221,822	443,643
Social Security Subsidy	30,736	-0-
State-Funded Grants and Subsidies	71,757	-0-
Federal Sources:		
Federal-Funded Grants and Subsidies	<u>54,732</u>	<u>-0-</u>
	1,032,045	1,431,740

NOTE 6 - OTHER RECEIVABLES

Other receivables consist of payments not received by June 30, 2014, for revenues meeting the requirements for recognition at June 30, 2014, that are not amounts due from other governments. Reimbursements for expenditures incurred during the year ended June 30, 2014, have also been included in this figure.

Other receivables at June 30, 2014, include:

	General Fund	Capital Projects	Summer School	Food Service	Total
Other Receivables	5,128	1,571	600	9,777	17,076

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 7 - PREPAID EXPENSES

Prepaid expenses consist of the following at June 30, 2014:

Employee Tuition Reimbursements	9,450
Service Contract Deposits	21,282
Miscellaneous	<u>8,816</u>
	39,548

NOTE 8 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Historical Cost:				
Capital Assets Not Being Depreciated:				
Land	36,120	-0-	-0-	36,120
Construction in Progress	<u>-0-</u>	<u>327,901</u>	<u>-0-</u>	<u>327,901</u>
Total Cost	36,120	327,901	-0-	364,021
Capital Assets Being Depreciated:				
Land Improvements	233,485	-0-	-0-	233,485
Buildings	30,671,902	196,776	-0-	30,868,678
Equipment	7,195,890	277,002	(26,593)	7,446,299
Vehicles	<u>210,826</u>	<u>20,056</u>	<u>-0-</u>	<u>230,882</u>
Total Cost	38,312,103	493,834	(26,593)	38,779,344
Accumulated Depreciation:				
Land Improvements	(233,485)	-0-	-0-	(233,485)
Buildings	(7,751,082)	(582,857)	-0-	(8,333,939)
Equipment	(4,513,686)	(508,604)	16,832	(5,005,458)
Vehicles	<u>(173,701)</u>	<u>(16,213)</u>	<u>-0-</u>	<u>(189,914)</u>
Total Accumulated Depreciation	<u>(12,671,954)</u>	<u>(1,107,674)</u>	<u>16,832</u>	<u>(13,762,796)</u>
Net Capital Assets Being Depreciated	<u>25,640,149</u>	<u>(613,840)</u>	<u>(9,761)</u>	<u>25,016,548</u>
Net Capital Assets	25,676,269	(285,939)	(9,761)	25,380,569

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 8 - CHANGES in CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Historical Cost:				
Capital Assets Being Depreciated:				
Equipment	315,738	1,877	-0-	317,615
Accumulated Depreciation:				
Equipment	<u>(183,618)</u>	<u>(13,069)</u>	<u>-0-</u>	<u>(196,687)</u>
Net Capital Assets	132,120	(11,192)	-0-	120,928

Depreciation expenses were charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction:	
Regular Programs	4,403
Vocational Education	361,331
Other Instruction Programs	590
Support Services:	
Pupil	925
Instructional Staff	104,801
Administration	50
Pupil Health	205
Business	56
Operation and Maintenance of Plant	634,623
Student Transportation	-0-
Student Activities	<u>690</u>
	1,107,674
Business-Type Activities:	
Food Service	13,069

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 9 - NONCURRENT LIABILITIES

During the fiscal year ended June 30, 2014, noncurrent liabilities changed as follows:

Governmental Activities

	Lease Revenue Bonds	Bond Discount	Compensated Absences	Other Post- Employment Benefits	Capital Lease	Total Noncurrent Liabilities
Beginning of Year	21,665,000	(122,667)	518,188	232,126	170,388	22,463,035
Capital Lease	-0-	-0-	-0-	-0-	(36,529)	(36,529)
Principal Retirement	(840,000)	-0-	-0-	-0-	-0-	(840,000)
Additions to Compensated Absences	-0-	-0-	13,370	-0-	-0-	13,370
Payments of Compensated Absences	-0-	-0-	(5,845)	-0-	-0-	(5,845)
Reduction to Other Postemployment Benefits	-0-	-0-	-0-	(15,069)	-0-	(15,069)
Reductions in Bond Discount	-0-	11,841	-0-	-0-	-0-	11,841
	<u>20,825,000</u>	<u>(110,826)</u>	<u>525,713</u>	<u>217,057</u>	<u>133,859</u>	<u>21,590,803</u>

Business-Type Activities

	Compensated Absences	Other Post- Employment Benefits	Total Noncurrent Liabilities
Beginning of Year	13,651	5,468	19,119
Additions to Compensated Absences	3,548	-0-	3,548
Reductions to Other Postemployment Benefits	-0-	(387)	(387)
	<u>17,199</u>	<u>5,081</u>	<u>22,280</u>

2007 Lease Revenue Bonds

On March 15, 2007, the State Public School Building Authority (SPSBA), acting as conduit obligor, issued School Lease Revenue Bonds (Dauphin County Technical School Project) Series of 2007 in the aggregate principal amount of \$24,750,000. SPSBA has entered into an agreement of lease with the School and its member school districts under which SPSBA has leased the School's premises and facilities, and paid the School a onetime lease rental equal to the proceeds of the bonds, after the costs of issuance. Simultaneously, the SPSBA has entered into an agreement of sublease with the School and its member school districts who have agreed to pay SPSBA the debt service requirements on the bonds. The proceeds of the bonds were used to construct improvements to the School's premises and facilities. The bonds mature in various amounts from September 15, 2008 through 2030, as detailed in the official statement, and bear interest at rates ranging from 3.500% to 4.375%. The principal amount of bonds outstanding at June 30, 2014, is \$20,825,000. The resources of the debt service fund are used to make the required payments on these bonds. Annual debt service requirements to maturity, and sublease revenue receivable from member school districts, is as follows:

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 9 - NONCURRENT LIABILITIES (Continued)

Year Ending June 30,	Principal	Interest	Total	Sublease Revenue Receivable
2015	870,000	845,954	1,715,954	1,715,954
2016	905,000	813,107	1,718,107	1,718,107
2017	940,000	778,514	1,718,514	1,718,514
2018	975,000	741,389	1,716,389	1,716,389
2019	1,015,000	701,589	1,716,589	1,716,589
2020 - 2024	5,745,000	2,844,507	8,589,507	8,589,507
2025 - 2029	7,085,000	1,506,911	8,591,911	8,591,911
2030 - 2031	<u>3,290,000</u>	<u>145,267</u>	<u>3,435,267</u>	<u>3,435,267</u>
	20,825,000	8,377,238	29,202,238	29,202,238

Compensated Absences

The balance of compensated absences at June 30, 2014, is as follows:

Accrued Retirement Bonuses	494,097
Accumulated Vacation Time	<u>48,815</u>
	542,912

NOTE 10 - OPERATING LEASES

The School leases certain equipment under non-cancellable operating leases expiring through February 2019. The future minimum lease payments under these operating leases at June 30, 2014, are as follows:

2015	33,797
2016	33,797
2017	14,466
2018	4,222
2019	<u>2,815</u>
	89,097

Rental expense for these operating leases for the year ended June 30, 2014, was \$31,025.

On July 26, 2007, the **Dauphin County Technical School** entered into a \$1,840,150 master lease and sublease agreement. The joint board of the **Dauphin County Technical School** is the sublessee and the Dauphin County Technical School Authority (Authority) is the lessee. Honeywell Global Finance, LLC (lessor) leases to the Authority, and the Authority in turn subleases to the **Dauphin County Technical School**, certain equipment. The lease states that in the event that no funds or insufficient funds are appropriated and budgeted by sublessee in any fiscal period, the master lease and sublease agreement will terminate without penalty or expense to lessee or sublessee. In the event of such termination, sublessee and lessee shall immediately cease all use of the equipment and shall at its expense immediately return the equipment to the lessor. The lease payments are due monthly from July 26, 2008 through January 26, 2017, in the amount of \$21,951 per month.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - OPERATING LEASES (Continued)

Effective July 1, 2009, Honeywell Global Finance, LLC (assignor) absolutely sold and assigned to Banc of America Public Capital Corp (assignee), all of its rights, title, interests, duties, and obligations in the master lease and sublease agreement. Effective August 19, 2011, Banc of America Public Capital Corp (assignor) absolutely sold and assigned to Capital One Public Funding, LLC (assignee), all of its rights, title, interests, duties, and obligations in the master lease and sublease agreement.

NOTE 11 - CAPITAL LEASE OBLIGATIONS

The School leases hardware and software to virtualize the servers under a capital lease arrangement, which requires a down payment of \$25,000 and monthly payments of \$3,762 during the years ending June 30, 2013 through 2017. The nominal annual interest rate of the lease is 5.603%. Lease amortization is included in depreciation expense. The lease is secured by the leased hardware and software. The book value of the leased hardware and software is \$109,315 with accumulated depreciation of \$109,315 for the year ended June 30, 2014. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2014.

	2015	45,147
	2016	45,147
	2017	45,147
	2018	<u>11,287</u>
Minimum Lease Payments for all Capital Leases		146,728
Amount Representing Interest		<u>(12,869)</u>
Present Value of Minimum Lease Payments		133,859
	Current Maturities	38,629
	Long-Term Portion	95,230

NOTE 12 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employees' Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the plan. That report may be obtained by writing to PSERS, P.O. Box 125, Harrisburg, PA 17108-0125.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

The contribution policy is set by the Code and requires contributions by active employees and by participating employers. Plan members may belong to two membership classes. Class TC and Class TD are available to plan members. Active members who joined the plan before July 22, 1983, are required to contribute 5.25% of their compensation if they are in Class TC or 6.50% for Class TD. Members who joined on or after July 22, 1983, and were active or inactive as of July 1, 2001, are required to contribute 6.25% for Class TC or 7.50% for Class TD. Members who joined the plan after June 30, 2001, are automatically in Class TD and are required to contribute 7.50%. Members who joined the plan after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

The contributions required of participating employers are based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. For fiscal year ended June 30, 2014, the rate of employer contribution was 16.93% of covered payroll. The 16.93% rate is comprised of a pension contribution rate of 16.00% for pension benefits and 0.93% for health insurance premium assistance. The School is required to pay the entire employer contribution rate and is reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate.

Dauphin County Technical School's contributions to PSERS for the years ended June 30, 2014, 2013, and 2012 were \$1,240,628, \$872,676, and \$596,610 respectively. Those amounts are equal to the required contribution for each year.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE

Description

Effective July 1, 2009, the School adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In addition to the relevant disclosures within this note related to GASB Statement No. 45, the financial statements reflect a long-term liability of \$222,138.

The School maintains a single employer defined benefit plan to provide postemployment health care benefits to School employees who, in most cases, have retired with at least ten years of DCTS service and are eligible for retirement benefits with PSERS. Such benefits are available to retirees and retiree dependents until the retired employee reaches age 65, provided the retired employee provides payment equal to the premium determined for the purpose of COBRA.

The plan is governed by the School, which may amend the benefit provisions and contribution requirements, subject to collective bargaining where applicable. The plan does not issue financial statements.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE (Continued)

Funding Policy

The plan is unfunded. The School has elected to finance postemployment benefits on a pay-as-you-go basis. The School recognizes expenditures for postemployment group insurance when claims are filed with the plan administrator. These financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation

The School's annual cost for other postemployment retirement benefits (OPEB) is calculated based on the annual required contribution (ARC) of the School, an amount actuarially determined in accordance with the parameters of GASB 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 (or funding excess) over a period of 30 years. The following illustrates the components of the School's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School's net OPEB obligation at June 30:

	2014	2013	2012
Annual Required Contribution	206,964	206,964	217,507
Estimated Interest on Net OPEB Obligation	10,692	12,363	9,510
Estimated Adjustment to Annual Required Contribution	<u>(14,586)</u>	<u>(16,866)</u>	<u>(12,974)</u>
Annual OPEB Cost	203,070	202,461	214,043
Contributions Made (Estimated)	<u>(218,526)</u>	<u>(239,603)</u>	<u>(150,639)</u>
Estimated Increase (Decrease) in Net OPEB Obligation	(15,456)	(37,142)	63,404
Net OPEB Obligation - Beginning of Year	<u>237,594</u>	<u>274,736</u>	<u>211,332</u>
Net OPEB Obligation - End of Year	222,138	237,594	274,736

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits equaled \$1,693,740, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,693,740. The covered payroll (annual payroll of active employees covered by the plan) equaled \$6,455,868, and the ratio of the UAAL to the covered payroll equaled 26.24%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The School is required to present multiyear trend information regarding the change over time relative to the actuarial accrued liability for benefits. Because the School maintains no plan assets, information relative to plan asset required disclosures is not applicable. Additionally, because 2010 was the year of transition for GASB Statement No. 45, the requirements of GASB Statement No. 45 have been implemented prospectively.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the School and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the School and plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated July 1, 2012, the entry age normal cost method was used. Because the School funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) legally held exclusively for paying the postemployment medical benefits. Actuarial assumptions included an interest rate of 4.5% per annum, medical inflation of 7.5% in 2012 decreasing by 0.5% per year to 5.5% in 2016, gradually decreasing thereafter to 4.2% in 2089 and later.

NOTE 14 - RISK MANAGEMENT

Hospitalization

The School is a member of PSHIC, through which it self-insures medical benefits for eligible employees and their dependents. Claims are administered by a third party. The School remits a contracted amount to PSHIC, which remits funds to the third-party administrator for the payment of claims. At the end of the fiscal year, up to 20% of the School's balance in the claim fund, if any, is pledged to resolve deficits of the pool. The School was limited in liability to \$45,000 individually and \$1,849,384 in the aggregate for the year ended June 30, 2014. At June 30, 2014, there are no additional assessments related to the health plan.

A liability for claims incurred prior to June 30, 2014, and subsequently paid is recorded in the amount of \$82,055 in accounts payable in the general fund.

The School's claim activity is as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2012 - 2013	126,025	1,619,523	1,640,564	104,984
2013 - 2014	104,984	2,709,509	2,732,438	82,055

The School maintains insurance contracts to deal with the risk of loss arising from the following events: torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God. In the current year, the claims exceeded insurance coverage by \$138,274. In the two preceding years, the claims that were incurred did not exceed insurance coverage.

Dauphin County Technical School

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 15 - CONTINGENT LIABILITIES

The School participates in a number of federal financial assistance programs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

The School is involved in various claims and legal actions arising in the ordinary course of business. The School expects the outcome of these matters, not covered by insurance, to be immaterial to the financial statements.

NOTE 16 - COMMITMENTS

The School has an agreement with the Capital Area Intermediate Unit (CAIU) for access to the wide area network which requires annual payments of \$35,100 during the years ending June 30, 2013 through 2017. The School also has an agreement with CAIU for financial/human resources software which requires annual payments of \$25,740 during the years ending June 30, 2012 through 2019. The School also has an agreement with CAIU for student records software which requires annual payments of \$10,560 during the years ending June 30, 2012 through 2016.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE

As part of the implementation of GASB 65, the School restated the beginning net position of the governmental activities.

In prior years, the School capitalized bond issuance costs and amortized them over the life of the bond issue. GASB 65 requires that bond issuance costs, other than prepaid bond insurance, be expensed when incurred. Therefore, the bond issuance costs other than prepaid bond insurance capitalized in the past were written off in a prior period restatement as of July 1, 2013, as follows:

Previously Capitalized Bond Issuance Costs on Active Bond Issues	145,301
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Dauphin County Technical School

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
BUDGET and ACTUAL -
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Local Sources:				
Receipts from Member School Districts	\$ 9,623,444	\$ 9,623,444	\$ 9,040,234	\$ (583,210)
Interest - Earnings on Investments	12,000	12,050	26,413	14,363
Tuition	2,962,325	3,040,325	3,260,026	219,701
Other Revenue	320,940	331,390	402,704	71,314
Total Local Sources	12,918,709	13,007,209	12,729,377	(277,832)
State Sources	1,391,210	1,665,848	1,815,651	149,803
Federal Sources	-0-	588,791	577,514	(11,277)
Total Revenues	14,309,919	15,261,848	15,122,542	(139,306)
EXPENDITURES				
Current:				
Regular Programs	5,293,695	5,662,729	5,540,306	122,423
Vocational Programs	3,540,236	3,621,580	3,510,908	110,672
Other Instructional Programs	53,539	119,395	185,372	(65,977)
Support Services:				
Pupil Personnel Services	666,016	742,093	712,966	29,127
Instructional Support Staff Services	1,007,463	1,269,752	1,275,782	(6,030)
Administrative Services	1,085,594	1,086,615	1,157,674	(71,059)
Pupil Health	85,762	85,762	83,996	1,766
Business Services	554,978	557,558	557,383	175
Operation and Maintenance of Plant Services	2,084,723	2,084,878	1,961,838	123,040
Student Transportation Services & Other Support Services	-0-	7,090	5,818	1,272
Operation of Noninstructional Services:				
Student Activities	47,484	47,484	35,810	11,674
Total Expenditures	14,419,490	15,284,936	15,027,853	257,083
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	(109,571)	(23,088)	94,689	117,777
OTHER FINANCING USES				
Debt Services - Principal and Interest	-0-	(45,147)	(45,147)	-0-
Interfund Transfers	(70,000)	(82,061)	-0-	82,061
Net Other Financing Uses	(70,000)	(127,208)	(45,147)	82,061
NET CHANGES in FUND BALANCES	\$ (179,571)	\$ (150,296)	49,542	\$ 199,838
FUND BALANCES				
Beginning			2,742,458	
Ending			\$ 2,792,000	

See independent auditors' report.

Dauphin County Technical School
NOTES to REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

General Fund

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

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

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

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

Legal budgetary control is maintained at the sub-function/major object level. The Joint Operating Committee may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without committee approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The Joint Operating Committee made several supplemental budgetary appropriations throughout the year which resulted in an increase in the general fund budget in the amount of \$922,654. The supplemental budgetary appropriation was a result of program budgets prescribed by federal and state agencies and the adult education program.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract, or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end are considered lapsed.

Included in the general fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

Dauphin County Technical School
 SCHEDULE of FUNDING PROGRESS -
 OTHER POSTEMPLOYMENT BENEFITS (OPEB) -
 POSTRETIREMENT HEALTH CARE BENEFITS PLAN

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]
07/01/2009	-0-	1,480,708	1,480,708	0.00%	6,758,499	21.91%
07/01/2012	-0-	1,693,740	1,693,740	0.00%	6,455,868	26.24%

See auditors' report.

Dauphin County Technical School
 SCHEDULE of EMPLOYER CONTRIBUTIONS -
 OTHER POSTEMPLOYMENT BENEFITS (OPEB) -
 POSTRETIREMENT HEALTH CARE BENEFITS PLAN

Year Ended	Annual OPEB Cost	Employer Contributions (Estimated)	Percentage Contributed
06/30/2012	214,043	150,639	70.4%
06/30/2013	202,461	239,603	100.0%+
06/30/2014	203,070	218,526	100.0%+

See auditors' report.

Dauphin County Technical School
 NOTES to REQUIRED SUPPLEMENTARY INFORMATION

The information presented on the required supplementary schedules on the prior two pages was determined as part of the actuarial valuations at the dates indicated. Key factors used in the actuarial valuations are as follows:

Valuation Dates	07/01/2012	07/01/2009
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Method	Level Dollar Method
Amortization Period	30 Years	30 Years
Discount Rate	4.5%	4.5%
Mortality	Same as Rates in the PSERS Actuarial Valuation	Same as Rates in the PSERS Actuarial Valuation
Retirement	Retirement Rate Based on PSERS Plan Experience	Retirement Rate Based on PSERS Plan Experience
Coverage Election	95% of Retirees with Subsidized Benefit; 25% of Retirees without Subsidized Benefits	95% of Retirees with Subsidized Benefit; 25% of Retirees without Subsidized Benefits
Percent Married with Spousal Coverage at Retirement	10%	10%
Per Capita Claims Cost		
Female (Age 45 - 64)	\$7,911 - \$10,747	\$6,397 - \$8,691
Male (Age 45 - 64)	\$5,478 - \$11,530	\$4,430 - \$9,324
Demographic Information		
Active Participants	140	153
Retired Participants	<u>27</u>	<u>14</u>
Total Participants	167	167
Health Care Cost Trend Rate	7.5% Gradually Decreasing to 4.2% in 2089	8.5% Gradually Decreasing to an Ultimate Rate of 5.0% in 2015

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Accordingly, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective, and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. Actuarial calculations are based on the types of benefits provided under the terms of the plan and on the pattern of cost-sharing between the employer and plan members at the time of the valuations.

See auditors' report.

Dauphin County Technical School
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 Year Ended June 30, 2014

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at June 30, 2013	Total Received for the Year	Accrued (Deferred) Revenue at June 30, 2014
U.S. Department of Agriculture Passed Through the Pennsylvania Department of Education:								
School Breakfast Program (Note 3)	I	10.553	N/A	07/01/13 - 06/30/14	N/A	\$ -0-	\$ 65,797	\$ 2,034
School Breakfast Program (Notes 3 and 4)	I	10.553	N/A	07/01/12 - 06/30/13	N/A	928	928	-0-
National School Lunch Program (Note 3)	I	10.555	N/A	07/01/13 - 06/30/14	N/A	-0-	211,720	5,158
National School Lunch Program (Notes 3 and 4)	I	10.555	N/A	07/01/12 - 06/30/13	N/A	2,569	2,569	-0-
Summer Food Service Program (Note 3)	I	10.559	N/A	07/01/13 - 06/30/14	N/A	-0-	4,970	2,091
Summer Food Service Program (Note 3)	I	10.559	N/A	07/01/12 - 06/30/13	N/A	<u>2,865</u>	<u>2,865</u>	<u>-0-</u>
Total Passed Through the Pennsylvania Department of Education								
						6,362	288,849	9,283
Passed Through the Pennsylvania Department of Agriculture:								
National School Lunch Program (Notes 2 and 3)	I	10.555	N/A	07/01/13 - 06/30/14	N/A	<u>-0-</u>	<u>19,911 B</u>	<u>0 D)</u>
Total U.S. Department of Agriculture						\$ 6,362	\$ 308,760	\$ 9,283

See independent auditors' report.

Dauphin County Technical School
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 (Continued)
 Year Ended June 30, 2014

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at June 30, 2013	Total Received for the Year	Expenditures June 30, 2014	Accrued (Deferred) Revenue at June 30, 2014
U.S. Department of Education									
Passed Through the Pennsylvania									
Department of Education:									
Career and Technical Education - Basic Grants to States (Perkins IV)	I	84.048	119-144003	07/01/13 - 06/30/14	53,219	\$ -0-	\$ 31,044	\$ 52,877	\$ 21,833
Career and Technical Education - Basic Grants to States (Perkins IV)	I	84.048	119-133003	07/01/12 - 06/30/13	58,875	28,929	28,929	-0-	-0-
Career and Technical Education - Basic Grants to States (Perkins IV)	I	84.048	380-144057	07/01/13 - 06/30/14	532,429	-0-	488,060	520,959	32,899
Career and Technical Education - Basic Grants to States (Perkins IV)	I	84.048	380-133035	07/01/12 - 06/30/13	660,398	20,921	20,921	-0-	-0-
Total U.S. Department of Education						<u>49,850</u>	<u>568,954</u>	<u>573,836</u>	<u>54,732</u>
TOTAL EXPENDITURES of FEDERAL AWARDS						<u>\$ 56,212</u>	<u>\$ 877,714</u>	<u>\$ 885,517</u>	<u>\$ 64,015</u>

Legend
 I = Indirect funding
 CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report.

Dauphin County Technical School
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 (Continued)
 Year Ended June 30, 2014

NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

NOTE 2 - NATIONAL SCHOOL LUNCH PROGRAM - PASSED THROUGH the PENNSYLVANIA DEPARTMENT of AGRICULTURE

- A) Beginning inventory at July 1.
- B) Total amount of commodities received from the Department of Agriculture.
- C) Total amount of commodities used.
- D) Ending inventory at June 30.

NOTE 3 - CLUSTER IDENTIFICATION

Project Title	Federal CFDA Number	Cluster
School Breakfast Program	10.553	Child Nutrition Cluster
National School Lunch Program	10.555	Child Nutrition Cluster
Summer Food Service Program	10.559	Child Nutrition Cluster

Note 4 - ACCRUAL (DEFERRAL) ADJUSTMENTS at June 30, 2013

Project Title	Source Code	Grantor Number	Grant Period Beginning/Ending Date	Accrual (Deferral) Shown at June 30, 2013	Correct Accrual (Deferral) at June 30, 2013
School Breakfast Program	I	N/A	7/1/12-6/30/13	(928)	928
National School Lunch Program	I	N/A	7/1/12-6/30/13	(2,569)	2,569

See independent auditors' report.

**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**

To the Board Officers and Members
Dauphin County Technical School
Harrisburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Dauphin County Technical School**, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise **Dauphin County Technical School's** basic financial statements, and have issued our report thereon dated October 16, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Dauphin County Technical School's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Dauphin County Technical School's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Dauphin County Technical School's** internal control.

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

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

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Compliance and Other Matters

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

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.

October 16, 2014
Lancaster, Pennsylvania

Trout, Ebersole & Groff, LLP

TROUT, EBERSOLE, & GROFF, LLP
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT on COMPLIANCE for each MAJOR PROGRAM
and on INTERNAL CONTROL over COMPLIANCE REQUIRED by OMB CIRCULAR A-133**

To the Board Officers and Members
Dauphin County Technical School
Harrisburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited **Dauphin County Technical School's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on **Dauphin County Technical School's** major federal program for the year ended June 30, 2014. **Dauphin County Technical School's** major federal program is identified in the summary of auditors' 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 **Dauphin County Technical School's** major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 **Dauphin County Technical School'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 **Dauphin County Technical School's** compliance.

Opinion on Each Major Federal Program

In our opinion, **Dauphin County Technical School** has complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

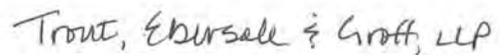
Management of **Dauphin County Technical School** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Dauphin County Technical School's** internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 **Dauphin County Technical School'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Circular A-133. Accordingly, this report is not suitable for any other purpose.

October 16, 2014
Lancaster, Pennsylvania



TROUT, EBERSOLE, & GROFF, LLP
Certified Public Accountant

Dauphin County Technical School
SCHEDULE of FINDINGS and QUESTIONED COSTS
Year Ended June 30, 2014

A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of **Dauphin County Technical School**.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of **Dauphin County Technical School** were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal program are reported in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance required by Circular OMB A-133.
5. The independent auditors' report on compliance for the major federal award programs for **Dauphin County Technical School** expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for **Dauphin County Technical School** are reported in part C of this schedule.
7. The programs tested as a major program are: School Breakfast Program - CFDA #10.553, National School Lunch Program - CFDA #10.555, and Summer Food Service Program - CFDA #10.559.
8. The threshold for distinguishing type A and B programs was \$300,000.
9. **Dauphin County Technical School** was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Awards Programs Audit

None

Dauphin County Technical School
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

Compliance Findings

DEPARTMENT of AGRICULTURE

#2013-1 - School Breakfast Program - CFDA #10.553 and National School Lunch Program - CFDA #10.555, year ended June 30, 2013

The School District sampled the correct number of free and reduced applicant households. However, the School did not correctly classify and make changes to the free and reduced meal status of one of those households based on the documentation received.

Recommendation: Procedures should be established to ensure that the School correctly classifies and makes changes to the free and reduced meal status based on the documentation received.

Current Status: The new procedures that the School District implemented were effective in correcting the misclassification error. All selected households were classified correctly for the current year.

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