This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 22, 2011

***NEW ISSUE* - Full Book Entry**
CUSIP Service Bureau prefix: 725277

RATINGS: Moody's: "_____" (Insured)
"__" (Underlying)
Standard & Poor's: "_______" (Insured)
"__" (Underlying)
(See "Ratings" herein)

In the opinion of Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. Co-Bond Counsel are also of the opinion that interest on the Bonds is not a specific item of tax preference under §57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of Federal individual or corporate alternative minimum taxes. The Bonds and interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

The School District has declared that the Bonds are "qualified tax exempt obligations" for the purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

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

$9,995,000*
The School District of Pittsburgh
Allegheny County, Pennsylvania
General Obligation Bonds, Series of 2011

Dated: Date of Delivery
Interest Due: March 1 and September 1

Principal Due: September 1, as shown on inside cover
First Interest Payment: March 1, 2012

The Bonds described herein are in the aggregate principal amount of $9,995,000* General Obligation Bonds, Series of 2011 (the "Bonds"). The Bonds, when issued, will be registered in the name of Cede & Co., which is the partnership nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 and integral multiples thereof only under the book-entry 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 a purchaser to be 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, the Bonds are ever issued in certificated form, they will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of The School District of Pittsburgh, Allegheny County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution, hereinafter defined, or from any other of its revenues or funds, the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and available taxing power within the limits of the law. ***(See "Security" and "Taxing Powers of the School District" herein)***.

Interest on each of the Bonds is payable initially on March 1, 2012 and thereafter semiannually on March 1 and September 1 of each year until the maturity date of such Bond. The School District has appointed U.S. Bank National Association (the "Paying Agent"), as paying agent, registrar and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry Only System for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its designated corporate trust office in Pittsburgh, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See "THE BONDS," *infra*).

The Bonds are subject to optional redemption prior to maturity. (See "REDEMPTION OF BONDS", herein).

Proceeds of the Bonds will be used to advance refund a portion of the School District's General Obligation Bonds, Series of 2003 and to pay the costs of issuing and insuring the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth of Pennsylvania 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 Front Cover

The Bonds are offered when, as and if issued by the School District, subject to the approval of the legality thereof by the Law Offices of Wayne D. Gerhold and R. Darryl Ponton & Associates of Pittsburgh, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the School District by Ira Weiss, Solicitor. Public Financial Management, Inc., Harrisburg, Pennsylvania, serves as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery in New York, New York, on or about October 31, 2011.

Public Financial Management, Inc.
Financial Advisor to the School District

Dated:

*Estimated, subject to change.

$9,995,000*
The School District of Pittsburgh
Allegheny County, Pennsylvania
General Obligation Bonds, Series of 2011

Dated: Date of Delivery
Interest Due: March 1 and September 1

Principal Due: September 1, as shown below
First Interest Payment: March 1, 2012

Due September 1	Principal Amount	Coupon	Yield	CUSIP[1]
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				

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

(A portion of the Bonds may be structured as Term Bonds, see “Invitation to Bid”.)

*Estimated, subject to change.

THE SCHOOL DISTRICT OF PITTSBURGH
Allegheny County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Member	Office
Sherry Hazuda	President
Sharene Shealey	First Vice President
Thomas Sumpter	Second Vice President
Dara Ware Allen, PhD.	Member
Mark Brentley, Sr.	Member
Theresa Colaizzi	Member
Jean Fink	Member
William Isler	Member
Floyd McCrea	Member

SUPERINTENDENT OF SCHOOLS AND BOARD SECRETARY
Dr. Linda S. Lane

SCHOOL CONTROLLER
Michael E. Lamb

DEPUTY SCHOOL CONTROLLER
Ronald Schmeiser, CPA

SOLICITOR
Law Offices of Ira Weiss
Pittsburgh, Pennsylvania

ACTING CHIEF FINANCIAL OFFICER/CHIEF OPERATING OFFICER
Peter J. Camarda

DIRECTOR OF FINANCE
Pamela Capretta, CPA

SENIOR ACCOUNTANT
Laura R. Cosharek

CO-BOND COUNSEL
Law Offices of Wayne D. Gerhold
Pittsburgh, Pennsylvania

R. Darryl Ponton & Associates
Pittsburgh, Pennsylvania

FINANCIAL ADVISOR
Public Financial Management, Inc.
Harrisburg, Pennsylvania

PAYING AGENT
U.S. Bank National Association
Pittsburgh, Pennsylvania

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof. The School District has deemed this Preliminary Official Statement to be final for the purposes of Rule 15c2-12(b)(1) of the Securities and Exchange Commission.

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PRELIMINARY OFFICIAL STATEMENT

$9,995,000*
The School District of Pittsburgh
Allegheny County, Pennsylvania
General Obligation Bonds, Series of 2011

INTRODUCTION

This Preliminary Official Statement, including the Cover Page and Appendices, relates to the offering by The School District of Pittsburgh, Allegheny County, Pennsylvania (the "School District") $9,995,000* aggregate principal amount of its General Obligation Bonds, Series of 2011 (the "Bonds"). The Bonds will be issued in accordance with the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (P.L. 1158, No. 177) ("the Act") pursuant to a Bond Resolution of the Board of Public Education (the "Board") of the School District adopted September 28, 2011 (the "Resolution"), and with the approval of the Department of Community and Economic Development of the Commonwealth of Pennsylvania pursuant to and in accordance with the Act.

PURPOSE OF THE ISSUE

The Refunding Program

A portion of the proceeds of the sale of the Bonds will be used to advance refund certain maturities of the outstanding portions of the School District's General Obligation Bonds, Series of 2003 currently outstanding in the aggregate principal amount of $25,310,000 (the "2003 Bonds") of which $9,030,000 will be refunded (the "2003 Refunded Bonds") and to pay the costs of issuance associated with the sale of the Bonds.

Upon issuance of the Bonds, a portion of the proceeds will be irrevocably deposited in an escrow fund (the "Escrow Fund") maintained by successor bank, U.S. Bank National Association, as Paying Agent for the 2003 Bonds, under terms of a Escrow Agreement for the 2003 Bonds (the "Escrow Agreement") dated as of October 31, 2011. The proceeds of the Bonds so deposited will be used to purchase direct obligations of the United States of America which will mature and earn interest at such rates as will provide sufficient funds to pay the interest and maturing principal on the Refunded 2003 Bonds. The Refunded 2003 Bonds will be called for optional redemption, at a redemption price of 100% of principal amount plus accrued interest, pursuant to the optional redemption provisions applicable to the Refunded 2003 Bonds on September 1, 2013.

VERIFICATION

The accuracy of the mathematical computations supporting the adequacy of the maturing principal amounts of, and interest earned on, the Government Obligations deposited pursuant to the Escrow Agreement to pay the principal of, and interest and premium, if any, when due or upon the optional redemption of the Refunded Bonds, and the accuracy of certain mathematical computations supporting the conclusion that the Bonds will not be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code, will be verified by Bond Resource Partners, LP, as a condition to the delivery of the Bonds.

The following is a summary of the sources and uses of the proceeds of the Bonds:

	TOTAL
Source of Funds	
Bond Proceeds..............................	
Net Original Issue Premium	
Total Source of Funds	
Use of Funds	
Cost of 2003 Bonds Escrow	
Net Original Issue Discount	
Costs of Issuance(1).......................	
Total Use of Funds	

(1)Includes legal, financial advisor, printing, rating, underwriter's discount, municipal bond insurance premium, CUSIP, paying agent, escrow agent, verification agent and miscellaneous costs (estimated).

*Estimated, subject to change.

THE BONDS

Description

The aggregate principal amount of the Bonds is $9,995,000*. The Bonds will be issued in fully registered form in denominations of $5,000 and integral multiples thereof. The Bonds will be dated as of October 31, 2011, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Preliminary Official Statement. Interest on the Bonds will be payable initially on March 1, 2012 and semiannually on March 1 and September 1 until the principal sum thereof is paid.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See "BOOK – ENTRY ONLY SYSTEM" herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

Principal of the Bonds will be paid to the registered owners thereof or assigns, when due, upon surrender of the Bonds at the specified corporate trust office of the Paying Agent aforesaid.

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding March 1, 2012, in which event such Bond shall bear interest from October 31, 2011, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on the Bonds shall be paid initially March 1, 2012, and thereafter, semiannually on March 1 and September 1 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth day of the calendar month (whether or not a day on which the paying agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of such Bond not less than ten (10) days preceding such special record date.

If the date for payment of the principal, premium if any, or interest on any Bonds of or interest on any Bonds on an interest payment date, at maturity, or at redemption shall be Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the specified corporate trust office of the Paying Agent which is processing payment is located are authorized by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

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

*Estimated, subject to change.

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

State Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 145 of 1998 (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or any interest due on such indebtedness on any interest payment date, in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund Depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance, however, that any payments pursuant to this withholding provision will be made by the date on which such payments are due to the Bondholders.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

Security

The Bonds will be general obligations of the School District, payable from its tax and other legally available revenues, on a parity basis with other general obligation debt of the School District. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable property within the School District, to the extent permitted by law (see ***"Security" and "Taxing Powers of the School District" herein)***. The Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (**see *"State Enforcement of Debt Service Payments"* herein**).

Sinking Funds

Sinking funds for the payment of debt service on the Bonds, including the Sinking Fund, General Obligation Bonds, Series of 2011 (the "Sinking Fund"), have been created under the Resolution and are maintained by the Paying Agent, as Sinking Fund Depository. The School District shall deposit into the sinking fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as Sinking Fund Depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as Sinking Fund Depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

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

REDEMPTION OF BONDS

Optional Redemption

The Bonds stated to mature on or after September 1, 2017, shall be subject to redemption prior to maturity, at the option of the School District, as a whole, on March 1, 2017, or on any date thereafter, or from time to time, in part (and if in part, in any order of maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

Mandatory Redemption

Bidders may elect to structure the issue to include term bonds, which term bonds, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts as shown in the Invitation to Bid, upon payment of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Bonds to be redeemed shall be selected by lot by the Paying Agent.

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not more than sixty (60) days and 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; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for 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 which is obtained by dividing the principal amount thereof 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.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city 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.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriters do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriters.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

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GENERAL INFORMATION ON THE SCHOOL DISTRICT

The School District is classified by population as a first class-A school district. The School District is fully accredited by the Middle States Association for Elementary and Secondary Schools. The School District is an independent governmental unit with its own taxing powers and operations.

History and Organization of the School District

The School District is organized and maintains its existence under and by virtue of the Act of March 10, 1949, P.L. 30, known as the Public School Code of 1949, as amended ("School Code"). The School District, the second largest school system in the Commonwealth of Pennsylvania ("Commonwealth" or "State"), is an independent governmental unit with its own taxing powers and operations, providing a full range of educational services to students in grades pre-kindergarten ("Pre-K") through grade 12 who reside in the City of Pittsburgh or Borough of Mt. Oliver. The 2010 census population of the two municipalities served was 309,359, covering a land area of 55.3 square miles.

The School District's official 2010-11 membership included 27,132 students (Pre-K to 12) attending 63 schools. The projected enrollment for 2011-12 is 24,981 students (Pre-K to 12). The average age of the School District's buildings is 75 years. The School District offers programs for general education, special education, vocational education, and early childhood education.

In addition, 3,117 pupils residing in the city and boroughs attended 25 charter schools, including seven approved by the School District, one approved by the Commonwealth, eight approved by other school districts, and nine cyber schools approved by other school districts. In Pennsylvania, charter schools are funded by payments from the school district of residence. Pittsburgh's charter school expenses in 2010 totaled $38,113,300, of which the state reimbursed $9,561,724.

Although public education in Pittsburgh dates back to 1835, the consolidated School District was founded in November 1911, as a result of an educational reform movement that combined the former ward schools into one system with standardized educational and business policies. Initially the School District was governed by an appointed Board of 15 members, but since 1976 has been governed by a nine-member Board elected by school districts of relatively equal populations. Board elections are held every two years. Five Board members were elected in 2007 with terms of office expiring December 2011, while four Board members were elected in 2009 with terms of office expiring in December 2013. Board members serve without pay.

As the policy-making body for the School District, the Board is charged with providing the best education program the community can support in accordance with the School Code. Board adopted policies governing financial operations include accident and illness prevention program (risk management), debt, fund balance and investments (cash management). The chief administrative officer of the School District is the Superintendent of Schools, who is primarily responsible for implementing Board policy and generally overseeing all School District employees.

Member	**Office**[(1)]	**Expiration Date of Term of Office**
Sherry Hazuda	President	December, 2011
Sharene Shealey	First Vice President	December, 2013
Thomas Sumpter	Second Vice President	December, 2013
Mark Brentley, Sr.	Member	December, 2011
Jean Fink	Member	December, 2013
Theresa Colaizzi	Member	December, 2011
Floyd McCrea	Member	December, 2013
William Isler	Member	December, 2011
Dara Ware Allen, PhD.	Member	December, 2011

[(1)] The Pennsylvania School Code requires all school districts in the Commonwealth to hold an annual reorganization meeting each December, at which time the officers of a board of school directors are chosen.

Description of the School District

The following table summarizes certain information regarding the School District's schools.

Educational Level	Number of Schools	Range of Age	2010 School Year Enrollment
Elementary Schools	38	0-109	12,081
Middle Schools	7	25-101	5,555
High Schools	14	1-102	7,166
Special Education Centers -	4	39-114	2,330
Pre-Kindergarten / Head Start	—		—
Total	63		27,132

Source: Comprehensive Annual Financial Report for the Fiscal year Ended December 31, 2010.

In March 2006, the Board adopted five goals for the School District:

- Maximize academic achievement of all students;
- Safe and orderly learning environment for all students and employees;
- Efficient and effective support operations for all students, parents, teachers and administrators;
- Efficient and equitable distribution of resources to address the needs of all students to the maximum extent feasible;
- Improved public confidence and strong parent/community engagement.

The School Code requires the Board to adopt an annual General Fund budget. The administrative staff estimates all expected revenues and expenditures of the School District. After the budget is prepared, it must be available for public inspection. The Board is required by law to adopt the budget before the beginning of each fiscal year and levy the taxes necessary to provide the revenues budgeted. The School District allocates funds to schools using a site-based budgeting process. These site-based budgets operate on a July 1 to June 30 cost accounting cycle. The General Fund budget is controlled by major objects, with transfers of funds between major objects requiring legislative approval of the Board by a two-thirds majority. The Board also adopts annual Food Service Fund and Capital Project budgets before the beginning of each fiscal year.

Pursuant to the School Code, the elected Controller of the City of Pittsburgh serves as the School Controller, providing internal auditing services, while the appointed Treasurer of the City of Pittsburgh serves as the School Treasurer, providing tax collection services.

The School District's budget, governance, management, and taxing authority are independent of the City of Pittsburgh and Borough of Mt. Oliver.

Mission Statement and Strategic Plan

The School District's mission statement reads that:

- The Pittsburgh Public Schools will be one of America's premier school districts, student-focused, well-managed, and innovative. It will hold itself accountable for preparing all children to achieve academic excellence and strength of character, so that they have the opportunity to succeed in all aspects of life.

The School District's declaration of beliefs is as follows:

- All children can learn at high levels.
- Teachers have a profound impact on student development and should have ample training, support, and resources.
- Education begins with a safe and healthy learning environment.
- Families are an essential part of the educational process.
- A commitment from the entire community is necessary to build a culture that encourages student achievement.
- Improvement in education is guided by consistent and effective leadership.
- Central office exists to serve students and schools.

Strategic Plan

The Pennsylvania Department of Education (PDE) requires a new strategic plan every six years. The Strategic Plan guides the District in implementing key strategies essential to accomplishing the District's mission and shared goals, both of which focus entirely on increasing the life prospects of the students we serve. It is a guiding document that organizes the District's state and federal compliance responsibilities, shared goals, and priority initiatives in one document. The District's Strategic Plan was most recently updated in November 2008.

Pittsburgh Public Schools, like all school districts in the Commonwealth of Pennsylvania, must respond to requirements of The Pennsylvania Public School Code, which includes academic standards, graduation requirements, governance responsibilities, and Empowerment Status for troubled districts. The District also must be in compliance with federal requirements for the Elementary and Secondary Education Act, also known as the No Child Left Behind Act, for academic performance in reading and mathematics, attendance and graduation rates, as well as Pennsylvania and federal regulatory requirements for areas such as new teacher induction; professional education; technology; special and gifted education; student services such as guidance, health services, social services, student privacy and the student code of conduct; and performance standards for business-related areas, including the use of accounting principles generally accepted in the United States of America in the preparation of financial reports.

The Strategic Plan also incorporates goals adopted by the Pittsburgh Board of Education; initiatives contained in the District's reform agenda, *Excellence for All*; additional goals such as improved customer service, parent and family engagement and stakeholder communications; and requirements contained in the Pennsylvania Human Relations Commission Conciliation Agreement established as the result of a suit filed in 1992 by the Advocates for African American Students in Pittsburgh Public Schools.

The Superintendent of Schools convenes the strategic planning process and charges the Chief of Staff and External Affairs to facilitate the process. Working with the Executive Cabinet and using the required planning template provided by PDE, the Chief of Staff draws together all elements outlined above into a written draft strategic plan.

Awards and Acknowledgements

The **Government Finance Officers Association of the United States and Canada** (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the School District for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2009.

This was the fifth consecutive year that the School District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current report conforms to the program's requirements, and we are submitting it to GFOA to determine its eligibility for a certificate for the year ended December 31, 2010.

The **Association of School Business Officials International (ASBO)** awarded a certificate a **Certificate of Excellence in Financial Reporting** to the School District for its CAFR for the fiscal year ended December 31, 2009.

In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to the program's standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Excellence is valid for a period of one year only. We believe that our current report continues to conform to the program's requirements, and we are submitting it to ASBO to determine its eligibility for another certificate for the year ended December 31, 2010.

The **Government Finance Officers Association of the United States and Canada** (GFOA) awarded an **Outstanding Achievement Award** to the District for its Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2009.

This was the second year that the School District applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized PAFR.

The **Association of School Business Officials International (ASBO)** has presented the **Meritorious Budget Award** to the School District for excellence in the preparation and issuance of the 2010 school system annual budget.

The Meritorious Budget Awards Program was designed by ASBO International and school business management professionals to enable school business administration to achieve excellence in budget presentation. The program helps school systems build a solid foundation in the skills of developing, analyzing, and presenting a budget.

The Meritorious Budget Award is only conferred to school systems that have met or exceeded the Meritorious Budget Award Program criteria. No other organization or award program is specifically designed to enhance school budgeting and honor a school system for a job well done.

The **Pennsylvania Association of School Business Officials (PASBO)** has awarded the School District the **Award of Excellence in School Facilities for 2010**. The PASBO Award of Excellence in School Facilities is designed to recognize local education agencies with exceptional school facilities practices.

School District Progress

The stated policy of the Pittsburgh Public Schools is that every child, at every level of academic performance, can achieve excellence. It is the School District's goal to help students to develop the skills, knowledge, and tools; they need to excel both in and out of the classroom, and to support them in developing a strong foundation that will ensure further success in life. To do this, the School District needs the help of teachers, staff, administrators, families, and community partners. In August of 2007, the School District unveiled "The Pittsburgh Pledge" which seeks to unite the School District in a common vision. The Pledge ends with "Together, we will hold ourselves accountable for achieving *Excellence for All*". Everyone at the School District is working to uphold this pledge in many different ways.

In November of 2009 the School District released an update on the School District's *Excellence for All* reform agenda that outlined the priority areas of focus for improving the academic performance of all students in the Pittsburgh Public Schools.

Of the 38 categories outlined in the *Excellence for All* progress update, the School District exceeded or met its goal in eight areas, and made progress toward achieving 23 other stated goals. Only seven categories saw no progress or a moderate decline from the 2004-05 school year baselines, and the School District will continue to focus its efforts in these areas.

The *Excellence for All* agenda aims to move all children forward across all levels of achievement. This is a significant step beyond the federal and state No Child Left Behind (NCLB) requirements, which focus primarily on getting students to proficiency by 2014.

Reinforcing the belief that all children can learn at high levels, the District included measurable objectives not only for moving every student toward proficiency, but also for increasing the number of children at the highest levels of achievement. The plan utilized 2004-05 student achievement data for grades 5, 8 and 11 as the baseline for measuring progress.

Core elements for raising student achievement that have been put in place under *Excellence for All* include implementing a new, rigorous PreK-12 curriculum; launching the Pittsburgh Urban Leadership for Excellence (PULSE) initiative, a comprehensive system to recruit, train, support, evaluate, improve and compensate principals in order to ensure strong school leadership; providing ongoing professional development for instructional staff; and introducing the Positive Behavior Intervention Support (PBIS) Program to establish common expectations for good behavior.

The next building block in the District's vision of *Excellence for All* is the **Empowering Effective Teachers in the Pittsburgh Public Schools** plan which was developed collaboratively by the District and the Pittsburgh Federation of Teachers (PFT).

The teaching practice is highly complex and teaching in urban schools is extremely challenging. To be successful requires determination, resilience, and a unique set of skills and attributes. Because the quality of teaching is the single most influential factor in student learning, particularly for those students who enter school with academic deficits, the importance of having an effective teacher every year cannot be overstated.

The Teacher Practice and Evaluation initiative recognizes the complexity and the importance of effective teaching. Thus it seeks to create systems of evaluation for the teaching practice that are:

- **Fair, objective, and transparent**, so that evaluations are well-defined, well understood, and consistent across schools and from year to year.
- **Informed by the expertise and needs of Pittsburgh's teachers**, to ensure that the measures are not merely theoretical but rooted in actual day-to-day practice Teachers have contributed countless volunteer hours to creating a tool that will be useful and fair to their colleagues.
- **Multi-faceted and detailed**, so that teachers have access to rich information that they can use to inform all aspects of their practice.
- **Useful to teachers in their continual development as professionals**, with processes for the use of evaluative information in multiple constructive ways not just for "accountability".

At the same time, the initiative is contributing to a national effort to develop better tools for evaluating and understanding effective teaching and increasing student achievement.

Another component of the **Empowering Effective Teachers** plan calls for the creation of a positive teaching and learning environment in each school.

All District teachers were invited to complete a working conditions survey last year that was geared to determining improvements that could be made at individual schools as well as District-wide in order to create a Positive Teaching and Learning Environment. More than 2,000 educators 85 percent of the workforce responded to the survey, which is the highest participation rate of any district taking it for the first time.

The District and PFT agreed that a process was needed for the review and discussion of survey results at the building level. Teaching and Learning Environment liaisons were appointed in every school, as well as Early Childhood and Early Intervention locations. The liaisons work with the principal and school leadership team on action items and improvement plans, and they facilitate implementation of the action items outlined by the teams in their respective buildings. In addition to the work they are doing in their own buildings, the liaisons also are helping to develop and implement a District-wide strategy to drive improvements in the teaching and learning environment in every school.

Through the Promise-Readiness Corps, teams of teachers, counselors, and social workers are providing that all-important support to entering ninth graders as they begin one of the most critical transitions in their academic experience.

The Promise-Readiness Corps teams were introduced in eight District high schools this year as a part of the **Empowering Effective Teachers** plan. These teacher teams are linked with cohorts of approximately 100-120 students and they stay together through grades 9 and 10. Their goal is to ensure that each one of their students is on track to be Promise-Ready when they enter grade 11.

Promise-Readiness represents the District's efforts to ensure that every student is on course to graduate and to be eligible for a scholarship from The Pittsburgh Promise. The Pittsburgh Promise is the community's commitment to helping students to plan, prepare and pay for continuing education after high school. Regardless of family income, the Promise provides up to $20,000 over four years for eligible District students who meet academic, behavior and attendance requirements. The amount doubles to as much as $40,000 beginning with the Class of 2012.

While the focus remains on improving student academic performance, the District also is continuing efforts to reduce expenses and establish priorities for guiding the District through difficult financial challenges.

Actual and Projected Student Enrollments

Shown below are actual and projected student enrollments in the School District. The actual enrollments for the current and previous school years are based on School District records. The projected enrollments are estimates prepared by School District administrative officials, based upon historical retention rates by grade and the number of births for the previous five years.

ACTUAL AND PROJECTED STUDENT ENROLLMENTS

School Year	K-5[(1)]	6-8	9-12	Total[(2)]
1998-99	19,498	8,696	11,409	39,603
1999-00	18,613	8,782	11,451	38,846
2000-01	18,196	9,014	11,350	38,560
2001-02	17,302	8,947	11,363	37,612
2002-03	16,596	7,744	10,807	35,147
2003-04	16,037	7,657	10,925	34,619
2004-05	15,254	6.655	10,381	32,661
2005-06	16,356	6,088	9,719	32,529
2006-07[(3)]	17,373	4,073	9,451	30,897
2007-08[(3)]	17,063	3,911	8,928	29,902
2008-09[(3)]	14,192	6,004	8,240	28,436
2009-10[(3)]	16,074	3,681	8,167	27,922
2010-11[(3)]	13,960	5,660	7,512	27,132
2011-12[(4)]	11,950	5,728	7,303	24,981

(1) Head Start and Pre-Kindergarten enrollment is included in the K-5 total, beginning with 2005-06.
(2) Special education enrollment is included in the respective grade levels.
(3) Elementary Schools that are classified K-8 enrollment are included in the K-5 total, beginning with 2006-07.
(4) Projected

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 Chief Financial Officer/Chief Operations Officer and submitted to the School Board for approval prior to the beginning of each fiscal year. (But see **"Budgeting Process in School District's under the Taxpayer Relief Act"** below).

Financial Reporting

The Public School Code requires the Board to adopt an annual budget. The administrative staff estimates all expected revenues and expenditures of the School District. The Pennsylvania Department of Education assists school districts in their estimates for all state subsidies expected to be received. After the budget is prepared, it must be made available for public inspection. The Board is required by law to adopt the budget before the beginning of each fiscal year and levy the taxes necessary to provide the revenues budgeted.

The School District uses the modified accrual basis of accounting following Generally Accepted Accounting Principles (GAAP) and implemented provisions of GASB 34 and the new financial reporting model for the year ended December 31, 2002. Pursuant to the provisions of the Public School Code, for each fiscal year ending December 31, the financial affairs of the School District are required to be audited by the Controller of the City of Pittsburgh, who also serves as the School District Controller. The School District is also audited by Deloitte & Touche, L.L.P. in accordance with the Single Audit Act of 1984. The District submits annual financial reports to the Commonwealth of Pennsylvania on a June 30th basis. Student memberships, teacher certification and other matters are audited by the Commonwealth's elected Auditor General.

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

The District's adopted 2011 budget relies upon appropriation of fund balance in the amount of $2,500,000.

The District's budget, governance, management and taxing authority is independent of the City of Pittsburgh and the Borough of Mount Oliver.

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. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

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

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (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"** herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If 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"** herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

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

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

Summary and Discussion of Financial Results

A summary of the General Fund Balance Sheet is presented in Table 1. Table 2 shows revenues and expenditures for the past five years and changes in fund balances. Table 3 presents projected revenue and expenditures for the 2011 Budget adopted December15, 2010 which projected a balanced budget of $543,419,398 in revenue and expenditures.

TABLE 1
THE SCHOOL DISTRICT OF PITTSBURGH
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years Ending December 31)

	2006 Audited	2007 Audited	2008 Audited	2009 Audited	2010 Audited
ASSETS:					
Cash and Money Market Investments	$89,833,870	$93,367,082	$97,225,703	$97,102,235	$99,564,146
Taxes, including Interest, Penalties and Liens	39,191,980	39,035,974	41,153,860	40,611,998	43,659,081
Accrued Interest	542,381	310,664	703,037	275,503	0
Due from Other Funds	0	0	1,584,575	2,117,832	214,509
Due from Other Governments	6,048,117	6,108,840	4,007,436	2,447,016	4,493,258
State Subsidies Receivable	419,155	481,491	700,459	1,398,302	1,103,319
Prepaid Salaries	0	0	176,449	169,597	170,769
Total Assets	$136,035,503	$139,304,051	$145,551,519	$144,122,483	$149,205,082
LIABILITIES					
Accounts Payable	$18,141,233	$19,380,262	$17,919,290	$15,301,810	$16,556,813
Retainage	0	0	0	0	651,376
Accrued Expense-Salaries and Benefits	6,715,708	8,894,482	7,219,965	775,956	7,303,456
Accrued Expense-Payroll Deductions	9,530,306	6,704,059	6,601,799	0	7,445,229
Compensated Absences Payable	0	0	0	7,827,333	0
Due to Other Funds	3,326,510	6,009,343	0	4,158	0
Other Liabilities	331,053	1,031,941	215,320	215,071	232,699
Deferred Revenue	23,039,228	23,880,019	41,928,637	41,493,841	44,486,259
Total Liabilities	$61,084,038	$65,900,106	$73,885,011	$72,601,776	$76,675,832
FUND EQUITY:					
Fund Equity					
Reserved for Encumbrances	$3,058,738	$4,025,109	$4,690,802	$3,548,327	$3,492,476
Reserved for Arbitrage Rebate	42,166	146,838	2,705	0	0
Unreserved - Designated for General Fund	25,076,000	19,307,531	13,076,723	7,614,192	10,872,219
Unreserved – Undesignated	46,774,561	49,924,467	53,896,278	60,358,188	58,164,555
Total Fund Equity	$74,951,465	$73,403,945	$71,666,508	$71,520,707	$72,529,250
Total Liabilities and Fund Equity	$136,035,503	$139,304,051	$145,551,519	$144,122,483	$149,205,082

Source: School District Annual Financial Reports.

Revenue

The School District received $511,182,663 in revenue in 2010. Taxes and Local Non-Tax sources decreased as a share of total revenues in the past five years, from 58.4 percent in 2006 to 52.4 percent in 2010. Revenue from State sources increased as a share of total revenue in the past five years, from 39.9 percent in 2006 to 47.4 percent in 2010. Other sources decreased from 1.6 percent to 0.2 percent as a share of total revenues during this period. Contributing to the decrease in revenues is the reduction of tax revenues as a result of the state subsidy from gambling revenues which the District began to receive in 2008, with the actual reduction in tax payments beginning in 2009.

TABLE 2
THE SCHOOL DISTRICT OF PITTSBURGH
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years Ending December 31)

REVENUES:	**2006 Audited**	**2007 Audited**	**2008 Audited**	**2009 Audited**	**2010 Audited**
Taxes	$288,729,045	$285,280,285	$283,941,975	$264,790,747	$265,298,968
Local Non-tax Revenue	3,495,253	3,119,518	3,298,412	2,525,043	2,638,625
State Grants and Subsidies	199,636,094	212,298,030	217,784,108	240,849,628	242,269,872
Other Sources	8,116,368	9,015,530	4,860,163	2,482,132	975,198
Total Revenues	$499,976,760	$509,713,363	$509,884,658	$510,647,550	$511,182,663
EXPENDITURES:					
Instruction					
Regular Programs					
Elementary/Secondary	$155,546,884	$165,152,482	$160,655,921	$192,824,138	$193,051,624
Special Programs					
Elementary/Secondary	4,027,349	3,658,346	3,287,258	4,030,329	3,949,943
Vocational Education	10,873,550	9,967,529	8,761,803	7,436,020	6,382,739
Other Instruction Programs					
Elementary/Secondary	1,360,985	1,172,302	1,197,454	1,329,831	1,299,441
Adult Education Programs	5,008	1,869	0	0	0
Pre-Kindergarten	287,443	408,127	468,718	461,210	555,287
Pupil Personnel	9,738,232	10,122,349	10,497,945	10,522,912	10,561,970
Instructional Staff	16,664,960	15,661,320	14,540,225	12,766,850	13,098,458
Administration	43,506,152	36,913,385	36,068,968	35,509,242	33,562,544
Pupil Health	3,533,179	3,741,830	3,895,994	3,693,840	4,142,744
Business	6,011,568	5,358,856	6,010,345	5,372,842	5,428,701
O & M of Plant Services	55,143,319	51,219,973	53,267,237	49,894,657	50,085,373
Student Transportation Services	26,476,637	28,527,081	30,983,021	30,339,648	30,243,185
Support Services – Central	5,592,179	7,475,767	7,395,242	7,473,213	8,449,696
Operation of Non-instructional Services					
Food Services	55,145	44,592	0		34,672
Student Activities	4,056,415	4,643,724	4,549,256	4,491,410	4,381,034
Community Services	36,525	37,077	29,510	8,951	11,475
Facilities Acquisition, Construction					
and Improvement Services	1,496,953	6,163,018	3,624,499	3,797,715	3,378,852
Debt Service	53,567,731	57,306,168	58,875,103	58,514,376	58,521,101
Tax Refunds	7,432,958	5,598,165	3,091,053	4,044,175	4,305,196
Payments to charter schools	28,320,639	26,866,103	32,823,701	0	0
Total Expenditures	$433,733,810	$440,040,063	$440,023,253	$432,511,359	$431,444,035
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$66,242,950	$69,673,300	$69,861,405	$78,136,191	$79,738,628
OTHER FINANCING SOURCES (USES):					
Other Capital Leases: CEP Loan	$0	$2,400,000	$4,954,942	$1,270,639	$0
Sale of or Compensation for Capital Assets	2,843,320	11,732	1,263,651	2,924,648	51,619
Operating Transfers In	2,506,861	1,672,172	3,015,662	0	2,228,800
Operating Transfers Out	(63,343,176)	(77,304,724)	(80,833,097)	(82,477,279)	(81,010,504)
Total Other Financing Sources (Uses)	($57,986,995)	($73,220,820)	($71,598,842)	($78,281,992)	($78,730,085)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$8,255,954	$(1,547,520)	$(1,737,437)	$145,801	$1,008,543
BEGINNING FUND BALANCES, JANUARY 1	$66,695,510	$74,951,465	$73,403,945	$71,666,508	$71,520,707
ENDING FUND BALANCES DECEMBER 31	$74,951,464	$73,403,945	$71,666,508	$71,520,707	$72,529,250

*Totals may not add due to rounding.
Source: School District Annual Financial Reports.

TABLE 3
THE SCHOOL DISTRICT OF PITTSBURGH
SUMMARY OF SCHOOL DISTRICT GENERAL FUND BUDGET
(Years Ending December 31)

	2011 Budget[(1)]
Revenues:	
Local Sources	$274,095,850
State Sources	246,368,540
Other Sources	11,750,840
Total Current Revenues	$532,215,230
Balance from Prior Year	8,704,168
Total All Revenues	$540,919,398
Reserve for Prior Year Encumbrances	$2,500,000
Total Expected Revenues	$543,419,398
Expenditures:	
Salaries	$198,961,000
Employee Benefits	74,392,392
Purchased Prof. and Technical Services	79,403,788
Purchased Property Services	10,677,858
Other Purchased Services	89,479,370
Supplies	15,376,599
Property	4,807,529
Other Objects	29,739,454
Other Financing Uses	38,081,408
Total Appropriations	$540,919,398
Prior Year Encumbrances	$2,500,000
Total Estimated Appropriations	$543,419,398

*Totals may not add due to rounding.
(1)Budgeted, as adopted December 15, 2010.
Source: School District Budget Report.

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, as amended (see "The Taxpayer Relief Act (Act 1)" herein), 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 note 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.

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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, in fiscal year 2007-2008 or in any subsequent fiscal year, 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.

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 2009 or any later 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.

Status of the Bonds Under Act 1

The Bonds described in this Preliminary Official Statement are being issued to refund indebtedness that was incurred by the School District under the Local Government Unit Debt Act prior to June 27, 2006, the effective date of the Taxpayer Relief Act ("Act 1"). The School District already has levied and has in place sufficient tax millage to provide for payment of the maximum annual debt service on the indebtedness being refunded. The maximum annual debt service on the Bonds will not be more than the maximum annual debt service on the indebtedness being refunded by the Bonds; and, therefore, it will not be necessary for the School District to levy any new tax or to increase the rate of any existing tax in order to provide for payment of the interest and principal of the Bonds.

The information set forth above is a summary of Act 1. This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor a legal interpretation of any provision of Act 1, and a prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.

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.

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:

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

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

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Tax Levy Trends

Table 4 which follows shows the recent trend of tax rates levied by the School District.

TABLE 4
THE SCHOOL DISTRICT OF PITTSBURGH
TAX RATES

Year	Real Estate (mills)	Real Estate Transfer (%)	Earned Income (%)(1)
2007	13.92	1.0	2.0
2008	13.92	1.0	2.0
2009	13.92	1.0	2.0
2010	13.92	1.0	2.0
2011	13.92	1.0	2.0

(1)Subject to sharing with the City of Pittsburgh.
Source: School District officials.

Table 5 shows the comparative trend of real property tax rates for the School District, the municipalities within the School District, and the County.

TABLE 5
THE SCHOOL DISTRICT OF PITTSBURGH
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)

	2007	2008	2009	2010	2011
School District	13.92	13.92	13.92	13.92	13.92
Mount Oliver Borough	13.50	13.50	13.50	13.50	13.50
Pittsburgh City	10.80	10.80	10.80	10.80	10.80
Allegheny County	4.690	4.690	4.690	4.690	4.690

Source: School District officials & Local Government officials.

In 2007, the District began to experience the reduction in its earned income tax as it is "shared" with the City of Pittsburgh. The reductions in earned income tax revenue are as indicated below and are as required in Section 652.1 (a)(2) of Public School Code which states "A school district of the first class A located in whole or in part within the city of the second class shall share earned income tax under this section with such city of the second class as follows: in tax year 2007, one-tenth of one per centum (0.10%) to the city, in 2008 two-tenths of one per centum (0.20%) to the city, in tax year 2009 and thereafter, one quarter of one per centum (0.25%) to the city".

2007	Net levy 1.90%	(Reduction of 0.10% loss of Revenue - \$4.4 million)
2008	Net levy 1.80%	(Reduction of 0.20% loss of Revenue - \$8.8 million)
2009	Net levy 1.75%	(Reduction of 0.25% loss of Revenue - \$11.0 million)
2010	Net levy 1.75%	(Reduction of 0.25% loss of Revenue - \$12.0 million)

Over the past thirty-four years, the School District has found it necessary to adjust real property tax millage on seven separate occasions, increasing millage six times and decreasing it once. The sequence of these real estate tax rate adjustments has been as follows: 6 mill increase (1976); 12 mill increase (1981); 5 mill decrease (1982); 4 mill increase (1984); 6 mill increase (1987); 13.7 mill increase (1993); and a 11.94 mill increase (2001). Commencing January 1, 2001, the Board levied and assessed real property taxes aggregating 13.92 mills. By order of the Court of Common Pleas of Allegheny County, PA, all properties in Allegheny County were reassessed for the tax year beginning January 1, 2001. Additionally, the ratio of market value to assessed value is 1:1. The billable millage for 2011 is 13.92 mills.

Limitation on Mercantile and Business Privilege Taxes

In November, 1988, the Pennsylvania General Assembly enacted S.B. 442, known as The Local Tax Reform Act (Act No. 1988-145, approved December 13, 1988, codified at 72 P.S. § 4750.101 *et. seq.* (the "Tax Act")). The general purposes of the Tax Act were to reduce local dependency on ad valorem real estate taxes by providing income tax alternatives, and to eliminate "nuisance" taxes. As a result of provisions within the Tax Act for the levying of real estate taxes at non-uniform rates between residential/farm and business properties, its full implementation was conditioned on voter approval of an amendment to the Pennsylvania Constitution. On May 16, 1989, the voters of Pennsylvania defeated this amendment. Accordingly, most observers concluded that the entire Tax Act was null and void.

However, in *Borough of West Chester v. Taxpayers of the Borough of West Chester,* 129 Pa. Comm. 545, 566 A.2d 373 (1989), taxpayers challenged the validity of a newly levied tax on gross business receipts on the grounds that new, or increased rates of, mercantile and business taxes of this type had been abolished by §533 of the Tax Act. In ruling in favor of the taxpayers, the Commonwealth Court found that §533 explicitly states that it applies after November 30, 1988, notwithstanding any other provision of the Tax Act - including the effective date provisions of §3112 that required the constitutional amendment. The Commonwealth Court has confirmed its reasoning in two subsequent cases. *See, Penn Traffic Company v. City of Dubois,* 626 A.2d 1257 (1993), *appeal denied,* 637 A.2d 294, *Burrell School District v. City of Lower Burrell,* 147 Pa. Comm. 471, 608 A.2d 605 (1992), *appeal denied,* 533 Pa. 602, 617 A.2d 1275 (1992). Notwithstanding these decisions, the Commonwealth Court has since held that new or increased business privilege and mercantile taxes imposed at a *flat rate* are not prohibited by the Tax Act. *Smith and McMaster, P.C. v. Newtown Borough*, 669 A.2d 452 (1995).

Therefore, pursuant to §533 of the Tax Act, as interpreted by the Commonwealth Court, only mercantile and business privilege taxes (based on gross receipts) at rates which had been levied on or before November 30, 1988 are preserved. No new or increased taxes of this type may be levied.

Pursuant to the City declaring it financially distressed under the provisions of Pennsylvania Act 47 and the Commonwealth's tax restructuring of the City of Pittsburgh, the School District had its right to levy Mercantile Tax rescinded effective fiscal year 2005. While the legislation referenced the incorrect statutory authority for the School District, management believes the legislative intent is very clear and the Board did not pursue levying Mercantile Tax in fiscal 2005. This legislation had the effect of reducing School District revenues by approximately $4 million annually.

Real Property Tax

Under various real property tax acts contained in the Public School Code, the Board may annually levy taxes aggregating 29 mills on each dollar of total assessment of all real property assessed and certified for taxation in the School District. In addition thereto, the Board is authorized under Section 652.1 of the Public School Code to impose by ordinance a tax sufficient to meet the School District's expenses on each dollar of the total assessment of all property assessed and certified for taxation in the territory constituting the School District which tax, in the opinion of the School District's Solicitor, is limited pursuant to the Taxpayer Relief Act. The School District will not be permitted to levy additional taxes except as permitted by the Taxpayer Relief Act. See "TAXPAYER RELIEF ACT", herein for a discussion of certain limitations upon the taxing power of the School District summarized below.

TABLE 6
THE SCHOOL DISTRICT OF PITTSBURGH
REAL PROPERTY ASSESSMENT DATA
(In Thousands)

Year	Market Value	Assessed Value	Ratio
2006	$13,370,310	$13,370,310	100.00%
2007	13,477,989	13,477,989	100.00%
2008	13,269,175	13,269,175	100.00%
2009	13,431,633	13,431,633	100.00%
2010	13,293,425	13,293,425	100.00%

Source: School District and the City of Pittsburgh, Department of Finance, Division of Real Estate Property – updated levy.

TABLE 7
THE SCHOOL DISTRICT OF PITTSBURGH
REAL PROPERTY TAX COLLECTION DATA

Year	Taxable Valuation (Millions)	Millage	Adjusted Levy*	Current Year Collections	% Collected of Adjusted Levy	Prior Years Taxes Collected	Total Collections	% Total Collections of Adjusted Levy	Current Year Uncollected Taxes Outstanding
2006	$13,126.6	13.92	$181,746,627	$171,703,252	94.47%	$6,344,072	$178,047,324	97.96%	$8,723,153
2007	12,730.0	13.92	179,605,293	171,657,699	95.57%	5,943,442	177,601,141	98.88%	8,041,203
2008	12,896.6	13.92	180,648,220	171,075,386	94.70%	5,767,348	176,842,734	97.89%	8,328,289
2009	11,784.7	13.92	164,044,094	157,206,287	95.83%	3,986,947	161,193,235	98.26%	5,820,527
2010	11,787.9	13.92	164,088,430	155,802,011	94.95%	0	155,802,011	94.95%	6,879,861

*Original levy plus adjustments less exonerations and discounts.
Source: School District officials – 2010 CAFR.

The ten largest real property taxpayers, together with 2010 assessed values, are shown on Table 8. The aggregate assessed value of these ten taxpayers totals approximately 12.3 percent of the total assessed value of the School District.

TABLE 8
THE SCHOOL DISTRICT OF PITTSBURGH
TEN LARGEST REAL PROPERTY TAXPAYERS

Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
500 Grant St Associates/Mellon Bank	$ 349,940,300	1	21.38%
Holdings Acquisition Co LP	203,091,800	2	12.41%
PNC	192,480,800	3	11.76%
Buncher Company	192,367,374	4	11.76%
Market Assoc. Limited	185,000,000	5	11.31%
600 GS Prop. LP	175,000,000	6	10.69%
Oxford Development	115,000,000	7	7.03%
Grant Liberty Dev. Group	110,000,000	8	6.72%
North Shore Developers	64,297,550	9	3.93%
Liberty Avenue Holdings LLC	49,210,000	10	3.01%
Total Assessed Value (in thousands)	**$1,636,387,824**		

Source: City of Pittsburgh, Department of Finance – 2010 CAFR.

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State Aid to School Districts

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

The largest subsidy, basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and (4) student count. School districts also receive subsidies for special education, pupil transportation, health service and debt service.

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 PDE. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Capital Account Reimbursement Fraction ("CARF"). The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 10.05%. The School District CARF for the 2011-12 school year is currently 46.08%. The product of these two factors is 4.63% which is the percentage of debt service which will be reimbursed by the Commonwealth. In future years, this percentage may change as the School District's CARF changes, or by future legislation. CARF is a function of the market value per weighted average daily membership of the School District relative to that of other school districts of the Commonwealth.

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DEBT AND DEBT LIMITS

Debt Statement

Table 9 which follows shows the debt of the School District as of September 22, 2011, including the issuance of the Bonds.

TABLE 9
THE SCHOOL DISTRICT OF PITTSBURGH
DEBT STATEMENT
(As of September 22, 2011)*

General Obligation Bonded Indebtedness:	**Gross Outstanding**	**Local Effort or Net of Available Funds and Estimated State Aid[(1)]**
Series of 2011	9,995,000	9,532,128
Series A of 2010	30,915,000	29,373,623
Series B of 2010	6,655,000	6,655,000
Series C of 2010	5,935,000	5,798,258
Series A of 2009	23,445,000	23,445,000
Refunding Series C of 2009	2,520,000	2,256,985
Series of 2007	34,300,000	33,862,189
Series B of 2006	43,580,000	42,308,831
Series B of 2005	33,325,000	31,949,088
Series A of 2005	8,325,000	8,038,822
Series of 2004	34,150,000	32,488,245
Refunding Series of 2004	4,935,000	4,762,855
Series A of 2003 (remaining portion)	4,615,000	4,615,000
Series of 2003 (remaining portion)	16,280,000	15,526,067
Series B of 2002 (remaining portion)	9,725,000	9,240,126
Refunding Series A of 2002	74,055,000	69,536,910
Refunding Series of 2002	17,270,000	16,385,069
Total General Obligation Bonded Indebtedness	$360,025,000	$345,774,193
Other General Obligation Bonded Indebtedness:		
General Obligation Note (SPSBA - QZAB), Series C of 2010	$13,642,000	$13,327,688
General Obligation Note (SPSBA - QSCB), Series B of 2010	9,348,000	9,132,622
Series 2006 Qualified Zone Academy Bonds	4,319,101	4,319,101
Series 2001 Qualified Zone Academy Bonds	3,876,435	3,876,435
Series A 2001 Notes - Emmaus Bond Pool	1,645,000	1,645,000
Total Other General Obligation Indebtedness	$32,830,536	$32,300,846
Taxable Bonds/Notes:		
Taxable Series D of 2010 (QSCB - Direct Subsidy)	$19,080,000	$18,640,397
Taxable Series B of 2009 (Build America Bonds - Direct Payment)	42,535,000	42,535,000
Total Taxable Bonds/Notes	$61,615,000	$61,175,397
Total Direct Indebtedness	**$454,470,536**	**$439,250,436**

*Includes the estimated Bonds offered through this Preliminary Official Statement. Excludes the portion of the 2003 Bonds being refunded herein.

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

Table 10 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 $454,470,536.

TABLE 10
THE SCHOOL DISTRICT OF PITTSBURGH
STATEMENT OF DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS

Jurisdiction	**Gross Outstanding**	**% Applicable to School District**	**Amount Applicable to School District**
DIRECT DEBT*:			
School District of Pittsburgh – 9/22/11			
General Obligation Bonds and Notes (Tax-Exempt & Taxable)......	$421,640,000	100.00%	$421,640,000
Other Bonds and Notes (QZAB and Emmaus)	32,830,536	100.00%	32,830,536
TOTAL DIRECT DEBT	$454,470,536		$454,470,536
OVERLAPPING DEBT – 12/31/10 (2010 CAFR):			
Allegheny County[(1)]..	$655,825,000	25.00%	$163,956,250
City of Pittsburgh..	633,338,000	100.00%	633,338,000
Auditorium Authority[(2)]	3,180,000	50.00%	1,590,000
Stadium Authority..	0	100.00%	0
Urban Redevelopment Authority[(3)]	76,875,000	63.00%	48,431,250
Parking Authority	97,400,000	100.00%	97,400,000
TOTAL OVERLAPPING DEBT	$1,466,618,000		$944,715,500
TOTAL DIRECT AND OVERLAPPING DEBT	$1,921,088,536		$1,399,186,036

[(1)]Percentage of the city's residential population of the county population.
[(2)]Contractual agreements.
[(3)]Percentage of the city liability per agreement.
*Includes the estimated Bonds offered through this Preliminary Official Statement. Excludes the portion of the 2003 Bonds being refunded herein.
Source: City of Pittsburgh, Department of Finance.

DEBT RATIOS

DEBT RATIOS	**Gross Before State Aid**		**Net After State Aid**
Direct Debt to Market Value (2010)	3.42%		3.30%
Direct and Overlapping Debt to Market Value (2010)..............................	14.45%		10.41%
Direct Debt to Assessed Valuation (2010)..	3.42%		3.30%
Direct and Overlapping Debt to Assessed Valuation (2010).....................	14.45%		10.41%
Direct Debt Per Capita (2010)..	$ 1,469.07		$ 1,419.87
Direct and Overlapping Debt Per Capita..	$ 6,209.90		$ 4,473.66
Assessed Valuation of Real Estate	$ 13,293,425,000	(1)	
Market Value of Real Estate	$ 13,293,425,000		
Ratio of Assessed Valuation to Market Value	100.00%		
2010 Market Value Aid Ratio	0.4936		
Capital Expenditure Reimbursement Factor	0.5000		
Population	309,359		
Class of School District	1A		

[(1)]Provided by the Allegheny County Bureau of Deed and Assessment Appeals and Registry.

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 2008	$507,057,155
Total Revenues for 2009	506,779,600
Total Revenues for 2010	507,470,953
Total	$1,521,307,708
Annual Arithmetic Average (Borrowing Base)	$507,102,569

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:

Net Nonelectoral Debt And Lease Rental Debt	**Legal Limit**	**Net Debt Outstanding***	**Remaining Borrowing Capacity**
225% of Borrowing Base	$1,141,809,645	$454,470,536	$687,339,109

*Includes the estimated Bonds offered through this Preliminary Official Statement. Does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by State Aid.

Source: City of Pittsburgh, Department of Finance.

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Debt Service Requirements

Table 11 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 12 presents data on the extent to which State Aid provides coverage for debt service and lease rental requirements.

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

TABLE 11
THE SCHOOL DISTRICT OF PITTSBURGH
DEBT SERVICE REQUIREMENTS*

		Series 2011 Bonds			
Year	**Existing Debt Service**	***PRINCIPAL***	***INTEREST***	**Subtotal**	**Total Requirements**
2011	$ 53,665,911				
2012	56,848,186				
2013	54,413,698				
2014	51,931,115				
2015	50,419,160				
2016	47,605,461				
2017	45,639,647				
2018	41,810,549				
2019	37,261,001				
2020	33,443,179				
2021	29,126,182				
2022	25,335,734				
2023	21,716,568				
2024	21,216,524				
2025	18,287,051				
2026	15,370,621				
2027	11,310,020				
2028	8,264,254				
2029	7,115,340				
2030	436,800				
Total	$631,217,000				

* Totals may not add due to rounding.

TABLE 12
THE SCHOOL DISTRICT OF PITTSBURGH
COVERAGE OF DEBT SERVICE AND LEASE RENTAL REQUIREMENTS BY STATE AID*

Budgeted 2011 State Aid Received	$246,368,540
Budgeted 2011 Debt Service Requirements	56,748,154
Maximum Future Debt Service Requirements after Issuance of Bonds	
Coverage of budgeted 2011 Debt Service Requirements	4.34 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	times

*Assumes current State Aid Ratio. See "State Aid to School Districts."

Future Financing

The School District conducts an annual borrowing program for the purpose of funding major maintenance as well as capital improvement projects. Borrowings have been both for short-term and long-term durations. The School District expects to continue to borrow for such purposes in the foreseeable future. During fiscal year 2012, the School District anticipates that it will issue approximately $15 million of new money bonds. The actual amount of bonds issued in each year will depend upon which projects are included in that year's borrowings.

The proceeds of each year's financing will be used to continue the School District's major maintenance and capital improvement programs.

LABOR RELATIONS

School District Employees

The School District employs approximately 4,885 employees, not including day-to-day substitutes. A large percentage of employees are represented by unions pursuant to Act 195 of 1970 and have either collective bargaining relationships with the School District or the right to meet and discuss salary and other employment related matters.

The Pittsburgh Federation of Teachers (the "Federation") represents approximately 2,992 professional employees, including teachers, nurses, school counselors and school psychologists. The current 5 year collective bargaining agreement with the federation expires June 30, 2015.

The Federation also represents approximately 700 paraprofessionals and approximately 60 technical clerical employees. Recent collective bargaining with these groups resulted in settlements which expire June 30, 2015.

The second largest group of employees in the School District which bargains as a single unit is comprised of approximately 550 custodial, transportation, food service personnel, and secretary-clerical employees. These employees are represented by the American Federation of State, County and Municipal Employees, District 84, Local 297 ("AFSCME"). This four-year collective bargaining agreement expires December 31, 2015.

The final collective bargaining unit is comprised of approximately 70 building trades' employees who are represented by the Pittsburgh Building and Construction Trades Council, AFL-CIO. This relatively small unit performs maintenance in school facilities which requires trades or craftwork, such as plumbing and electrical work. Some small construction and rehabilitation work on School District facilities is also performed by this group. A collective bargaining agreement with this unit expires January 15, 2016.

In addition to the above, the School District employs approximately 200 administrators who have organized through the Pittsburgh Administrators Association. These employees have the right to meet and discuss with the Board the adoption of a uniform salary schedule and related employment matters.

The Board retains the right in all collective bargaining agreements to reduce staff, if necessary and for appropriate reasons.

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the State 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 minmis requirement for part-time employees regarding participation in the program.

The PSERS Board of Paying Agents has set the fiscal year 2011 employer retirement contribution rate at 5.64 percent of payroll. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. Employers are divided into two groups; school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. Recent School District pension contributions to PSERS have been as follows:

A summary of the School District's annual retirement contribution to the pension program is shown below.

School Year	Annual Retirement Contribution
2010*	11,653,889
2009	13,875,329
2008	10,198,712
2007	9,403,753
2006	6,549,251
2005	6,529,682

*At the time of the issuance the last quarter payment for the retirement contribution had not been issued

The School District is current in all payments. Future projections are indicating increases in the contribution rate for future years. The PSERS complete report is available on its website on the Internet: www.psers.state.pa.us.

Source: PSERS – Financial Highlights.

Other Post-Employment Benefits

The GASB has issued Statement no. 45, *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions*, effective for periods beginning after December 15, 2006. This statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service, and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The District implemented GASB 45 for 2007 and undertook an actuarial evaluation as of November 1, 2007. The unfunded actuarial liability as of November 1, 2009 is $160,247,100. The total annual required contribution is $15,679,132.

LITIGATION

At the time of settlement, the School Board will deliver a certificate and the Solicitor will deliver an opinion stating that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue the Bonds.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the County in which the School District is located. The Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

TAX EXEMPTION

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. One such proposal is the American Jobs Act of 2011 (S.1549) (the "Jobs Bill") which was introduced in the Senate on September 13, 2011 at the request of the President. If enacted in its current form, the Jobs Bill could adversely impact the marketability and market value of the Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing the full benefit of the tax exemption of interest on the Bonds. 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.

State Tax Matters

In the opinion of Co-Bond Counsel, the Bonds and the interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

Federal Income Tax Matters

In the opinion of Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes. Co-Bond Counsel is also of the opinion that interest on the Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The School District has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Co-Bond Counsel assumes compliance with these covenants. However, Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Co-Bond Counsel express no opinion regarding the Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of Co-Bond Counsel other than the Law Offices of Wayne D. Gerhold or R. Darryl Ponton & Associates.

Although Co-Bond Counsel have rendered opinions that interest on the Bonds is excludable from gross income for Federal and Pennsylvania income tax purposes, the ownership, or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Co-Bond Counsel express no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers. Such effects include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of social security or railroad retirement benefits, under Section 86 of the Code and, for tax years beginning in 1996, limiting the use of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any Bond may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, the residence of a holder of Bonds in a state other than Pennsylvania, or being subject to tax in a state other than Pennsylvania, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

Each of the Bonds has been designated, or is "deemed 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). Due to the designation of the Bonds as "qualified tax-exempt obligations" under Tax Code Section 265(b)(3), certain financial institutions may be able to deduct 80% of the interest expense incurred to purchase or carry the Bonds.

Original Issue Discount

The Bonds that mature on September 1 of the year of __________ are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at their maturity. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of Bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Tax-Exempt Discount Bonds, the amount of the accrual will be based upon a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Tax-Exempt Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns such Bond is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Tax-Exempt Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Tax-Exempt Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Original Issue Premium

The Bonds that mature on September 1 of the years ___________ are being offered and sold to the public at a price in excess of the principal amount thereof (the "Premium Bonds"). Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the School District will agree:

(i) to provide at least annually with the Municipal Securities Rulemaking Board (the "MSRB") Electronic Municipal Marketing System (EMMA) the following annual financial information and operating data with respect to the School District for each of its fiscal years, beginning with the fiscal year ending December 31, 2011, within 180 days following the end of such fiscal year:

- 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 new fiscal year
- the aggregate assessed value and aggregate market value of all taxable real estate for the new fiscal year
- the taxes and millage rates imposed for the new fiscal year
- the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount)
- a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the new fiscal year
- pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible)

(ii) The following events with respect to the Bonds shall constitute Reportable Events and shall be provided to the MSRB no later than ten (10) business days after the occurrence:

- 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 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 Obligated Person (or any other entity that is an obligated person within the meaning of the Rule with respect to the Bonds)
- The consummation of a merger, consolidation, or acquisition involving the Obligated Person (or any other entity that is an obligated person within the meaning of the Rule with respect to the Bonds) or the sale of all or substantially all of the assets of the Obligated Person or any such obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- The appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- Failure to make an annual financial information filing on a timely basis.

(ii) in a timely manner, to provide MSRB notice of a failure to provide required annual financial information, on or before the ate specified above.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, but the School District does not commit to provide any such notice of the occurrence of any events except those specifically listed above.

The School District reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the School District no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders or beneficial owners of the Bonds and shall be enforceable by the holders or beneficial owners of such Bonds; provided that the Bondholders' right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds.

Effective as of July 1, 2009, any filing with the MSRB shall be made solely by transmitting such filing to the MSRB through its Electronic Municipal Market Access (EMMA) system.

The School District may modify from time to time the specific types of information provided or the format of the presentation of such information, as a result of a change in legal requirements or change in the nature of the School District provided that any such modification will be done in a manner consistent with the SEC Rule 15c2-12 including amendments thereto and will not, in the opinion of a nationally recognized co-bond counsel, violate the rule, as amended.

For the past five years, the School District has complied with prior written undertakings, under the Rule to provide ongoing disclosure of annual financial information and notice of material events affecting its securities.

RATINGS

Moody's Investors Service, Inc. and Standard and Poor's Ratings Group is expected to assign its underlying municipal bond rating of "___" and "___", respectively, to the Bonds. Moody's Investors Service, Inc. and Standard and Poor's Ratings Group is expected to assign its municipal bond rating of "___" (Negative Outlook) and "___" (Negative Outlook), respectively, to the Bonds with the understanding that, upon delivery of the Bonds, a Bond Insurance Policy will be issued by __________. Such ratings reflect only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agencies furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World trade Center at 250 Greenwich Street, New York, New York, 10007 and Standard and Poor's Ratings Group, 55 Water Street, New York, New York, 10041. Generally, a rating agency bases its rating agency on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, 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

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased at a purchase price of $_____________, equal to the par value of the Bonds less an Underwriter's discount of $______________minus a net original issue discount of $____________, plus accrued interest, if any, from the dated date to the date of delivery of the Bonds.

LEGAL OPINION

Purchase of the Bonds by the Underwriters is subject to the receipt of the approving legal opinions of The Law Offices of Wayne D. Gerhold, and R. Darryl Ponton & Associates of Pittsburgh, Pennsylvania, Co-Bond Counsel. Certain other legal matters relating to the School District will be passed upon by Ira Weiss, Solicitor to the School District.

FINANCIAL ADVISOR

The School District has retained Public Financial Management, Inc., 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 the Preliminary 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 Preliminary Official Statement has been prepared under the direction of the School District by Public Financial Management, Inc. of Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement has been obtained from the School District 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 Resolution, 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 School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

THE SCHOOL DISTRICT OF PITTSBURGH
Allegheny County, Pennsylvania

By:/s/ ________________________________
President, Board of School Directors

APPENDIX A
Demographic and Economic Information
Relating to the School District of Pittsburgh

INTRODUCTION

The City of Pittsburgh (the "City") is located in southwestern Pennsylvania at the point where the Allegheny and Monongahela Rivers merge to form the Ohio River. The City, which is the largest of 130 municipalities in Allegheny County and which serves as the County seat, covers an area of 55.5 square miles and has a 2010 Census population of 305,704.

The City is the hub of the Pittsburgh Metropolitan Statistical Area (the "MSA") which is composed of Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland Counties. Mining and manufacturing was the region's original economic base. The City's location, however, has encouraged the region to diversify into products and services that serve the nation's major market areas. Transportation, distribution, finance, health care, education and research have become as essential to the City as its traditional mining and manufacturing economies. The award to Carnegie Mellon University of the Defense Department's Software Engineering Institute firmly establishes Pittsburgh among the leading areas in the nation for advanced technology research and development.

Pittsburgh has developed as the regional center of southwestern Pennsylvania, eastern Ohio and northern West Virginia. Services provided in the City for the region include: health care, financial services and produce and goods distribution. It is the major government and communication center for the tri-state area.

Pittsburgh's Golden Triangle is one of the nations most compact and efficient downtowns, with over 150,000 daily workers and visitors and almost 23 million square feet of total office space contained within the land area of a modest college campus. Home to internationally renowned cultural institutions, Fortune 500 firms, and several of the largest financial institutions in the world, the Golden Triangle remains the single most competitive and productive business location in the region, and the single largest job generator in Western Pennsylvania.

A comprehensive transportation network further enhances the economic vitality of the City and its region. Excellent ground transportation is available through a well-developed road system that includes Interstate Routes 70, 76 (Pennsylvania Turnpike), 79, 80, 376 and 579. The Pennsylvania Department of Transportation is continuing work on upgrading the Interstate highway system through the City which will aid in the flow of traffic to and around Pittsburgh. The City is served by Pittsburgh International Airport, which is utilized by over twenty certified air carriers and commuter carriers, and the Allegheny County Airport, which primarily services privately-owned aircraft.

ECONOMIC DEVELOPMENT[1]

The City of Pittsburgh continues to build and strengthen its economy not only by expanding existing businesses, but also by working to attract new businesses and industries to the region. The primary goal is to assist businesses both small and large in developing and enhancing working relationships among economic development practitioners throughout the state. By supporting the growth of the existing business core and marketing its competitive advantages to attract new businesses, the City has modernized its economy.

Initiatives such as one-stop service providers allow firms doing business in the City to assign a project coordinator who will serve as a single point of contact throughout the development process. The City also contains three State Enterprise Zones which enable businesses located within those designated areas to enjoy more favorable interest rates and tax incentives. The City has several sites included among the Commonwealth's Keystone Opportunity Zones, which exempt a majority of state and local taxes for a number of years.

The City is also working to make downtown the region's chief entertainment destination. The expansion of the convention center and two new sports facilities attract visitors from the surrounding region. The downtown office climate is getting a boost from companies who have recently built new offices, such as ALCOA, GNC, Mellon Bank, PNC Bank, Del Monte, Heinz, Highmark, Blue Cross/Blue Shield, and Kvaerner Metals.

The City has also implemented an aggressive strategy to reclaim the City's valuable riverfront property and reuse industrial sites left behind by the decline of the steel mills. Through the Urban Redevelopment Authority (URA), the City has acquired land and prepared sites to lay the groundwork for economic development. A variety of technology companies and university researchers have located their operations at the Pittsburgh Technology Center. Through the URA, the City purchased the 130 acre former LTV South Side Works site in late 1993. The site has been developed into a mixed use development including housing, office space, warehousing, restaurants, retail, entertainment, and light industrial and high-technology space. The University of Pittsburgh Medical Center (UPMC) has finished an 80,000 square-foot distribution center and a 45,000-square foot office and laboratory facility called Pittsburgh Life Sciences Center is under construction. Over 500,000 square feet of office space is either under construction or in the planning stages. The Mon Con/Hot Metal Bridge that once carried molten steel across the Monongahela River has been renovated to allow cars and pedestrians to travel between the South Side Works and the Pittsburgh Technology Center. In addition, residential and commercial developments completed on Washington's Landing on the banks of the Allegheny River proved that the strategy of land acquisition and site preparation can be used effectively as an economic development strategy.

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[1] Source: Urban Redevelopment Authority of Pittsburgh

ECONOMIC OUTLOOK

In the mid-1800s, Pittsburgh gained notoriety for developing its glass, iron, and steel industries and emerged as the world's steel-producing capital by the end of the century. This continued until the steel industry's collapse in the early 1980s. In recent years, the City of Pittsburgh's economy has undergone a transformation. Though heavy manufacturing continues to play a role in the City's economic growth, it is no longer the region's sole driving force. Instead, Pittsburgh has reestablished itself as a leader in technological innovation. The same entrepreneurial spirit that forged Pittsburgh's growth in the past has been reborn, producing a diverse economy consisting of high technology, finance, healthcare, retail, law, and education sectors. Pittsburgh's economy is now fueled in great part by information technology and biotechnology firms that grew out of the region's strong universities.

Building Activity

According to the City's Bureau of Building Inspection, total construction value within the City in 2010 was over $ 325 million. The construction value represented new housing and commercial construction as well as the construction value of extensions and alterations of existing structures.

The table below sets forth the number and dollar value of residential and commercial building permits issued in the City in the years 2001 to 2010:

CITY OF PITTSUBRGH
NUMBER AND VALUE OF BUILDING PERMITS, 2001-2010

Year	Number of Permits Issued	Dollar Value (In thousands)
2001	2,239	531,131
2002	2,216	344,222
2003	2,022	596,463
2004	1,926	597,596
2005	1,844	389,030
2006	2,069	350,795
2007	2,377	595,143
2008	2,277	980,645
2009	2,222	624,954
2010	2,893	325,449

Source: City of Pittsburgh, Bureau of Building Inspection

Population

Table A-1 shows population trends for the School District, Allegheny County and the Commonwealth of Pennsylvania (the "State"). Table A-2 shows 1990 census of age composition and average number of persons per household in Allegheny County and for the Commonwealth. Average household size was slightly smaller for Allegheny County than the Statewide average.

TABLE A-1

RECENT POPULATION TRENDS

Area	2000	2010	Compound Average Annual Percentage Change 2000-2010
School District	338,533	311,200	-0.84%
Allegheny County	1,281,666	1,223,348	-0.46%
Pennsylvania	12,281,054	12,702,379	0.34%

Pennsylvania Municipalities, Total Decennial Population, 2010 & 2000
Prepared by The Pennsylvania State Data Center
Source: U.S. Census Bureau, Census 2000 & 2010 Redistricting Data (Public Law 94-171) Summary File.
March 9, 2011

TABLE A-2

AGE COMPOSITION

	0-17 Years	18-64 Years	65+ Years	Persons Per Household
Allegheny County	21.1%	61.5%	17.4%	2.41
Pennsylvania	23.5%	61.1%	15.4%	2.57

Source: Pennsylvania State Data Center, General Population and Housing Characteristics: Pennsylvania.

Employment

Overall employment data are not compiled for the School District or municipalities within it, but such data are compiled for the Pittsburgh Metropolitan Statistical Market Area (the "MSA") as shown below as of June 2011.

TABLE A-3
DISTRIBUTION OF EMPLOYMENT
Pittsburgh Metropolitan Statistical Area
(Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland Counties)
NONFARM JOBS

	Industry Employment				Net Change From:	
ESTABLISHMENT DATA	**June 2011**	**May 2011**	**April 2011**	**June 2010**	**May 2011**	**June 2010**
Total Nonfarm	**1,155,100**	1,139,600	1,137,600	1,141,500	15,500	13,600
Total Private	**1,026,500**	1,010,900	1,007,500	1,010,400	15,600	16,100
Goods Producing	**153,200**	148,600	144,900	147,400	4,600	5,800
Mining and Logging	**8,200**	8,000	7,900	6,800	200	1,400
Construction	**54,300**	51,100	48,300	52,600	3,200	1,700
Specialty trade contractors	**33,800**	31,300	29,800	31,400	2,500	2,400
Manufacturing	**90,700**	89,500	88,700	88,000	1,200	2,700
Durable Goods	**67,200**	66,200	65,500	64,500	1,000	2,700
Primary Metal Mfg.	**12,600**	12,500	12,400	12,200	100	400
Iron and steel mills and ferroalloy mfg.	**6,800**	6,800	6,800	6,800	0	0
Non-Durable Goods	**23,500**	23,300	23,200	23,500	200	0
SERVICE-PROVIDING	**1,001,900**	991,000	992,700	994,100	10,900	7,800
PRIVATE SERVICE-PROVIDING	**873,300**	862,300	862,600	863,000	11,000	10,300
Trade, Transportation, and Utilities	**218,700**	217,200	214,600	215,300	1,500	3,400
Wholesale trade	**49,300**	48,700	47,300	46,400	600	2,900
Retail trade	**126,800**	125,700	124,400	126,700	1,100	100
Building material and supplies dealers	**8,700**	8,700	8,400	8,500	0	200
Food and beverage stores	**26,200**	26,000	25,900	26,500	200	-300
Clothing and clothing accessories stores	**11,700**	11,700	11,600	12,100	0	-400
General merchandise stores	**23,700**	23,400	23,200	24,000	300	-300
Department stores	**12,200**	11,800	11,700	12,100	400	100
Transportation, Warehousing and Utilities	**42,600**	42,800	42,900	42,200	-200	400
Utilities	**5,700**	5,700	5,700	5,600	0	100
Transportation and Warehousing	**36,900**	37,100	37,200	36,600	-200	300
Trucking, couriers & messengers, and warehousing	**21,100**	20,700	20,800	20,700	400	400
Information	**18,300**	18,000	18,000	18,600	300	-300
Financial Activities	**69,200**	67,900	68,700	68,900	1,300	300
Finance and insurance	**55,100**	54,200	54,900	55,400	900	-300
Credit intermediation and related activities	**28,800**	28,500	28,700	28,600	300	200
Depository credit intermediation	**25,100**	24,900	25,100	24,800	200	300
Insurance carriers and related activities	**20,200**	20,100	20,200	20,300	100	-100
Professional and Business Services	**161,200**	159,500	160,900	159,200	1,700	2,000
Professional and technical services	**70,200**	69,300	71,100	69,100	900	1,100
Architectural and engineering services	**17,800**	17,600	17,400	17,300	200	500
Scientific research and development services	**6,400**	6,300	6,300	6,200	100	200
Management of companies and enterprises	**35,400**	35,100	35,100	34,900	300	500
Administrative and waste services	**55,600**	55,100	54,700	55,200	500	400
Administrative and support services	**53,100**	52,500	52,200	52,200	600	900
Employment services	**15,800**	15,700	15,400	16,700	100	-900
Educational and Health Services	**238,100**	236,500	242,200	234,700	1,600	3,400
Educational services	**49,700**	51,000	57,200	52,200	-1,300	-2,500
Colleges and universities	**35,700**	36,700	42,600	36,600	-1,000	-900
Health care and social assistance	**188,400**	185,500	185,000	182,500	2,900	5,900
Ambulatory health care services	**64,400**	63,100	63,200	61,800	1,300	2,600
Offices of physicians	**25,500**	25,300	25,200	24,600	200	900
Hospitals	**55,000**	54,100	54,100	54,400	900	600
General medical and surgical hospitals	**50,200**	49,300	49,300	49,600	900	600
Nursing and residential care facilities	**37,300**	36,900	36,700	36,400	400	900
Social assistance	**31,700**	31,400	31,000	29,900	300	1,800
Leisure and Hospitality	**115,900**	112,400	107,700	114,000	3,500	1,900
Accommodation and food service	**95,300**	93,000	90,200	91,400	2,300	3,900
Food services and drinking places	**85,800**	84,100	81,900	82,900	1,700	2,900
Full-service restaurants	**39,500**	39,700	38,500	41,500	-200	-2,000
Limited-service eating places	**31,500**	31,100	30,000	30,400	400	1,100
Other Services	**51,900**	50,800	50,500	52,300	1,100	-400
Government	**128,600**	128,700	130,100	131,100	-100	-2,500
Federal Government	**18,500**	18,600	18,900	21,100	-100	-2,600
State Government	**13,300**	13,500	15,600	14,300	-200	-1,000
Local Government	**96,800**	96,600	95,600	95,700	200	1,100
Local government educational services	**57,800**	59,800	59,700	57,300	-2,000	500
Local government excluding educational services	**39,000**	36,800	35,900	38,400	2,200	600
Data benchmarked to March 2010	***Data changes of 100 may be due to rounding***					

Source: Pennsylvania State Employment Service.

Table A-4 shows recent trends in labor force, employment and unemployment for Allegheny County and the Commonwealth. The unemployment rate for Allegheny County has been lower than the statewide average.

TABLE A-4

RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT*
(Allegheny County)

	2006	2007	2008	2009	2010	2011[(1)]	Compound Average Annual % Rate
Allegheny County							
Civilian Labor Force (000)	626.6	629.1	638.6	640.8	635.2	638.7	0.32%
Employment (000)	598.8	603.3	607.6	596.7	586.2	594.2	-0.13%
Unemployment (000)	27.7	25.8	31	44.1	49.0	44.5	8.22%
Unemployment Rate	4.4	4.1	4.9	6.9	7.7	7.0	
Pennsylvania							
Civilian Labor Force (000)	6,306.00	6,297.00	6,395.00	6,414.00	6,340.00	6,327.00	0.06%
Employment (000)	6,010.00	6,023.00	6,021.00	5,895.00	5,791.00	5,848.00	-0.45%
Unemployment (000)	296.0	274.0	344.0	519.0	549.0	479.0	8.35%
Unemployment Rate	4.7	4.4	5.4	8.1	8.7	7.6	

(1) As of June 2011.
Source: Pennsylvania State Employment Service.

The larger employers in the School District are as follows:

Name	**Approximate Employment**
University of Pittsburgh Medical Center	37,000
U.S. Government	18,666
Commonwealth of Pennsylvania	13,661
West Penn Allegheny Health System	11,432
University of Pittsburgh	11,261
Wal-Mart Stores Inc.	10,030
PNC Financial Services Group Inc.	9,150
Giant Eagle Inc.	8,347
Allegheny County	7,194
The Bank of New York Mellon Trust Company	6,668

Source: School District officials.

Due to the close proximity of the School District to the Greater Pittsburgh Metropolitan Area, many residents of the School District are employed throughout this area. The following table depicts larger employers located through the Greater Pittsburgh Metropolitan area:

NAME	PRODUCT/SERVICE
84 Lumber Co.	Supplier of Building Materials
Alcoa	Aluminum Manufacturer
Allegheny Technologies	Producers of Specialty Materials
American Eagle Outfitters	Clothing Retailer
Bayer Corporation	Health Care & Life Sciences, Chemicals and Imaging Technologies
Calgon Carbon Corporation	Drinking Water Purification
Heinz	Manufacturer
Bank of New York/Mellon	Financial
PNC Financial Services	Financial

Source: About.com-Pittsburgh.

Income

The data on Table A-5 shows recent trends in per capita income for the School District, the County and the Commonwealth over the 2000-2009 period.

TABLE A-5

RECENT TRENDS IN PER CAPITA INCOME*

	2000	2009	Compound Average Percent Change 2000-2009
City of Pittsburgh	18,816	24,616	3.03%
Allegheny County	22,491	28,825	2.80%
Pennsylvania	20,880	28,825	3.65%

*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 A-6 shows recent trends for retail sales in Allegheny County and the Commonwealth.

TABLE A-6

TOTAL RETAIL SALES
(000)

	2007	2008	2009	2010	2011
Allegheny County	$ 19,833	$ 18,971	$ 18,394	$ 18,692	$ 20,359
Pennsylvania	195,558,005	N/R	180,948,327	174,483,292	188,193,104

N/R: Not reported.
Source: Sales and Marketing Management Magazine

Educational Institutions

Major colleges and universities located in the area include:

		Undergraduate		Graduate		Total
		FT	PT	FT	PT	
1	University of Pittsburgh (Pittsburgh Campus)	16,007	1,420	7,174	1,961	26,562
2	Indiana University of Pennsylvania	11,031	897	1,046	1,336	14,310
3	Community College of Allegheny County	8,007	11,308	N/A	N/A	19,315
4	Slippery Rock University of Pennsylvania	7,149	542	376	391	8,458
5	California University of Pennsylvania	6,290	716	830	764	8,600
6	Carnegie Mellon University	5,797	201	3,837	1,229	11,064
7	Duquesne University	5,408	302	3,402	1,048	10,160
8	Clarion University of Pennsylvania	5,116	860	200	924	7,100
9	The Art Institute of Pittsburgh	3,836	9,197	N/A	N/A	13,033
10	Westmoreland County Community College	3,287	3,136	N/A	N/A	6,423

Source: Pittsburgh Business Times: "2009 Book of Lists"

Vocational-Technical Schools

Vocational-technical schools in the area provide a broad array of training in a variety of fields. Vocational-technical training is offered by both proprietary schools and by the public school systems. There are approximately 20 proprietary vocational schools and approximately 12 public vocational schools in the City and surrounding areas.

Medical Care

Health Care is provided by Jefferson Regional Medical Center, located in Jefferson Borough to the south, by St. Clair Memorial Hospital, located in the Municipality of Mt. Lebanon to the west and by the University of Pittsburgh Medical Center (which includes Presbyterian-University Hospital, Mercy Hospital, Montefiore Hospital, Children's Hospital of Pittsburgh, Western Psychiatric Institute & Clinic, Magee-Woman's Hospital and Ear and Eye Hospital, Shadyside Hospital and South Side Hospital), St. Francis General Hospital, and West Penn Allegheny Health System (which includes West Penn Hospital, the Forbes Health System and Allegheny General Hospital), all located in the City of Pittsburgh.

Air Transportation

The Pittsburgh International Airport ("PIA") serves the region. The 2.1 million square foot airport, located in Allegheny County 16 miles from the downtown area accommodates nearly 14 million travelers in nearly 400,000 aircraft operations per year.

The state-of-the-art user-friendly terminal complex located between the runways opened October 1, 1992, replacing the 40-year old Main Terminal Building. Built with the latest technologies and designed for incremental expansion to meet forecasted growth, the entire complex is able to expand with relative ease. Currently, the terminal building consists of 69 domestic gates, 6 international gates, and 25 commuter gates.

Passenger conveniences include an underground people mover system, moving walkways, easy-to-read signs and direct access to 17,420 parking spaces. The X-shaped airside terminal allows connecting passengers access to all 75-jet gates without changing levels or terminals. The airside terminal also houses a retail area featuring more than 60 local, national, and international retailers and restaurateurs required to charge prices no higher than those charged at their off-airport locations.

Capacity is one of PIA's most valuable assets. PIA is within a 90-minute flight of 70% of North America's population. The OAG (Official Airline Guide) Worldwide recently listed PIA on its short list of the world's best airports for the third year in a row. Currently, PIA ranks 26th in the United States in passenger volume.

The following airlines serve Pittsburgh International Airport:

Major International Carriers	Commuter Carriers
Air Canada	American Eagle
Air Tran Airways	Atlantic Southeast
American	ComAir (Delta Connection)
Continental	Continental Express
Delta	Express 1
Southwest	Mesaba
United	Midwest Connect
US Airways	Myrtle Beach Direct
Jet Blue	Shuttle America
Midwest	United Express
	US Airways Express

Source: Allegheny County Airport Authority (www.flypittsburgh.com)

Allegheny County Airport is the largest service airport in Western PA. It is the home of over 160 aircraft and 3 flight schools.

Water Transportation

The Port of Pittsburgh on the Allegheny, Monongahela and Ohio Rivers, is the largest inland port in tonnage and the second busiest in the country, and provides year round facilities for shipments to and from the South and Midwest regions of the United States. Shippers at the Port of Pittsburgh may ship to any port in the world by containerization, lash or seabee barge carriers.

The Port of Pittsburgh supports over 200 publicly and privately owned terminals and barge industry service suppliers. The public terminals are equipped to accommodate such bulk commodities as coal, sand, gravel, petroleum products, chemicals, iron, and steel products, and finished products of all types. Other goods which move on the City's rivers include fertilizer, machinery, steel scrap, iron ore, billets, salt, synthetic rubber, lumber products and ferrous alloys.

Twelve major barge lines operate on Port of Pittsburgh waters as common carriers. These barge lines utilize both private- and public-use terminals. A number of regulated contract carriers and other private carriers for hire also operate extensively into and out of the Port of Pittsburgh.

Water transport equipment currently in service includes open hopper barges, covered dry cargo barges, tank and deck barges. Typical tows move from the Port of Pittsburgh to St. Louis in about seven days. Specialized tows, such as unit tows for bulk liquids, cover the Port of Pittsburgh to New Orleans route in eight to twelve days.

Complete facilities for construction and repair of river boats of all types are in operation in the Port of Pittsburgh.

Rail Service

There are numerous trunk, short-line, switching and connecting railroads serving the region. It is estimated that ten percent of all U.S. rail freight originates or passes through the nine-county region surrounding the City. On-line trunk railroads serving the SMSA include:

Amtrak
Bessemer and Lake Erie Railroad
CSX
Norfolk and Southern Railroad
Pittsburgh & Lake Erie Railroad

Motor Freight Service

The area is served by over 250 interstate and local trucking firms, 26 freight forwarders, and 81 household goods movers. The City is a strategically located transportation center, with overnight access by motor freight to the major markets of the Northeast and Midwest.

Mass Transit

The Port Authority of Allegheny County (PAT) has been servicing Allegheny County plus minor portions of Armstrong, Beaver, Washington, and Westmoreland Counties since March 1, 1964. PAT provides transportation via buses, light rail transit, inclines, and the ACCESS Paratransit System.

PAT owns approximately 1,200 revenue vehicles. PAT's average annual ridership is 68 million with an average number of weekday passengers of 230,000.

Passenger Bus Service

Greyhound Bus Lines provides regularly scheduled interstate bus service to the City. PAT provides local bus, streetcar and rail service. In addition, a variety of local bus companies provide intrastate, commuting, and charter services.

UTILITIES

Electricity

The City relies primarily upon coal as an energy source and is not heavily dependent upon oil and gas for the production of electricity. Some nuclear energy is used. In the region, the currently installed electric power generation capacity is 80% coal, 15% nuclear and 5% oil, the latter used mostly for peak capacity.

The electric power requirements of residential, commercial and industrial users in the City are provided primarily by the Duquesne Light Company which serves more than 580,000 customers in Southwestern Pennsylvania and uses more than 45,000 miles of overhead lines, 250,000 utility poles, and 103,000 transformers. The Company is subject to regulation by the Pennsylvania Public Utilities Commission.

Natural Gas

The City's suppliers of natural gas are the Equitable Gas Company, Dominion Peoples, and Columbia Gas of Pennsylvania. Together they serve 890,000 customers in the 10 county region of Southwestern Pennsylvania. All three are investor- owned utilities whose service areas cover large portions of Pennsylvania and neighboring states

Water and Sewer

The Pittsburgh Water and Sewer Authority provide water service to the majority of water customers within the City and sewage collection service to the entire City. The climate and river valleys within the City region provide abundant water at reasonable cost.

Sewage treatment service is provided by the Allegheny County Sanitary Authority ("Alcosan"). Its service area includes the City, 82 neighboring municipalities in the County and parts of communities in Washington and Westmoreland Counties. Alcosan serves an area of 225 square miles with a population of about 900,000.

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APPENDIX B
Opinion of Co-Bond Counsel

APPENDIX B

The proposed form of the legal opinions of the Law Offices of Wayne D. Gerhold and R. Darryl Ponton & Associates, co-bond counsel, is set forth below. The actual opinions will be delivered on the date of delivery of the bonds referred to therein and may vary from the form to reflect circumstances both factual and legal at the time of delivery. Recirculation of the Prelliminary Official Statement following the date hereof shall create no implication that the Law Offices of Wayne D. Gerhold and/or R. Darryl Ponton & Associates have reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

$________________________
THE SCHOOL DISTRICT OF PITTSBURGH
(Allegheny County, Pennsylvania)
GENERAL OBLIGATION BONDS, SERIES OF 2011
Dated October 31, 2011 - Final Maturity September 1, ________

OPINION OF CO - BOND COUNSEL

To and for the attention
of the Purchasers of the
Described Bonds:

October 31, 2011

I have served as Co - Bond Counsel to The School District of Pittsburgh (Allegheny County, Pennsylvania) (the "Local Government Unit") and do hereby undertake to advise you in connection with the issuance, sale and delivery of its $_________, aggregate principal amount, General Obligation Bonds, Series of 2011 (the "Bonds"), issued in fully registered form, denominated in $5,000.00 or any integral multiple thereof, dated and bearing interest from October 31, 2011. The Bonds will mature on various annual dates ending September 1, ______. The Bonds are subject to optional redemption on or after March 1, 2017.

In that capacity, I have examined the Constitution of the Commonwealth of Pennsylvania; the Public School Code of 1949, Act of March 10, 1949, P.L. 30, No. 14, as amended (the "School Code"); the Local Government Unit Debt Act, as codified by the Act of December 19, 1996, P.L. 1158, No. 177 (the "Debt Act"); the formal actions of the Governing Body of the Local Government Unit authorizing the incurrence of nonelectoral debt evidenced by the Bonds (the "Debt Ordinance"); the corresponding Certificate of Approval of the Department of Community and Economic Development; the Internal Revenue Code of 1986, as amended (the "Tax Code"); the Federal Income Tax Certificate of an authorized officer of the Local Government Unit; and such other certificates, proceedings and law as I deemed necessary in order to render this opinion. Unless separately noted, I have not independently verified factual certifications either contained in the official statement, prospectus or other similar document used in connection with the sale of the Bonds or made to me by the Local Government Unit, its officers and agents during the course of my engagement.

Both principal of and interest on the Bonds are payable at the designated corporate trust office of U.S. Bank National Association , Pittsburgh, Pennsylvania, as Paying Agent for the Local Government Unit; said bank has additionally been appointed Registrar and Sinking Fund Depositary for the Bonds.

These proceedings demonstrate that, in the absence of any meritoriously-based action in a governmental or judicial forum affecting the validity of the Bonds, the same have been delivered upon full payment.

Based on the foregoing, I am of the opinion on this date as follows:

1. The Bonds are valid and binding general obligations of the Local Government Unit.

(a) The Bonds are issued for a valid purpose under the School Code.

(b) The Bonds, and all other outstanding debt of the Local Government Unit, are within constitutional and statutory limitations.

(c) The Debt Ordinance authorizing the Bonds was duly and properly enacted and is in full force and effect.

(d) The Bonds conform, in all substantial respects, to the form provided in the Debt Ordinance.

2. The Bonds are secured by a pledge of the full faith, credit and taxing power of the Local Government Unit. The Local Government Unit has effectively covenanted in the Debt Ordinance to include the amount of debt service on this issue, in each fiscal year for which such sums are due, in its budget for that year; to appropriate such amount to the payment of such debt service; and to pay or cause to be paid, from time to time as and when due, the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds. Additionally, the Bonds are secured by the "Commonwealth of Pennsylvania aid intercept" provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

3. Presently included among the general revenues of the Local Government Unit available for the payment of the Bonds are ad valorem taxes which may be levied, to the extent permitted by law, as to rate or amount, upon all taxable real property situate within the corporate limits of the Local Government Unit.

4. The Bonds are payable and enforceable according to their own terms, those of the Debt Ordinance and all provisions of the Debt Act; however, any such payment and enforcement could be restrained by a court of proper jurisdiction operating under the

authority of bankruptcy, receivership and other similar laws of accommodation and adjustment of creditors' rights, as then applicable.

5. The Bonds, having all the qualities and incidents of securities under Article 8 of the Uniform Commercial Code, are negotiable instruments.

6. The Bonds are authorized investments, under the Probate, Estates and Fiduciaries Code, as amended, for fiduciaries and personal representatives (as such terms are therein defined) within the Commonwealth of Pennsylvania.

7. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds (including, Bonds sold at an original issue discount, the differences between the initial offering price and par) is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, I have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. I express no opinion as to any other Federal income tax consequence arising from ownership of the Bonds.

9. The Bonds, and interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

Very truly yours,

Law Offices of Wayne D. Gerhold

R. Darryl Ponton & Associates

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APPENDIX C
SPECIMEN OF MUNICIPAL BOND INSURANCE

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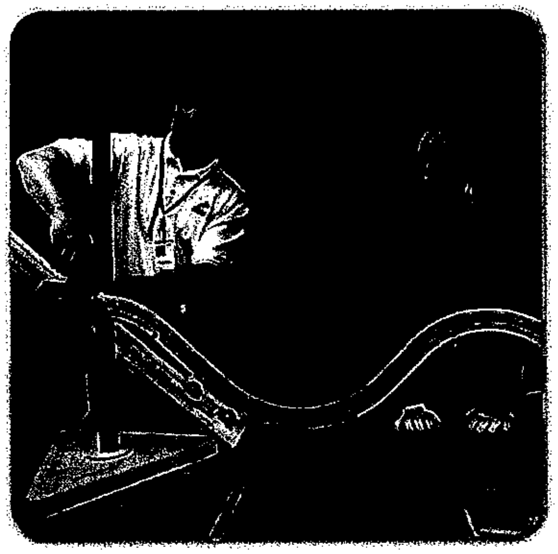
APPENDIX D
COMPREHENSIVE ANNUAL FINANCIAL REPORT

School District *of* Pittsburgh

PITTSBURGH, PENNSYLVANIA




Comprehensive Annual Financial Report

for the Fiscal Year Ended December 31, 2010

School District of Pittsburgh, Pennsylvania

341 S. Bellefield Avenue, Pittsburgh, Pennsylvania 15213

COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Prepared by the
Finance Division

Pamela R. Capretta, CPA
Director of Finance

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010
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INTRODUCTORY SECTION

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Pittsburgh Public Schools

June 20, 2011

Mrs. Sherry Hazuda, President
Board of Public Education
School District of Pittsburgh
341 S. Bellefield Avenue
Pittsburgh, Pennsylvania 15213

Dear President Hazuda, Board Members, Superintendent Lane, and Citizens of the School District of Pittsburgh:

A Comprehensive Annual Financial Report (CAFR) for the School District of Pittsburgh (the "District") for the year ended December 31, 2010, is submitted herewith. The CAFR was prepared by the District's Finance Division. This CAFR consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this CAFR. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Deloitte & Touche LLP, an independent firm of certified public accountants. One of the goals of the independent audit is to provide reasonable assurance that the financial statements of the District, for the fiscal year ended December 31, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended December 31, 2010, are fairly presented in conformity with GAAP in all material respects. The independent auditors' report is presented as the first component of the financial section of this CAFR.

The District is required to undergo an annual single audit in conformity with provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the supplemental schedule of expenditures of federal awards, findings, and independent auditors' reports on internal control and compliance with applicable laws and regulations are included in a separate report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity and Its Services

The District is organized and maintains its existence under and by virtue of the Act of March 10, 1949, P.L. 30, known as the Public School Code of 1949, as amended (the "School Code"). The District, the second largest school system in the Commonwealth of Pennsylvania ("Commonwealth" or "State"), is an independent governmental unit with its own taxing powers and operations, providing a full range of educational services to students in grades pre-kindergarten ("Pre-K") through 12 who reside in the City of Pittsburgh or Borough of Mt. Oliver. The 2000 census population of the two municipalities served totaled 338,533, covering a land area of 55.3 square miles.

The District's official 2010-11 membership included 27,132 students (Pre-K to 12) attending 63 schools. The projected enrollment for 2011-12 is 25,560 students (Pre-K to 12). The average age of the District's buildings is 75 years. The District offers programs for general education, special education, vocational education, and early childhood education.

In addition, 3,117 pupils residing in the city and boroughs attended 25 charter schools, including seven approved by the District, one approved by the Commonwealth of Pennsylvania, eight approved by other districts, and nine cyber schools approved by other districts. In Pennsylvania, charter schools are funded by payments from the school district of residence. Pittsburgh's charter school expenses in 2010 totaled $38,113,300, of which the state reimbursed $9,561,724.

Although public education in Pittsburgh dates back to 1835, the consolidated District was founded in November 1911, as a result of an educational reform movement that combined the former ward schools into one system with standardized educational and business policies. Initially, the District was governed by an appointed School Board (the "Board") of 15 members, but since 1976 has been governed by a nine-member Board elected by districts, all of which are of substantially equal populations. Board elections are held every two years. Four Board members were elected in 2007 with terms of office expiring in December 2011, while five Board members were elected in 2009 with terms of office expiring in December 2013. Board members serve without pay.

The School Code requires the Board to adopt an annual General Fund budget. A preliminary budget is proposed by the administrative staff which makes projections of the next year's revenues and determines expenditure limits. After the budget is prepared it must be available for public inspection. The Board is required by law to adopt the budget before the beginning of each fiscal year and levy the taxes necessary to provide the revenues budgeted. The Board adopts the budget after careful deliberation of its contents and after it considers public input. The District allocates funds to schools using a site-based budgeting process. These site-based budgets operate on a July 1 to June 30 cost accounting cycle. The General Fund budget is controlled by major objects, with transfers of funds between major objects requiring legislative approval of the Board by a two-thirds majority. The Board also adopts annual Food Service Fund and Capital Project budgets before the beginning of each fiscal year.

Pursuant to the School Code, the elected Controller of the City of Pittsburgh serves as the School Controller, providing internal auditing services, while the appointed Treasurer of the City of Pittsburgh serves as the School Treasurer, providing tax collection services.

The District's budget, governance, management, and taxing authority are independent of the City of Pittsburgh and Borough of Mt. Oliver.

As the policy-making body for the District, the Board is charged with providing the best educational programs the community can support in accordance with the School Code. Board-adopted policies governing financial operations include an accident and illness prevention program (risk management), as well as policies and programs for debt, fund balance, and investments (cash management). The chief administrative officer of the District is the Superintendent of Schools who is primarily responsible for implementing Board policy and generally overseeing all District employees.

The District's mission statement reads that:

> "The Pittsburgh Public Schools will be one of America's premier school districts, student-focused, well-managed, and innovative. We will hold ourselves accountable for preparing all children to achieve academic excellence and strength of character, so that they have the opportunity to succeed in all aspects of life."

The District's declaration of beliefs is as follows:

- All children can learn at high levels.
- Teachers have a profound impact on student development and should have ample training, support, and resources.
- Education begins with a safe and healthy learning environment.
- Families are an essential part of the educational process.
- A commitment from the entire community is necessary to build a culture that encourages student achievement.
- Improvement in education is guided by consistent and effective leadership.
- The central office exists to serve students and schools.

In March 2006, the Board adopted five goals for the District:

- Maximum academic achievement of all students
- Safe and orderly learning environment for all students and employees
- Efficient and effective support operations for all students, parents, teachers, and administrators
- Efficient and equitable distribution of resources to address the needs of all students to the maximum extent feasible
- Improved public confidence and strong parent/community engagement

Strategic Plan

The Pennsylvania Department of Education (PDE) requires a new strategic plan from each school district every six years. The Strategic Plan guides the District in implementing key strategies essential to accomplishing the District's mission and shared goals, both of which focus entirely on increasing the life prospects of the students we serve. It is a guiding document that organizes the District's state and federal compliance responsibilities, shared goals, and priority initiatives in one document. The District's Strategic Plan was most recently updated in November 2008.

Pittsburgh Public Schools, like all school districts in the Commonwealth of Pennsylvania, must respond to requirements of The Pennsylvania Public School Code, which includes academic standards, graduation requirements, governance responsibilities, and Empowerment Status for troubled districts. The District also must be in compliance with federal requirements for the Elementary and Secondary Education Act, also known as the No Child Left Behind Act, for academic performance in reading and mathematics, attendance and graduation rates, as well as Pennsylvania and federal regulatory requirements for areas such as new teacher induction; professional education; technology; special and gifted education; student services such as guidance, health services, social services, student privacy and the student code of conduct; and performance standards for business-related areas, including the use of accounting principles generally accepted in the United States of America in the preparation of financial reports.

The Strategic Plan also incorporates goals adopted by the Pittsburgh Board of Education; initiatives contained in the District's reform agenda, *Excellence for All*; additional goals such as improved customer service, parent and family engagement and stakeholder communications; and requirements contained in the Pennsylvania Human Relations Commission Conciliation Agreement established as the result of a suit filed in 1992 by the Advocates for African American Students in Pittsburgh Public Schools.

The Superintendent of Schools convenes the strategic planning process and charges the Chief of Staff and External Affairs to facilitate the process. Working with the Executive Cabinet and using the required planning template provided by PDE, the Chief of Staff draws together all elements outlined above into a written draft strategic plan.

Update on District Progress

In November 2009, the District released an update on the *Excellence for All* reform agenda that has guided the District's efforts to improve the academic performance of all students in the Pittsburgh Public Schools.

Of the 38 categories outlined in the *Excellence for All* progress update, the District exceeded or met its goal in eight areas, and made progress toward achieving 23 other stated goals. Only seven categories saw no progress or a moderate decline from the 2004-05 school year baseline, and the District will continue to focus its efforts in these areas.

The *Excellence for All* progress update provides evidence that the initiatives to improve academic achievement are taking hold. Specifically, the update showed that the District:

- increased the percentage of students proficient in Reading by the end of 3rd Grade from 49% to 62%;
- increased 8th Grade advanced Reading by 23% , more than 13% above the *Excellence for All* goal;
- exceeded goals for moving 5th and 8th Grade students toward advanced Math;
- Improved Reading proficiency across all gender, ethnicity, socio-economic status and ability levels;
- exceeded the goal for increasing the number of African American students taking AP courses; and
- increased the graduation rate by 8.3% based on state reporting requirements.

The *Excellence for All* agenda aims to move all children forward across all levels of achievement. This is a significant step beyond the federal and state No Child Left Behind (NCLB) requirements, which focus primarily on getting students to proficiency by 2014.

Reinforcing the belief that all children can learn at high levels, the District included measurable objectives not only for moving every student toward proficiency, but also for increasing the number of children at the highest levels of achievement. The plan utilized 2004-05 student achievement data for grades 5, 8 and 11 as the baseline for measuring progress.

To view the complete progress update on the District's *Excellence for All* goals, visit the District's website at www.pps.k12.pa.us or you may obtain a copy of the update by calling the Parent Hotline at 412-622-7920.

Major Initiatives

Core elements for raising student achievement that have been put in place under *Excellence for All* include implementing a new, rigorous PreK-12 curriculum; Launching the Pittsburgh Urban Leadership for Excellence (PULSE) initiative, a comprehensive system to recruit, train, support, evaluate, improve and compensate principals in order to ensure strong school leadership; providing ongoing professional development for instructional staff; and introducing the Positive Behavior Intervention Support (PBIS) Program to establish common expectations for good behavior.

The next building block in the District's vision of *Excellence for All* is the **Empowering Effective Teachers in the Pittsburgh Public Schools** plan which was developed collaboratively by the District and the Pittsburgh Federation of Teachers (PFT).

The teaching practice is highly complex and teaching in urban schools is extremely challenging. To be successful requires determination, resilience, and a unique set of skills and attributes. Because the quality of teaching is the single most influential factor in student learning, particularly for those students who enter school with academic deficits, the importance of having an effective teacher in every classroom, every day cannot be overstated.

With the development of the new Research-based Inclusive System of Evaluation (RISE), the District, PFT, and more than 120 teachers and administrators are striving to create an evaluation system that is:

- **fair, objective, and transparent**, so that evaluations are well-defined, well-understood, and consistent across schools and from year to year.
- **informed by the expertise and needs of Pittsburgh's teachers**, to ensure that the measures are not merely theoretical but rooted in actual day-to-day practice, Teachers have contributed countless volunteer hours to creating a tool that will be useful and fair to their colleagues.
- **multi-faceted and detailed**, so that teachers have access to rich information that they can use to inform all aspects of their practice.
- **useful to teachers in their continual development as professionals**, with processes for the use of evaluative information in multiple constructive ways—not just for "accountability".

At the same time, this initiative is contributing to a national effort to develop better tools for evaluating and understanding effective teaching and increasing student achievement.

Another component of the **Empowering Effective Teachers** plan calls for the creation of a positive teaching and learning environment in each school.

All District teachers were invited to complete a working conditions survey last year that was geared to determining improvements that could be made at individual schools as well as District-wide in order to create a Positive Teaching and Learning Environment. More than 2,000 educators – 85 percent of the workforce – responded to the survey, which is the highest participation rate of any district taking it for the first time.

The District and PFT agreed that a process was needed for the review and discussion of survey results at the building level. Teaching and Learning Environment liaisons were appointed in every school, as well as Early Childhood and Early Intervention locations. The liaisons work with the principal and school leadership team on action items and improvement plans, and they facilitate implementation of the action items outlined by the teams in their respective buildings. In addition to the work they are doing in their own buildings, the liaisons also are helping to develop and implement a District-wide strategy to drive improvements in the teaching and learning environment in every school.

Through the Promise-Readiness Corps, teams of teachers, counselors and social workers are providing that all-important support to entering ninth graders as they begin one of the most critical transitions in their academic experience.

The Promise-Readiness Corps teams were introduced in eight District high schools this year as part of the **Empowering Effective Teachers** plan. These teacher teams are linked with cohorts of approximately 100-120 students and they stay together through grades 9 and 10. Their goal is to ensure that each one of their students is on track to be Promise-Ready when they enter grade 11.

Promise-Readiness represents the District's efforts to ensure that every student is on course to graduate and be eligible for a scholarship from The Pittsburgh Promise®. The Pittsburgh Promise is the community's commitment to helping students to plan, prepare and pay for continuing education after high school. Regardless of family income, the Promise provides up to $20,000 over four years for eligible District students who meet academic, behavior and attendance requirements. The amount doubles to as much as $40,000 beginning with the Class of 2012.

While the focus remains on improving student academic performance, the District also is continuing efforts to reduce expenses and establish priorities for guiding the District through difficult financial challenges.

Economic Conditions and Outlook[1]

The Pittsburgh market area's economic recovery continues to steam forward. Pittsburgh's recession was not as deep as was experienced in many regions, or by the nation as a whole. Nonetheless, employment did decline more sharply than in either of the nation's two previous recessions. As of the end of the first quarter of 2011, jobs were only down by 1.5% versus the market area's pre-recession peak. This compares to the national job market still being down more than 5%. Pittsburgh's labor force saw a return to year-on-year growth in the first quarter of 2010, after a year and a half of declines to that point. The unemployment rate is down to 7.1% as job growth has been fairly consistent across industrial sectors (see Chart 1). Pittsburgh's labor market is healing, and should regain its pre-recession job count by the end of 2011.

Chart 1
Job Growth, (% change year ago)
& Unemployment Rate, (%, SA)

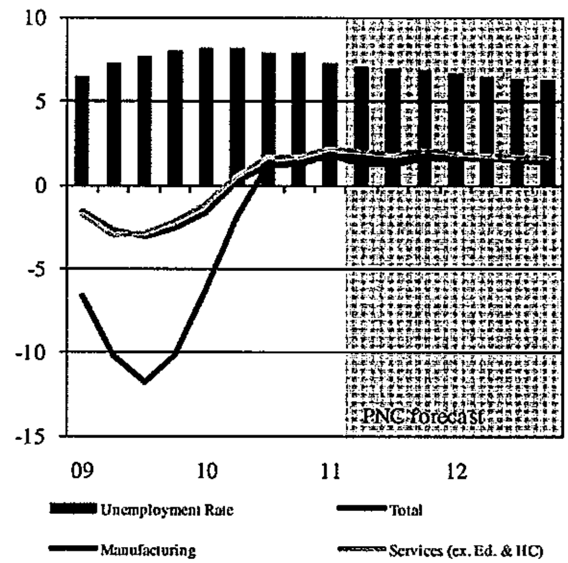
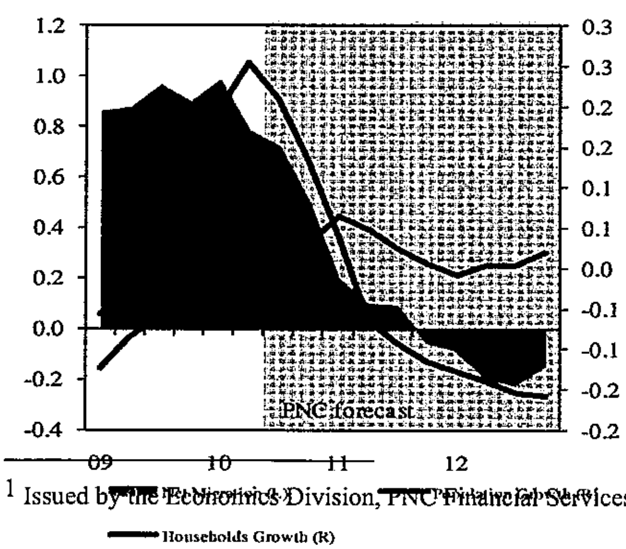


Chart 2
Demographic Growth, (% change, year ago)
& Net Migration, (Ths., SA)



Pittsburgh's population has been declining for decades now, but that trend may be changing. The region has long since put behind it the jarring loss of much of its steel industry, and population attrition has slowed measurably. In fact, estimates based upon the 2010 Decennial Census suggest that the market area has recently seen population gains due to the relative mildness of its recession (Chart 2). With little housing market weakness and an already-strengthening job market, Pittsburgh is well positioned to attract and retain young energy industry-including gas drilling activity in the Marcellus Shale Formation and reliable education, healthcare and financial employers that are among the most vital in the nation.

[1] Issued by the Economics Division, PNC Financial Services Group, May 2011.

Pittsburgh's housing market remains uneven. Prices have recovered nearly all of their pre-recession levels (down only 2%). Some of this advantage is due to the fact that Pittsburgh essentially never had a housing boom prior to the recession, and therefore did not suffer the ensuing bust. But the psychological impact of the nation's housing market collapse is likely to keep home values from rising rapidly. Pittsburgh may have escaped the worst of The Great Recession's impacts, but the consumer mindset that has emerged is more cautious regarding excess and debt, and no market is immune to these effects. New jobs and income gains will support stronger house price appreciation through demand pressures. Pittsburgh's head start in these areas will help its housing market find balance more quickly than the nation as a whole (see Chart 3).

Chart 3
Home Sales (Ths., SAAR)
& Price Growth, (% change year ago)

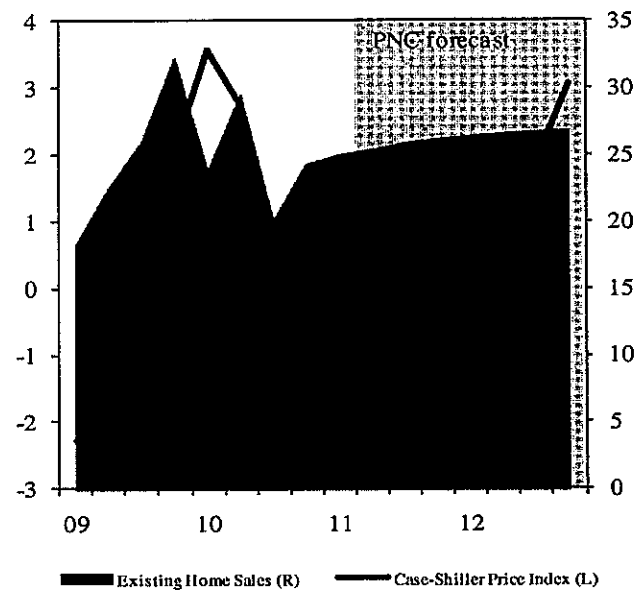
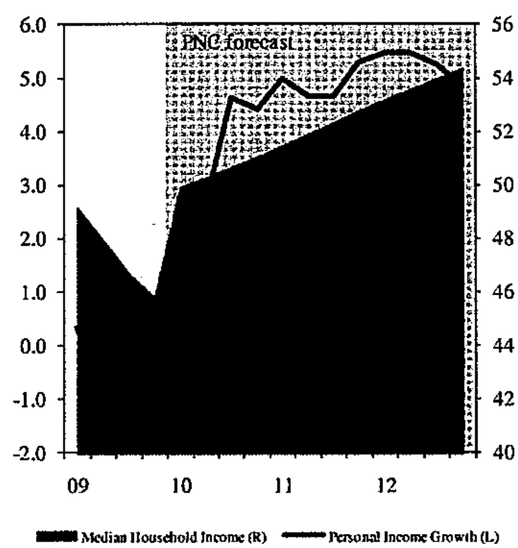


Chart 4
Income Growth (% change year ago)
& Median Household Income (Ths. $, SA)



The Pittsburgh market area endured only a brief period of actual income declines through the recession (Chart 4). Pay raises and bonuses suffered as unemployment ramped up, but that drag on income looks to be cleared quickly as job growth has already returned. Much of the credit goes to the strength and stability of Pittsburgh's education and healthcare employers for this turnaround. Pittsburgh's consistent income trends and lack of significant home equity losses provide strong positioning for future growth. Reliable income and stores of wealth in the way of home values translate well into consumer activity, which is the lifeblood of local economic growth. Credit quality deteriorated very little through the recession, leaving consumers primed to resume their place in the economic growth cycle.

Pittsburgh had a less-painful recession than most of its peer metropolitan areas. To a large degree, Pittsburgh did not share in much of the previous economic expansion, particularly the speculative run-up in housing prices. As a result, the market area did not suffer the sharp downturn as the speculative housing bubble burst. More important, however, has been the region's cadre of large, highly-regarded universities and hospitals that support both high incomes and steady job counts, and which bring a large population of students and others into the area. This economic core is a large part of what has made Pittsburgh so stable.

Also helpful have been several large commercial construction projects, such as Three PNC Plaza and the Consol Energy Center. To these, add additional upbeat trends such as the ramping-up of Marcellus Shale gas drilling and ongoing expansion of high-tech employer Westinghouse, and there is reason to expect continued recovery. Models continued modest job creation and stable economic growth in 2011. While the job picture will improve steadily throughout the year, slow labor force growth does mean that "moderate and steady" will continue to describe the market area for the foreseeable future, just as it did during the recession.

[redacted]

	U.S. 2010	U.S. 2011F	U.S. 2012F	Pittsburgh 2010	Pittsburgh 2011F	Pittsburgh 2012F
Employment Growth, (% change)	-0.7	1.2	1.8	0.2	1.0	1.1
Unemployment Rate, (%)	9.6	8.7	8.0	8.0	7.0	6.4
Personal Income Growth, (% change)	3.1	4.9	4.9	3.4	4.9	5.3
Median Household Income, (Ths. $)	50.5	51.8	53.3	50.5	52.1	53.8
House Prices, (% change)**	0.1	-3.8	0.7	1.3	-0.2	1.5
Single-Family Permits* (% change)	6.6	-5.3	17.6	43.0	-9.8	-8.0
Multifamily Permits* (% change)	1.7	23.1	17.7	-19.4	94.1	44.3

**U.S. starts, F = PNC forecast, **Case-Shiller House Price Index*

	U.S. 2002-2007†	U.S. 2007-2012†	Pittsburgh 2002-2007†	Pittsburgh 2007-2012†
Employment Growth, (% change)	1.1	-0.6	0.1	0.2
Unemployment Rate, (%)	5.3	7.7	5.2	6.4
Personal Income Growth, (% change)	5.6	3.0	4.3	3.5
Median Household Income, (Ths. $)	45.8	51.0	45.1	50.4
House Prices, (% change)**	7.7	-6.3	3.6	0.3
Single-Family Permits* (% change)	-5.3	-12.7	-6.2	-3.7
Multifamily Permits* (% change)	-2.5	-11.6	-13.9	-1.0

**U.S. starts, †per annum, **Case-Shiller House Price Index*

Data sources for all exhibits: Bureau of Census; Labor Department; National Association of Realtors; National Association of Home Builders; FHFA; Moody's Analytics; The PNC Financial Services Group

[redacted]

Chart 5
Total Employment, (% change year ago)

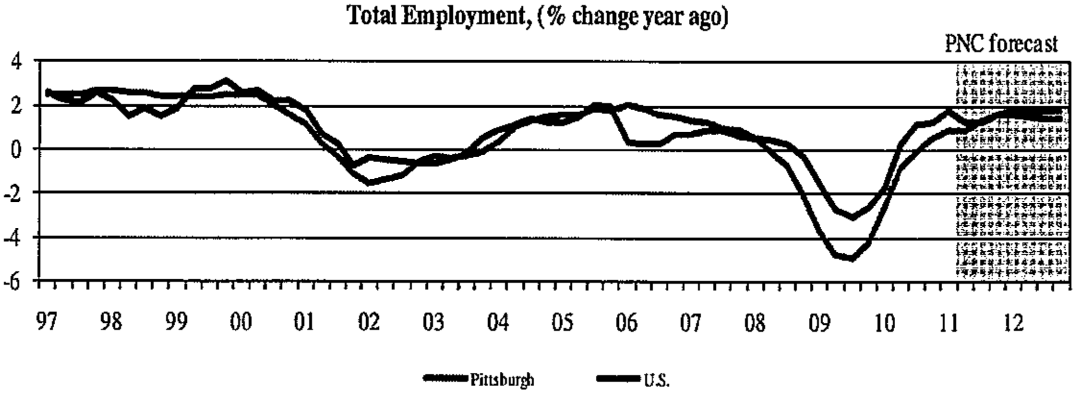


Chart 6
Population, (% change year ago)

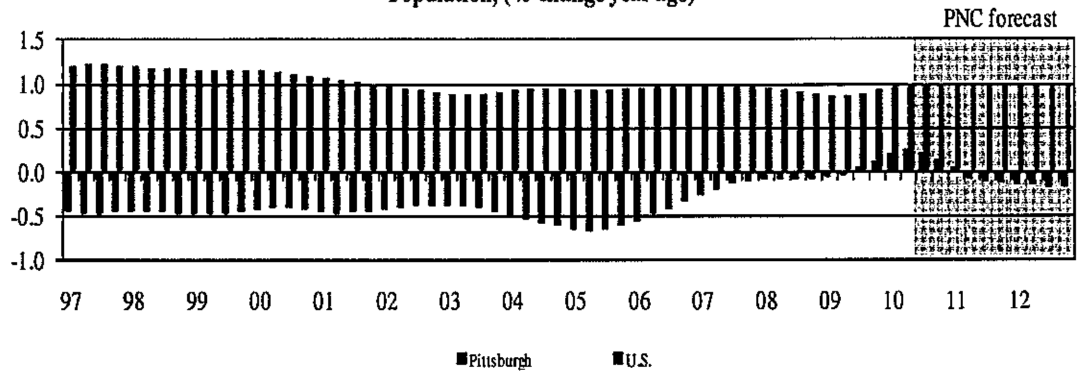
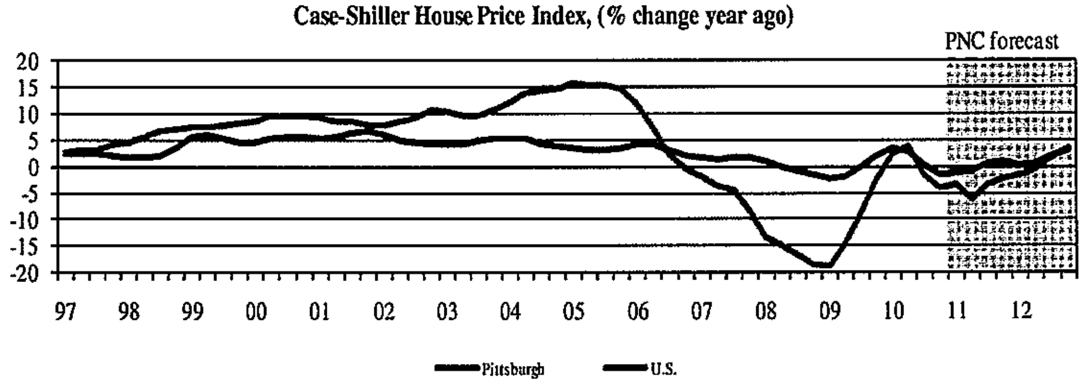


Chart 7
Case-Shiller House Price Index, (% change year ago)



Financial Matters Concerning the City of Pittsburgh

The City of Pittsburgh is the largest municipality served by the District. In November 2004, the General Assembly of the Commonwealth of Pennsylvania adopted legislation (HB 850 and HB 197) to provide financial assistance to the City of Pittsburgh which was in financial distress. This legislation negatively impacts the District's revenues as follows:

- The District, effective fiscal 2005, ceased to receive an annual appropriation of $4 million from the City of Pittsburgh, which was established by the Regional Asset District (RAD) legislation to compensate the District for the elimination of the Personal Property Tax.
- The District, effective fiscal 2005, had its right to levy Mercantile Tax rescinded. While the legislation referenced the incorrect statutory authority for the District, management believes the legislative intent is very clear and the Board did not pursue levying Mercantile Tax in fiscal 2005 or since. This legislation has had the effect of reducing District revenues by approximately $4 million annually.
- The District had a total of 0.25% of its Earned Income Tax authority shifted to the City of Pittsburgh by the end of 2009. This shift was structured such that 0.1% was transferred in 2007, 0.1% in 2008, and 0.05% in 2009. The total impact of 0.25% of the District's Earned Income Tax levy is approximately $12 million annually beginning in 2010 and thereafter.

- As of December 2010, this legislation has reduced the District's annual revenues by approximately $20 million.

Long-Term Financial Planning

The District applies a four-step process to long-term financial planning, incorporating phases for mobilization, analysis, decision, and execution. Planning is a continuous process and the Board receives a monthly update in the form of a three-year rolling forecast at its regularly-scheduled legislative meeting.

The short-term projection is further forecast for 10 years, providing District decision makers and stakeholders the ability to change assumptions quickly on matters such as collective bargaining agreements and capital programming to understand their long-term ramifications.

The District faces a projected structural deficit for 2011 and 2012 of $23.9 million and $68 million respectively, with expenditures outpacing generally flat revenues. The long-term forecast has the following characteristics:

- High cost per pupil is accelerated by declining enrollment and relatively steep fixed costs.
- No real capacity for local revenue enhancement exists.
- Key cost drivers include employee benefits, charter school payments and student transportation.
- The impact of the General Assembly's action to eliminate $20 million of the District's annual revenues due to the shift of Earned Income to the City of Pittsburgh.
- Underutilized facilities create resource inequities and diseconomies of scale.
- Outstanding debt is growing faster than the local tax base.
- Staff reductions must keep pace with enrollment decline.
- Decisions made now through 2012 are critical to the District's financial stability.
- The proposed 2011 State Budget includes a $16.9 million reduction in the basic Education funding.
- The proposed 2011 State budget resolution includes elimination of Charter School reimbursement as well as Education Assistance programs that provide tutoring and support for struggling students.

In short, our 10-year outlook requires strong stewardship and prioritization of spending demands, including restraint on capital expenditure appetites. Our course requires:

- aligning our site-based school budgets and centralized special education budgets to enrollment shifts; and
- achieving targeted reductions in central office services by applying the principles of budgeting for outcomes to prioritize the spending of 90% of our current support structure.

By imposing greater discipline, the District will spend proportionately more on the things that are critical to moving student achievement, yet still reduce the overall size of our budget and make substantial progress in slowing the growth of our cost per pupil.

Awards and Acknowledgements

The **Government Finance Officers Association of the United States and Canada (GFOA)** awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2009.

This was the fifth consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current report conforms to the program's requirements, and we are submitting it to GFOA to determine its eligibility for a certificate for the year ended December 31, 2010.

The **Association of School Business Officials International (ASBO)** awarded a **Certificate of Excellence in Financial Reporting** to the District for its CAFR for the fiscal year ended December 31, 2009.

In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to the program's standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Excellence is valid for a period of one year only. We believe that our current report continues to conform to the program's requirements, and we are submitting it to ASBO to determine its eligibility for another certificate for the year ended December 31, 2010.

The **Government Finance Officers Association of the United States and Canada** (GFOA) awarded an **Outstanding Achievement Award** to the District for its Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2009.

This was the second year that the District applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized PAFR.

The **Association of School Business Officials International (ASBO)** has presented the **Meritorious Budget Award** to the District for excellence in the preparation and issuance of the 2010 school system annual budget.

The Meritorious Budget Awards Program was designed by ASBO International and school business management professionals to enable school business administration to achieve excellence in budget presentation. The program helps school systems build a solid foundation in the skills of developing, analyzing, and presenting a budget.

The Meritorious Budget Award is only conferred to school systems that have met or exceeded the Meritorious Budget Award Program criteria. No other organization or award program is specifically designed to enhance school budgeting and honor a school system for a job well done.

The **Pennsylvania Association of School Business Officials (PASBO)** has awarded the District the **Award of Excellence in School Facilities for 2010.** The PASBO Award of Excellence in School Facilities is designed to recognize local education agencies with exceptional school facilities practices.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Budget and Finance Division. We wish to express our appreciation to all members of the division who contributed to the preparation of this CAFR and to the staff of Communications & Marketing for their assistance, as well as to the other offices that support financial management of the District, especially the School Controller and Technology departments.

We also wish to thank the Board of Directors and Superintendent of Schools for planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,

Peter J. Camarda
Acting Chief Operating and Financial Officer
and Assistant Secretary

Pamela R. Capretta, CPA
Director of Finance
and Assistant Secretary

In accordance with Section 21-2129, Public School Code of 1949 as amended, we submit herewith the auditor's report on the District's financial statement included in the Comprehensive Annual Financial Report of the District for the fiscal year ended December 31, 2010.

Respectfully submitted,

Michael E. Lamb
School Controller

Ronald C. Schmeiser, CPA
Deputy School Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

School District of Pittsburgh

Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

INTERNATIONAL

This Certificate of Excellence in Financial Reporting is presented to

1.1.1 SCHOOL DISTRICT OF PITTSBURGH

1.2 For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended December 31, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Erin Green

President

John D. Musso

Executive Director

School District of Pittsburgh
List of Elected and Appointed Officials
June 2011

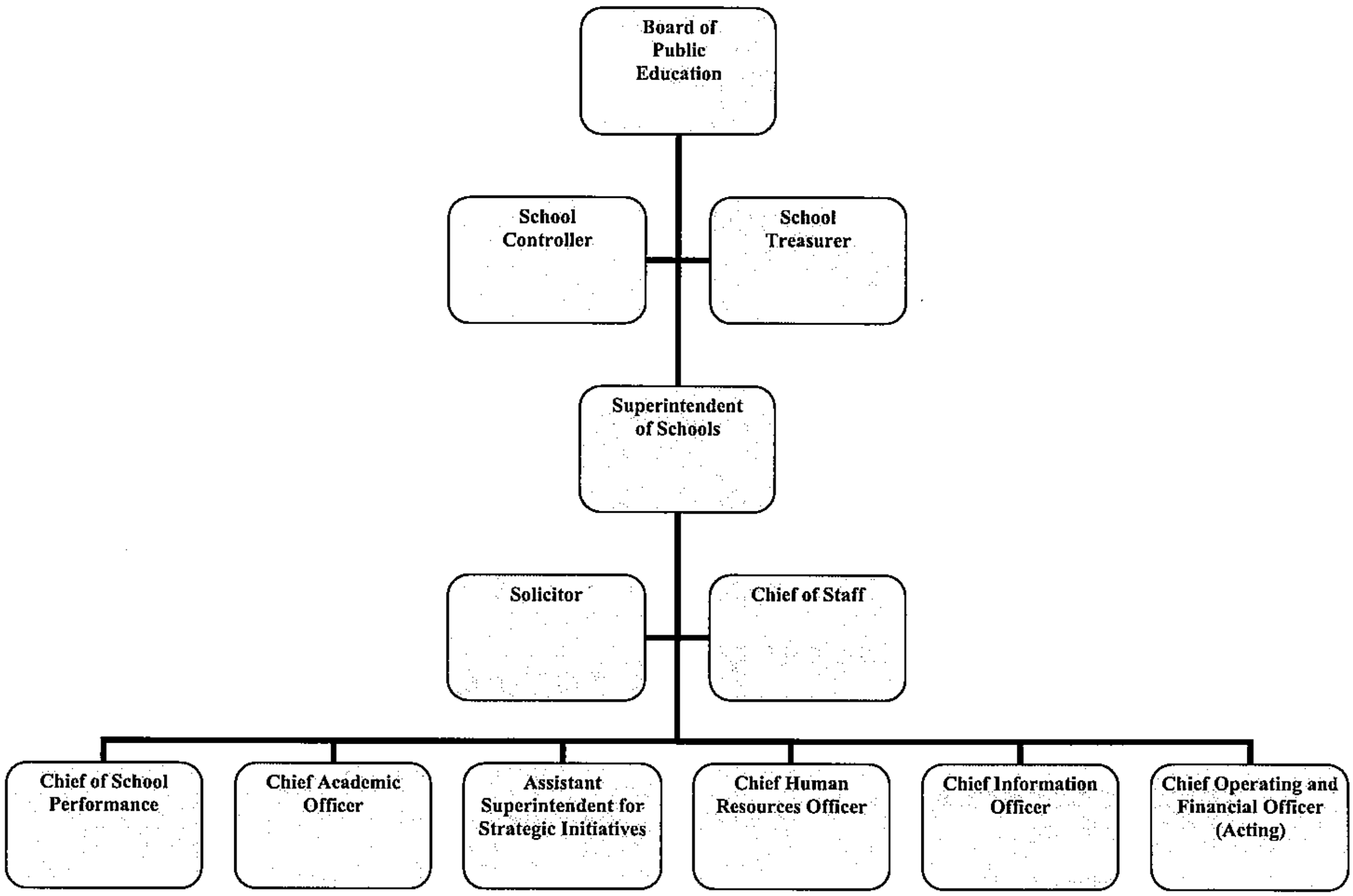
Elected Officials

Board of Directors	
Sherry Hazuda	President
Sharene Shealey	First Vice President
Thomas Sumpter	Second Vice President
Dara Ware Allen	Member
Mark Brentley	Member
Theresa Colaizzi	Member
Jean Fink	Member
William Isler	Member
Floyd McCrea	Member
School Controller's Office	
Michael E. Lamb	School Controller
Ronald Schmeiser, CPA	Deputy School Controller

Appointed Officials

Superintendent's Office	
Linda S. Lane	Superintendent and Secretary
Chief of Staff	
Lisa Fischetti	Chief of Staff
Chief Financial Office and Chief Operations Office	
Peter J. Camarda	Chief Operating and Financial Officer (Acting) and Assistant Secretary
Pamela R. Capretta, CPA	Director of Finance and Assistant Secretary
Patricia Forsythe, CPA	Accounting Supervisor
Chief of School Performance	
Jeanine French	Chief of School Performance
Chief Academic Officer	
Jerri Lippert	Chief Academic Officer
Chief Human Resources Officer	
Jody Spolar	Chief Human Resources Officer
Chief Information Officer	
Mark Campbell	Chief Information Officer
Law Office	
Ira Weiss	Solicitor and Assistant Secretary
School Treasurer's Office	
Margaret L. Lanier	School Treasurer

School District of Pittsburgh
Organizational Chart
June 2011



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Public Education
School District of Pittsburgh
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, business-type activities, and aggregate remaining fund information of the School District of Pittsburgh, Pennsylvania (the "District") as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the respective 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 respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and aggregate remaining fund information of the District as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity results conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4-16 and schedule of funding progress for the retiree health plan on page 64 are not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the District's basic financial statements. The combining and individual nonmajor fund financial statements and budget comparison schedule on pages 65-75 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the District's management.

The combining and individual nonmajor fund financial statements and budget comparison schedule have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section on pages i-xvii and statistical tables on pages 76-102 have not been subjected to the auditing procedure applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2011, on our consideration of District'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* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

June 20, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the School District of Pittsburgh (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2010. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the government-wide financial statements, fund financial statements, and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District's governmental activities exceeded its liabilities at the close of the most recent fiscal year by $163,643,926 (net assets). Of this amount, $92,711,757 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.

- Total net assets of the District's governmental activities increased by $10,690,148, or 6.99%, while net assets of business-type activities increased by $397,451, or 3.45%.

- The unreserved, undesignated fund balance of the general fund as of December 31, 2010, was $58,164,555, or 11.35%, of total general fund expenditures and other financing uses. The unreserved, undesignated general fund balance represents 10.76% of budgeted general fund expenditures and other financing uses for fiscal year 2011.

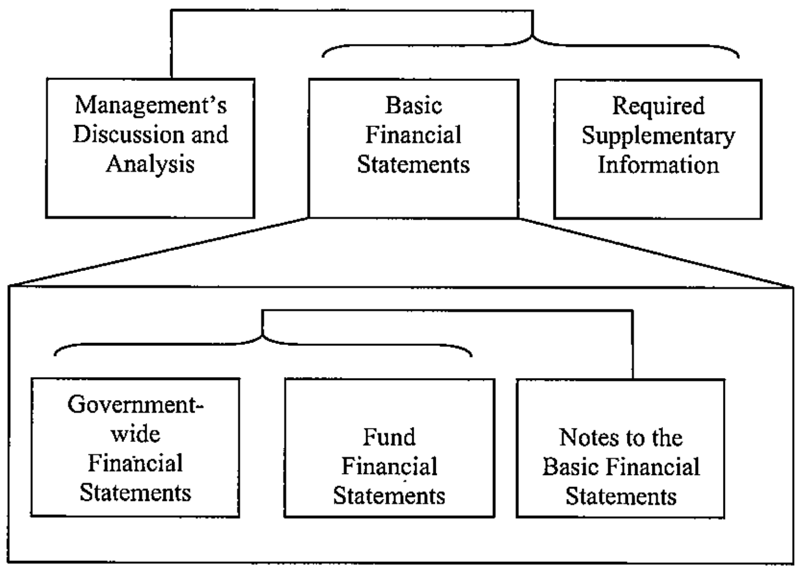
- In November 2010, the District issued three General Obligation Bonds:
  - $30,975,000 in General Obligation Bonds at an interest cost of 2.96% to refund the 2002 Series B General Obligation Bonds at a net present value saving of 3.23% of par.
  - $6,660,000 in General Obligation Bonds at an interest cost of 2.96% to refund the 2003 Series A General Obligation Bonds at a net present value savings of 3.23% of par.
  - $6,000,000 in General Obligation Bonds to fund and reimburse 2010 capital projects, which include District-wide improvements to the grounds, mechanical systems, building interiors and exteriors, in particular to Pittsburgh Science and Technology Academy at Frick, and Pittsburgh Concord K-5.

- In December 2010, the District issued one General Obligation Bond and two Notes:
  - $19,520,000 in Taxable Qualified School Construction Bonds to support the District's 2010 and 2011 major maintenance fund.
  - $13,972,000 SPSBA Note – Qualified School Construction Bonds to support the District's 2010 and 2011 Capital Improvement Plan.
  - $9,578,000 SPSBA Note – Qualified Zone Academy Bonds 2010 and 2011 Capital Improvement Plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Required Components of the
School District of Pittsburgh's
Financial Report



GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements include the statement of net assets and the statement of activities. Government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. The government-wide financial statements can be found on pages 17 and 18 of this report.

- The statement of net assets presents information on all of the District's assets and liabilities. The difference between the two is reported as net assets.
- The statement of activities presents information showing how the government's net assets changed during the year. Changes in net assets are recognized regardless of the timing of related cash flows.

FUND FINANCIAL STATEMENTS

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fund statements are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other Pennsylvania school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District uses three types of funds: governmental funds, proprietary funds, and fiduciary funds. Fund statements begin on page 19 of this report.

Governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Readers may get a better understanding of the long-term impact of the government's near-term financing decisions by comparing information presented for governmental activities in the government-wide financial statements. A reconciliation is presented to facilitate this comparison between governmental fund and governmental activities, which can be found on page 22 of this report.

The District maintains a general fund, a capital projects fund, and various special revenue funds. The general fund, special revenue, and the capital project fund are presented as major funds in the fund statements. A budgetary comparison statement is presented to show compliance with the annually adopted general fund budget. The budgetary comparison statement can be found on pages 23 and 24 of this report.

Two types of proprietary funds (internal service funds and enterprise funds) are presented in the District's statements. Internal service funds are an accounting device used to allocate health care, unemployment, workers' compensation, duplication services and general insurance costs internally among various functions. The individual internal services are present in the combining statements. The food service operations for the District are presented as enterprise funds. In the government-wide financial statements, the food service operation can be found under business-type activities. Internal service funds are combined with governmental funds in the government-wide financial statements. The basic proprietary funds statements can be found on pages 25, 26, 27, and 28 of this report.

The District's primary fiduciary fund includes agency funds, which are used to account for student activity funds. Student activities include, but are not limited to, student council, interscholastic athletics, and various clubs. The basic fiduciary fund statement can be found on page 29 of this report. A statement of changes in assets and liabilities can be found on page 75.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 62 of this report.

THE SCHOOL DISTRICT OF PITTSBURGH AS A WHOLE

The District has positive total net asset position in the amount of $175,564,845. The District's combined net assets for governmental activities and business-type activities increased by $11,087,599 during fiscal year 2010. The following factors contributed to the increase:

- Increase of $6.2 million or 1.2% in capital assets compared to a $263 thousand or 2.0% decrease in other noncurrent assets.
- The net assets restricted for Capital Project increased by $18.4 million due to unspent cash from December Capital borrowings.

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental and business-type activities.

TABLE 1 — NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current assets	$ 231,964,649	$ 212,191,497	$ 4,427,152	$ 2,856,181	$ 236,391,801	$ 215,047,678
Capital assets	516,434,499	510,085,898	9,444,693	9,632,120	525,879,192	519,718,018
Other noncurrent assets	12,952,281	13,215,525			12,952,281	13,215,525
Total assets	761,351,429	735,492,920	13,871,845	12,488,301	775,223,274	747,981,221
Current liabilities	103,378,678	100,211,014	1,616,734	608,289	104,995,412	100,819,303
Noncurrent liabilities	494,328,825	482,328,128	334,192	356,544	494,663,017	482,684,672
Total liabilities	597,707,503	582,539,142	1,950,926	964,833	599,658,429	583,503,975
Net assets:						
Invested in capital assets, net of related debt	14,027,441	22,263,955	9,444,693	9,632,120	23,472,134	31,896,075
Restricted	56,904,728	38,546,724			56,904,728	38,546,724
Unrestricted	92,711,757	92,143,099	2,476,226	1,891,348	95,187,983	94,034,447
Total net assets	$ 163,643,926	$ 152,953,778	$ 11,920,919	$ 11,523,468	$ 175,564,845	$ 164,477,246

The District's net assets invested in capital assets net of related debt of $23,472,134 as of December 31, 2010, reflects its significant investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 2 — CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 3,735,342	$ 3,900,934	$ 2,878,544	$ 2,359,785	$ 6,613,886	$ 6,260,719
Operating grants and contributions	100,337,549	93,464,939	12,651,008	12,212,629	112,988,557	105,677,568
Capital grants and state subsidies		1,145,639				1,145,639
General revenues:						
Property taxes and other taxes	263,985,042	260,323,081			263,985,042	260,323,081
Investment income	3,309,796	5,051,424	280	923	3,310,076	5,052,347
Federal and state grants and subsidies	246,496,380	238,629,300			246,496,380	238,629,300
Miscellaneous income	7,817,222	6,400,064			7,817,222	6,400,064
Total revenues	625,681,331	608,915,381	15,529,832	14,573,337	641,211,163	623,488,718
Expenses:						
Instruction	367,624,843	359,892,900			367,624,843	359,892,900
Instruction student support	77,196,218	76,343,837			77,196,218	76,343,837
Administrative and financial support services	39,632,257	41,894,934			39,632,257	41,894,934
Operation maintenance services of plant services	50,102,490	50,554,945			50,102,490	50,554,945
Student transportation	39,531,164	38,990,860			39,531,164	38,990,860
Student activities	6,065,262	6,287,969			6,065,262	6,287,969
Community services	393,461	174,651			393,461	174,651
Scholarships and awards		25,881				25,881
Food services	34,672	9,261	15,202,951	14,997,269	15,237,623	15,006,530
Facilities	9,391,546	10,313,503			9,391,546	10,313,503
Interest on long-term debt	24,948,700	25,581,149			24,948,700	25,581,149
Total expenses	614,920,613	610,069,890	15,202,951	14,997,269	630,123,564	625,067,159
Increase in net assets before transfers	10,760,718	(1,154,509)	326,881	(423,932)	11,087,599	(1,578,441)
Transfers	(70,570)	427,340	70,570	(427,340)	-	-
Change in net assets	10,690,148	(727,169)	397,451	(851,272)	11,087,599	(1,578,441)
Net assets — January 1	152,953,778	153,680,947	11,523,468	12,374,740	164,477,246	166,055,687
Net assets — December 31	$ 163,643,926	$ 152,953,778	$ 11,920,919	$ 11,523,468	$ 175,564,845	$ 164,477,246

Unrestricted net assets, or the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, was $95,187,983 as of December 31, 2010.

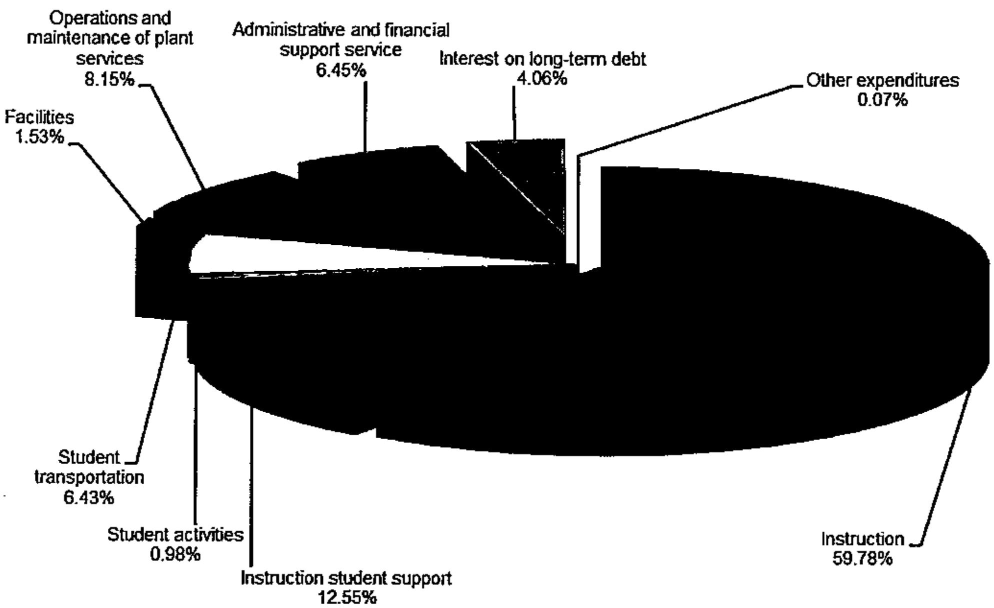
Governmental Activities — Net assets for governmental activities increased by $10,690,148, as compared to a decrease of $727,169 in the prior fiscal year, primarily because general revenues increased by $11,204,570. One contributing factor to the improvement in net assets was the increase in grant revenues, mainly due to the receipt of ARRA Funds and the Gates funding for the Empowering Effective Teachers program. The following chart displays the District's expenses for governmental activities. The expenditure increase was $4,850,723, which is an improvement over the 2009 increase of $10,837,639. The increase of $5,561,379 in program revenues offset the increase in expenditures.

- Compensated absences continued to decrease this year by $843,583. With declining enrollment the District has chosen to eliminate many personnel positions through attrition.

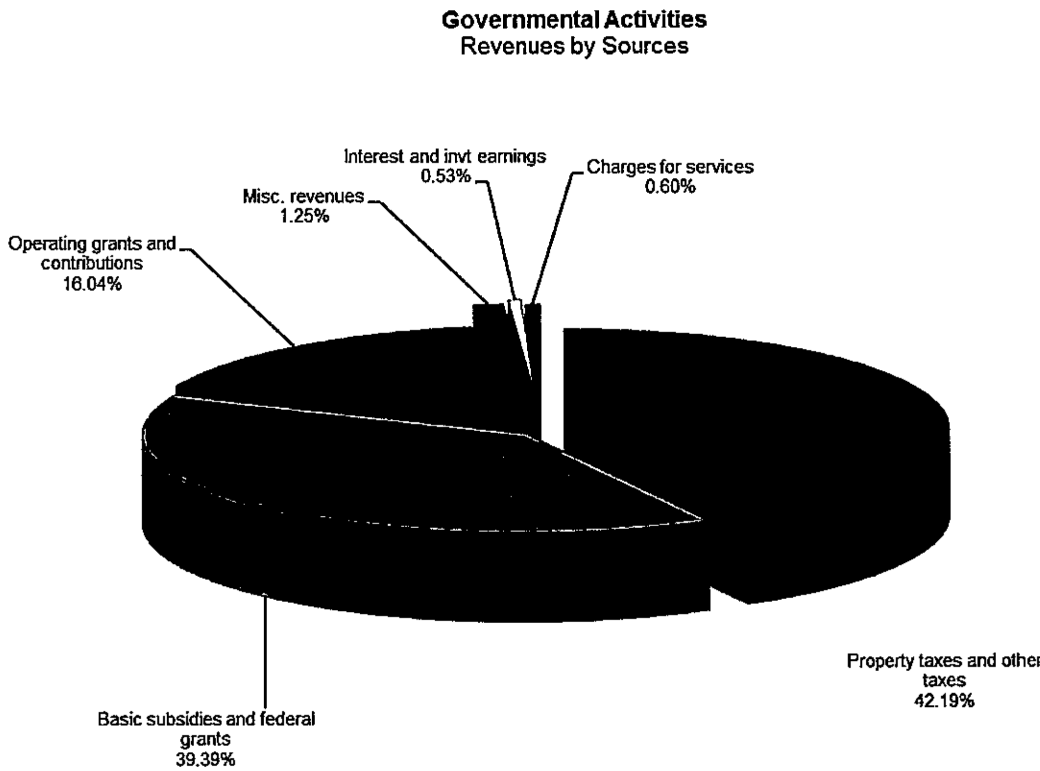
- The District's annual long term borrowing for capital projects was $10.7 million larger than the 2009 capital borrowing which contributed to the $13.9 million increase in outstanding bonds and notes payable.

- The District continues to see yearly net increases in postemployment benefits related to health care. At the present time, the District is only funding current retirees' expenditures; however, the District saw improvement in the $2.4 million increase in 2010 compared to the 2009 increase of $4.1 million.

Governmental Activities
Expenditures - Type of Activities



Taxes, investment income, and local sources comprised 44.57% of revenues for the District's governmental activities as a whole and 52.61% of revenues for the general fund for the year ended December 31, 2010.



BUSINESS-TYPE ACTIVITIES

The net assets of our food service activities increased by $397,451 in fiscal year 2010, which is an improvement of $1,248,723 from fiscal year 2009 results.

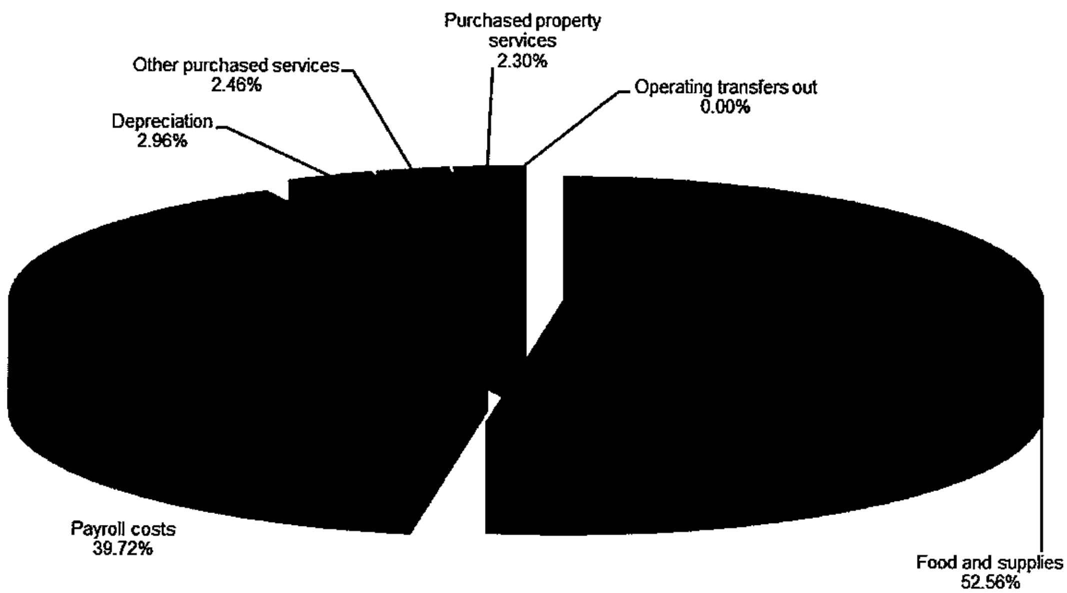
- Revenues increased by $956,495, or 6.5%, to $15,529,832 for 2010.
    - The Food Service Fund experienced an increase of $400,244 in federal reimbursement and donated commodities, due to the District's improved continual participation in USDA Provision II for 2009-2010 school year.
    - The District recognized additional revenue in charges for service from the Summer Dreamers Program.
- Operating expenditures increased by $205,682, or 1.37%, to $15,202,951 for 2010.
    - The costs of food and supplies increased by $321,730, or 4.21%, over the 2009 costs. This is largely due to food purchases for the Summer Dreamers Academy, a program added for summer 2010.

- A major factor in the improvement of net assets for 2010 is that the District's General Fund was not reimbursed $750,000 for indirect cost as in 2009.

- Food service expenses for the year ended December 31, 2010, included $447,547 for depreciation, which is a reduction of $139,408, or 24%, over 2009. Certain food processing equipment currently being used with 10 year useful life was fully depreciated in 2010.

- The District's largest expenses for business-type activities, as displayed in the following chart, are food, supplies and payroll costs.

Enterprise Fund - Food Service
Expenditures - Business Type Activities



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds — The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported an increase in fund balance of $18,686,730. The combined ending fund balance of total governmental funds was $124,811,739. Of this total amount, $99,203,781 constitutes unreserved fund balance, which is available for spending at the government's discretion. Unreserved balances include designations of $10,872,219 for the general fund and $26,099,566 for capital projects expenditures. The majority of fund balance remaining is reserved for previous commitments, or encumbrances of $25,607,958 to liquidate contracts and purchase orders. Of this amount, 86.34% relates to contracts for the purchase and construction of capital assets.

The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2010 and 2009:

	Fund Balance December 31, 2010	Fund Balance December 31, 2009	Increase (Decrease)
General fund	$ 72,529,250	$ 71,520,707	$ 1,008,543
Capital projects	48,209,857	29,185,785	19,024,072
Special revenue	3,621,026	4,852,781	(1,231,755)
Other governmental	451,606	565,736	(114,130)
	$ 124,811,739	$ 106,125,009	$ 18,686,730

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance and unreserved, undesignated fund balance to total fund expenditures. The total fund balance of the general fund as of December 31, 2010 was $72,529,250, or 14.15%, of total general fund expenditures and other financing uses. The unreserved, undesignated fund balance of the general fund as of December 31, 2010, was $58,164,555, or 11.35%, of total general fund expenditures and other financing uses. The unreserved, undesignated general fund balance represents 10.76% of budgeted general fund expenditures and other financing uses for 2011.

The fund balance of the District's general fund increased by $1,008,543. Key factors in this increase are as follows:

- The special education contribution of $61,554,821 was $295,947, or 0.48%, lower than that of 2009.
- Investment income decreased by $1,506,934, or 60.71%, from 2009, however, this was an improvement over the 2009 decrease of $2,378,031, or 48.92%, from 2008.
- Increase in basic instruction subsidy of $842,494; however, the State used ARRA funds of $19,465,790 to fund this subsidy in 2010. The District will lose this funding in 2011.

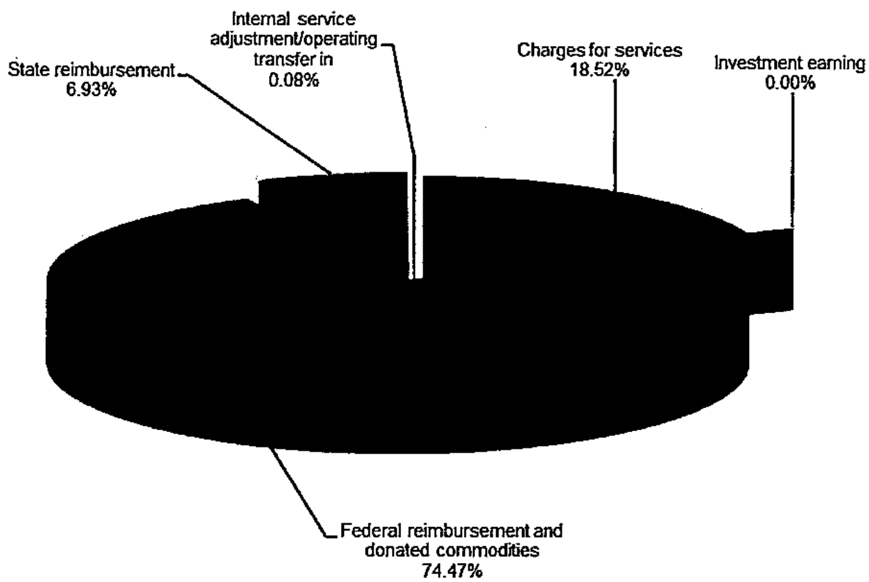
The District continues to see positive trends in salary expenditures. 2010 expenditures were $1,177,323 lower than their 2009 counterpart. Benefit expenditures saw a modest percentage increase of 2.80%.

This increase of general fund balance was better than the budgeted deficit, attributable to expenditure reductions in salaries, benefits, and purchased services.

The net increase of $19,024,072 in the capital projects fund balance is due to expenditures in construction of capital assets of $30,400,000 and transfers to other funds of $70,569 which was less than net proceeds for issuance of general obligation bonds of $49,424,072.

Proprietary Funds — The District utilizes an enterprise fund to account for all of the District's food service operations, which are financed and operated in a manner similar to private business enterprises. As noted in the following chart, food service operations intend to provide services at cost, which are financed or recovered primarily through governmental subsidies or user charges. For the year ended December 31, 2010, federal and state reimbursement and donated commodities comprised approximately 74.47% of food service revenues.

Enterprise Funds - Food Service
Revenues by Source - Business-Type Activities



The District has five internal service funds used to account for the District's self-insurance. These internal service fund profits have been eliminated in the government-wide presentation. The District has undertaken a number of initiatives to enhance the financial position of its self-insurance funds through improved risk management practices. The District's risk management strategy for its internal service funds is supported by a Joint Labor-Management Workplace Safety Committee and Health Care Cost Containment Committee.

Internal service funds total net assets decreased by $3,771,660 during 2010.

- Change in net assets for the workers' compensation fund was a decrease of $167,808. This decrease is an improvement of 91.66% from the 2009 amount of $2,012,809. The District's Board reduced the contribution rate from 0.9% of payroll to 0.1% of payroll for the first two quarters of 2009, returning it to 0.9%. Hence, the 2010 revenue amount of $2,703,706 is 99.87% more than the 2009. The improvement in the long-term workers' compensation reserve for the past several years can be contributed to claims administration and the efforts of the Joint Labor-Management Workplace Safety Committee.
- Net assets decreased in the self-insurance health care fund by $3,026,348, evidencing a year of rising health care costs. Revenues remained flat due to decrease in number of covered employees at the District.

The net asset balance is $8,938,800, and the estimated liability for incurred but not paid claims is $3,573,287.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2010 year, there was a $3,548,327 increase in appropriations between the original and final amended budget. The increase was a result of the carryover of encumbrances from the period ended December 31, 2009. A small number of budget transfers were approved by the District's Board which did not increase the overall budget. The following are the highlights of the Board transfers:

- $500,000 transferred to cover the Capital funding of Reserve Fund.

- $500,000 transferred to cover the funding of the General Liability Fund.

On the District's budgetary basis, actual results of 2010 for the General Fund were $8,677,398 better than budgeted. See Note 2 for additional information on the District's budgetary basis.

Actual revenues were $6,575,742 less than budgeted. When the final budgeted revenue is compared with actual revenues received from other financing sources, the variance is a decrease of $4,295,323. Key factors contributing to this decrease include:

- The Real Estate tax revenues are $2,159,273, or 1.3%, less than budgeted.

- The negative basic instructional subsidy difference of $22,021,308 reflects the use of federal ARRA funds to subsidize basic education. This partially was offset by the increase in federal subsidies of $17,845,230. The District will not receive the ARRA basic instructional subsidy in 2011.

- Investment income was $1,693,472 less than budgeted attributable to decreases in short-term interest rates during the year as the result of actions taken by the Federal Reserve Board and the continuing economic downturn.

- The District continues to see improvement in transportation revenue for reimbursement for student activity transportation runs which contributed to the 14.46% increase of actual revenues over budgeted revenues for this activity.

- State subsidy payments for retirement benefits came in $862,508 or 12.23% less than budgeted.

Actual expenditures were $93,983,225 less than budgeted, but when the final budget for expenditures is compared with actual expenditures and other financing uses, the variance is only $12,972,721. Key factors include:

- Instructional expenditures for regular elementary/secondary programs were $5,229,381 less than budgeted, indicative of reduced staffing levels adjusted for declining enrollments at the start of the 2009-2010 school year. Also, other professional service contracts were lower than anticipated.

- Instructional expenditures for special elementary/secondary programs were $65,344,950 less than budgeted. The appropriation for special elementary/secondary programs includes the District's budget for the operating transfer to the special education budget, which is recorded as another financing use on the income statement. Once this transfer is taken into consideration, the variance is $15,665,554 higher than budgeted.

- The District's budgeted contingency, originally adopted at $3,405,154, ended the year with a $3,480,154 balance. The District does not record any expenditure to the contingency function.
- Due to lower than budgeted heating needs and fixed pricing contracts, natural gas expenditures came in $1,343,574, or 24.79% lower than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets — The investment in capital assets principally includes school buildings, equipment, and machinery used to maintain and service those buildings. As of December 31, 2010, the District's investment in capital assets, net of depreciation, for its governmental and business-type activities amounted to $516,434,499 and $9,444,693, respectively, or a total of $525,879,192, net of depreciation. Renovations to Pittsburgh Concord were the primary contributors to the $6,161,174 net increase in capital assets.

The increase in machinery and equipment reflects the District's execution of one capital lease for technology to refresh certain desktop, laptops, and enterprise environments. For additional detail information please see Notes 5d and 5g to the financial statements.

SCHOOL DISTRICT OF PITTSBURGH'S CAPITAL ASSETS
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 29,839,929	$ 29,910,077	$ 43,878	$ 43,878	$ 29,883,807	$ 29,953,955
Land improvements	9,387,127	8,778,201			9,387,127	8,778,201
Buildings	448,704,817	453,281,504	8,439,386	8,646,448	457,144,203	461,927,952
Machinery and equipment	13,976,593	12,082,366	961,429	941,794	14,938,022	13,024,160
Construction in progress	12,342,859	6,033,750			12,342,859	6,033,750
Computer software	2,183,174				2,183,174	
Total	$516,434,499	$510,085,898	$ 9,444,693	$ 9,632,120	$525,879,192	$519,718,018

Long-Term Debt — At the end of 2010, the District had bonded debt outstanding of $487,810,536, including $1,645,000 in variable rate notes and $42,535,000 in taxable bonds. The Qualified Zone Academy Bonds outstanding in the amount of $8,195,536 are interest-free except for the 2006 QZAB which carries an interest rate of 1.38%. Two notes issued through the State Public School Board Authority are also outstanding in the amount of $23,550,000 with a net rate of 0.895%. The Qualified School Construction Bonds in the amount of $19,520,000 carries a net interest rate of 1.36%.

The 2010 capital budget was supported by six bond issues: $30,975,000 General Obligation Refunding Series A; $6,660,000 General Obligation Bonds Refunding Series B; $6,000,000 General Obligation Bonds Series C; $19,520,000 Qualified School Construction Bonds Series D; $9,578,000 Qualified School Construction Bonds Series A, issued through the State Public School Board Authority and $13,972,000 Qualified Zone Academy Bond Series B, issued through the State Public School Board Authority. The final maturities on these issues are September of 2022, 2018, 2030, 2029, 2028, and 2028, respectively. For additional detailed information please see Note 5e to the financial statements.

SCHOOL DISTRICT OF PITTSBURGH'S OUTSTANDING DEBT	Governmental Activities	
	2010	2009
General obligation and revenue bonds:		
General obligation bonds	$392,365,000	$419,062,994
Variable rate note payable	1,645,000	3,295,000
Qualified Zone Academy Bonds	8,195,536	9,306,700
Taxable		555,000
Build America Bonds	42,535,000	42,535,000
Qualified School Construction Bonds	19,520,000	
State Public School Board Authority Notes	23,550,000	
Total	$487,810,536	$474,754,694

Key provisions of the District's debt policy require that:

- Maturities of the debt will be set equal to or less than the useful life of the project.
- Final maturity shall not exceed 20 years, or the frequency with which the District may apply for debt service subsidy from the Commonwealth.
- Variable rate exposure should not exceed 10% to 20% of the District's debt portfolio.

The District carries an "Aa3" underlying and enhanced rating from Moody's Investors Service. The enhanced rating is based on Pennsylvania's Section 633 of the School Code as amended by Act 150 of 1975 School District Intercept Program, which calls for undistributed State aid to be funneled to bondholders in the case of a default. Standard & Poor's assigns an underlying "A-" rating and an enhanced rating of "A" on the District's bonds. S&P's rating outlook on the District is stable following the October 17, 2007, ratings downgrade.

NEXT YEAR'S BUDGET

In December 2010, the Board of Directors adopted a 2011 general fund budget of $540,919,398 (excluding estimated encumbrance carryovers of $3,492,476). The 2011 budget balanced revenues and expenditures using $10,872,219 of the unreserved general fund balance as of December 31, 2010. The unreserved, undesignated general fund balance of $72,529,250, as of December 31, 2010, satisfies the Board's fund balance policy requirement of 5% to 15% of operating expenses budgeted for 2011.

The real estate billable millage of 13.92 in place for 2010 remains the same for 2011.

The Board of Directors also approved a 2011 capital program in the amount of $45,373,627 to be funded from the issuance of general obligation debt which was issued in December 2010.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Pamela R. Capretta, Director of Finance, School District of Pittsburgh, 341 S. Bellefield Avenue, Pittsburgh, PA 15213.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2010

ASSETS	Governmental Activities	Primary Government Business-Type Activities	Total
CURRENT ASSETS:			
Cash	$ 77,591,996	$ 3,725	$ 77,595,721
Cash with fiscal agents	100,000		100,000
Investments	103,405,194		103,405,194
Accrued interest	270,248		270,248
Taxes receivables — net:			
Income taxes	13,528,285		13,528,285
Property taxes	30,031,512		30,031,512
Due from other governments	4,493,258	3,516,082	8,009,340
Internal balances — due to/from	230,393	(230,393)	
Inventories		848,474	848,474
Other receivables and prepaid expenses	2,313,763	289,264	2,603,027
Total current assets	231,964,649	4,427,152	236,391,801
NONCURRENT ASSETS:			
Restricted — cash	1,524,068		1,524,068
Restricted — investments	7,170,803		7,170,803
Deferred charges — issuance cost — net	4,257,410		4,257,410
Capital assets not being depreciated:			
Land	29,839,929	43,878	29,883,807
Construction in progress	12,342,859		12,342,859
Capital assets net of accumulated depreciation:			
Land improvements	9,387,127		9,387,127
Buildings and improvements	448,704,817	8,439,386	457,144,203
Furniture, fixtures, machinery, and equipment	13,976,593	961,429	14,938,022
Other capital assets — intangible assets	2,183,174		2,183,174
Total capital assets — net of accumulated depreciation	516,434,499	9,444,693	525,879,192
Total noncurrent assets	529,386,780	9,444,693	538,831,473
TOTAL	$ 761,351,429	$13,871,845	$ 775,223,274

LIABILITIES	Governmental Activities	Primary Government Business-Type Activities	Total
CURRENT LIABILITIES:			
Accounts payable	$ 31,442,892	$ 1,448,379	$ 32,891,271
Payroll withholdings	7,446,216		7,446,216
Accrued salaries payable	1,590,584	108,182	1,698,766
Judgements and contracts payable & claims	446,051		446,051
Interest payable	7,073,485		7,073,485
Unearned revenue	1,874,919		1,874,919
Other liabilities	867,769		867,769
Current portion of noncurrent liabilities	52,636,762	60,173	52,696,935
Total current liabilities	103,378,678	1,616,734	104,995,412
NONCURRENT LIABILITIES	494,328,825	334,192	494,663,017
TOTAL	$597,707,503	$ 1,950,926	$599,658,429
NET ASSETS:			
Invested in capital assets — net of related debt	$ 14,027,441	$ 9,444,693	$ 23,472,134
Restricted for:			
Capital projects	48,209,857		48,209,857
Workers' compensation	8,694,871		8,694,871
Unrestricted	92,711,757	2,476,226	95,187,983
TOTAL	$163,643,926	$11,920,919	$175,564,845

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	$ 367,624,843	$ 3,735,342	$ 75,462,722	$ -	$ (288,426,779)	$ -	$ (288,426,779)
Instruction student support	77,196,218		3,073,397		(74,122,821)		(74,122,821)
Administrative and financial support service	39,632,257		15,111,289		(24,520,968)		(24,520,968)
Operation and maintenance of plant services	50,102,490		31,987		(50,070,503)		(50,070,503)
Student transportation services	39,531,164		5,275,485		(34,255,679)		(34,255,679)
Facilities, construction, and improvement services	9,391,546				(9,391,546)		(9,391,546)
Student activities	6,065,262		723,811		(5,341,451)		(5,341,451)
Community services	393,461		658,858		265,397		265,397
Food service	34,672				(34,672)		(34,672)
Interest on long-term debt	24,948,700				(24,948,700)		(24,948,700)
Total governmental activities	614,920,613	3,735,342	100,337,549	-	(510,847,722)	-	(510,847,722)
Business-type activities — food service	15,202,951	2,878,544	12,651,008			326,601	326,601
Total business-type activities	15,202,951	2,878,544	12,651,008	-	-	326,601	326,601
Total primary government	$ 630,123,564	$ 6,613,886	$ 112,988,557	$ -	(510,847,722)	326,601	(510,521,121)
General revenues:							
Taxes:							
Real estate					167,021,527		167,021,527
Earned income					96,580,035		96,580,035
Others					383,480		383,480
Federal and state grants and subsidies not restricted to specific programs					246,496,380		246,496,380
Investment income					3,309,796	280	3,310,076
Miscellaneous income					7,817,222		7,817,222
Transfers					(70,570)	70,570	-
Total general revenues and transfers					521,537,870	70,850	521,608,720
CHANGE IN NET ASSETS					10,690,148	397,451	11,087,599
NET ASSETS — January 1, 2010					152,953,778	11,523,468	164,477,246
NET ASSETS — December 31, 2010					$ 163,643,926	$ 11,920,919	$ 175,564,845

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2010

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
ASSETS:					
Cash	$ 53,824,834	$ 485,317	$10,848,316	$451,606	$ 65,610,073
Cash with fiscal agent	100,000				100,000
Investments	45,639,312	51,324,605			96,963,917
Interest receivable	99,284	158,110			257,394
Taxes receivable — net	43,559,797				43,559,797
Due from other funds	214,509				214,509
Due from other governments	4,493,258				4,493,258
Other receivables	1,103,319		686,420		1,789,739
Prepaid items	170,769				170,769
TOTAL	$ 149,205,082	$51,968,032	$11,534,736	$451,606	$ 213,159,456
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 16,556,813	$ 3,758,175	$ 5,225,546	$ -	$ 25,540,534
Retainage	651,376				651,376
Due to other funds					
Accrued salaries payable	7,303,456		177,188		7,480,644
Payroll withholdings payable	7,445,229		987		7,446,216
Deferred revenue	44,486,259				44,486,259
Unearned revenue			1,874,919		1,874,919
Prepayment and deposits	232,699		635,070		867,769
Total liabilities	$ 76,675,832	$ 3,758,175	$ 7,913,710	$ -	$ 88,347,717
FUND BALANCES:					
Reserved for — encumbrances	$ 3,492,476	$22,110,291	$ -	$ 5,191	$ 25,607,958
Unreserved — reported in:					
Designated fund balance general fund	10,872,219				10,872,219
Designated for capital projects expenditures		26,099,566			26,099,566
General fund	58,164,555				58,164,555
Special revenue funds			3,621,026	432,047	4,053,073
Debt service funds				14,368	14,368
Total fund balances	$ 72,529,250	$48,209,857	$ 3,621,026	$451,606	124,811,739
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					516,434,499
Current assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					44,486,259
Internal service funds are used by management to charge the costs of individual workers' compensation, unemployment, and general liability to funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.					13,091,856
Certain liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.					(535,180,427)
NET ASSETS OF GOVERNMENTAL ACTIVITIES					$ 163,643,926

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Real estate	$ 161,280,364	$ -	$ -	$ -	$ 161,280,364
Earned income	96,580,035				96,580,035
Others	7,438,569		24,868		7,463,437
Local nontax revenue	2,638,625		8,195,026		10,833,651
Federal and state grants and subsidies	242,269,872		105,256,955		347,526,827
Investment income	975,198			870	976,068
Total revenues	511,182,663	-	113,476,849	870	624,660,382
EXPENDITURES:					
Current — instruction:					
Regular programs — elementary/secondary	193,051,624		21,035,061		214,086,685
Special programs — elementary/secondary	3,949,943		94,458,952		98,408,895
Vocational education programs	6,382,739		347,402		6,730,141
Other instructional programs — elementary/ secondary	1,299,441		4,260,569		5,560,010
Pre-Kindergarten	555,287		20,624,006		21,179,293
Payments to Charter Schools			1,093,976		1,093,976
Support services:					
Pupil personnel	10,561,970		4,316,366		14,878,336
Instructional staff	13,098,458		18,823,722		31,922,180
Administration	33,562,544		4,156,848	10,000	37,729,392
Pupil health	4,142,744		2,571,859		6,714,603
Business	5,428,701		236,607		5,665,308
Operation and maintenance of plant services	50,085,373		13,865		50,099,238
Student transportation services	30,243,185		9,282,317		39,525,502
Support services — central	8,449,696		8,590,263		17,039,959
Operations of noninstructional services:					
Food service	34,672				34,672
Student activities	4,381,034		1,600,242		5,981,276
Community services	11,475		450,262		461,737
Facilities acquisition, construction, and improvement services	3,378,852	29,464,350	1,627,991		34,471,193
Debt service:					
Principal	34,259,158			105,000	34,364,158
Interest	24,261,943				24,261,943
Bond issuance costs		935,650			935,650
Tax refunds	4,305,196				4,305,196
Total expenditures	431,444,035	30,400,000	193,490,308	115,000	655,449,343

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 79,738,628	$(30,400,000)	$(80,013,459)	$ (114,130)	$ (30,788,961)
OTHER FINANCING SOURCES (USES):					
Issuance of general obligation bonds		49,070,000			49,070,000
Proceeds from refunding of bonds		37,635,000			37,635,000
Premium on refunding bonds		5,287,951			5,287,951
Payments to refunded bond escrow agent		(42,498,310)			(42,498,310)
Sale of, or compensation for, capital assets	51,619				51,619
Transfers (out) in special education	(61,554,821)		61,554,821		
Transfers in	2,228,800		19,455,683		21,684,483
Transfers out	(19,455,683)	(70,569)	(2,228,800)		(21,755,052)
Total other financing (uses) sources	(78,730,085)	49,424,072	78,781,704	-	49,475,691
CHANGE IN FUND BALANCES	1,008,543	19,024,072	(1,231,755)	(114,130)	18,686,730
FUND BALANCES — January 1, 2010	71,520,707	29,185,785	4,852,781	565,736	106,125,009
FUND BALANCES — December 31, 2010	$ 72,529,250	$ 48,209,857	$ 3,621,026	$ 451,606	$ 124,811,739

See notes to financial statements.

(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2010

Amounts reported for governmental activities in the statement of activities (Page 18) are different because — net change in fund balances — total governmental funds (Pages 20 and 21):	$ 18,686,730
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,515,280
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(2,166,679)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	44,486,259
Revenues that were recognized as current financial resources that would have been accrued in prior periods in the statement of activities.	(41,493,841)
The issuance of notes payable and long-term debt (i.e., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(14,820,307)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	1,195,418
The net revenue of certain activities of internal service funds is reported with governmental activities.	(3,712,712)
Change in net assets of governmental activities (Page 18)	$ 10,690,148

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Budgetary Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Real estate	$ 163,439,637	$ 163,439,637	$ 161,280,364	$ (2,159,273)
Earned income	97,817,612	97,817,612	96,580,035	(1,237,577)
Real estate transfers tax	5,490,474	5,490,474	7,055,089	1,564,615
Mercantile			4,321	4,321
Public utility realty tax	392,333	392,333	379,159	(13,174)
Investment income	2,668,670	2,668,670	975,198	(1,693,472)
In lieu of taxes	145,533	145,533	111,806	(33,727)
State revenues received from intermediate source — other revenue from local sources and refund of prior years' expenditures	3,916,287	3,916,287	2,526,820	(1,389,467)
State grants and subsidies:				
Basic instructional subsidies	169,091,607	169,091,607	147,070,299	(22,021,308)
Subsidies for specific education programs	28,065,898	28,065,898	29,372,935	1,307,037
Subsidies for noneducational programs	30,560,548	30,560,548	32,405,127	1,844,579
Subsidies for state-paid benefits	14,549,246	14,549,246	13,955,720	(593,526)
Federal grants	1,620,560	1,620,560	19,465,790	17,845,230
Total revenues	517,758,405	517,758,405	511,182,663	(6,575,742)
EXPENDITURES:				
Instruction:				
Regular programs — elementary/secondary	200,495,384	198,847,830	193,618,449	5,229,381
Special programs — elementary/secondary	70,221,273	69,294,893	3,949,943	65,344,950
Vocational education programs	6,487,334	6,868,710	6,392,727	475,983
Other instructional programs — elementary/secondary	1,417,959	1,515,292	1,299,441	215,851
Pre-Kindergarten	532,391	532,391	555,287	(22,896)
Support services:				
Pupil personnel	11,435,664	11,735,525	10,591,486	1,144,039
Instructional staff	14,999,178	16,131,389	13,894,463	2,236,926
Administration	35,587,610	36,417,020	33,812,032	2,604,988
Pupil health	4,287,466	4,582,818	4,417,959	164,859
Business	6,053,442	6,452,381	5,561,965	890,416
Operation and maintenance of plant services	55,199,360	56,698,636	50,761,918	5,936,718
Student transportation services	33,863,348	33,866,828	30,268,668	3,598,160
Support services — central	9,512,052	9,896,373	8,666,315	1,230,058
Operations of noninstructional services:				
Food services	67,934	67,938	34,672	33,266
Student activities	5,294,168	5,496,905	4,402,876	1,094,029
Community services	44,365	44,365	11,475	32,890
Capital outlay — facilities acquisition, construction, and improvement services	3,605,641	4,123,602	3,870,538	253,064
Debt service:				
Principal	34,364,159	34,364,159	34,259,158	105,001
Interest	24,497,527	24,497,527	24,261,943	235,584
Tax refunds	4,000,000	4,005,000	4,305,196	(300,196)
Contingencies	3,405,154	3,480,154		3,480,154
Total expenditures	525,371,409	528,919,736	434,936,511	93,983,225

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Budgetary Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	$ (7,613,004)	$ (11,161,331)	$ 76,246,152	$ 87,407,483
OTHER FINANCING SOURCES (USES):				
Sale of, or compensation for, capital assets			51,619	51,619
Transfers in			2,228,800	2,228,800
Transfers out			(81,010,504)	(81,010,504)
Total other financing uses	-	-	(78,730,085)	(78,730,085)
CHANGE IN FUND BALANCE	(7,613,004)	(11,161,331)	(2,483,933)	8,677,398
FUND BALANCE — January 1, 2010	71,520,707	71,520,707	71,520,707	-
FUND BALANCE — December 31, 2010	$ 63,907,703	$ 60,359,376	$ 69,036,774	$ 8,677,398

See notes to financial statements.

(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2010

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash	$ 3,725	$11,981,923
Investments		6,441,277
Interest receivable		12,855
Due from other governments	3,516,082	
Inventories	848,474	
Other receivables	289,264	353,255
Total current assets	4,657,545	18,789,310
NONCURRENT ASSETS:		
Restricted cash		1,524,068
Restricted investments	-	7,170,803
Capital assets:		
Land	43,878	
Buildings	13,271,609	
Machinery and equipment	5,806,373	
Less accumulated depreciation	(9,677,167)	
Total capital assets (net of accumulated depreciation)	9,444,693	-
Total noncurrent assets	9,444,693	8,694,871
TOTAL	$14,102,238	$27,484,181
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 1,448,379	$ 5,697,034
Due to other funds	214,509	
Accrued salaries	108,182	16,304
Current portion of compensated absences	60,173	
Total current liabilities	1,831,243	5,713,338
NONCURRENT LIABILITIES:		
Compensated absences	334,192	
Workers' compensation reserve		8,694,871
Total noncurrent liabilities	334,192	8,694,871
TOTAL	$ 2,165,435	$14,408,209
NET ASSETS:		
Investment in capital assets	$ 9,444,693	$ -
Unrestricted	2,492,111	13,075,972
Total	11,936,804	13,075,972
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(15,885)	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES (Page 17)	$11,920,919	$13,075,972

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
OPERATING REVENUES:		
Contributions	$ -	$63,363,600
Charges for services	2,878,544	
Total operating revenues	2,878,544	63,363,600
OPERATING EXPENSES:		
Food service operations:		
Food and supplies	7,959,592	
Payroll costs	6,016,884	
Purchased property services	348,113	
Other purchased services	371,865	
Depreciation	447,547	
Support services — administration		57,917
Support services — central:		
Employee salaries, benefits, insurance, and supplies		408,223
Benefit payments		66,450,511
Claims and judgments		325,375
Total operating expenses	15,144,001	67,242,026
OPERATING INCOME	(12,265,457)	(3,878,426)
NONOPERATING REVENUES:		
Federal reimbursements and donated commodities	11,574,131	
State reimbursements	1,076,877	
Investment earnings	280	106,766
Total nonoperating revenues	12,651,288	106,766
INCOME BEFORE TRANSFERS	385,831	
TRANSFERS IN	70,569	
CHANGE IN NET ASSETS	456,400	(3,771,660)
NET ASSETS — January 1, 2010	11,480,404	16,847,632
NET ASSETS — December 31, 2010	$ 11,936,804	$13,075,972
CHANGE IN NET ASSETS	$ 456,400	
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS	(58,949)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (Page 18)	$ 397,451	

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions	$ -	$ 63,363,600
Receipts from customers and users	2,976,634	
Payments to suppliers	(7,143,054)	(64,572)
Payments to claimants		(66,259,144)
Payments to employees	(6,040,532)	(415,469)
Net cash used in operating activities	(10,206,952)	(3,375,585)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal and state reimbursements	12,106,060	
Advances to other funds	(1,710,088)	
Net cash provided by noncapital financing activities	10,395,972	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(260,119)	
Transfers from other funds	70,569	
Net cash used in capital and related financing activities	(189,550)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	280	108,850
Purchase of investments		(13,060,719)
Sale of investments		5,001,562
Net cash provided by (used in) investing activities	280	(7,950,307)
DECREASE IN CASH	(250)	(11,325,892)
CASH — January 1, 2010 (including $6,220,265 for the internal service funds included in restricted assets)	3,975	24,831,883
CASH — December 31, 2010 (including $1,524,068 for the internal service funds included in restricted assets)	$ 3,725	$ 13,505,991

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (12,265,457)	$ (3,878,426)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Donated commodities	579,301	
Depreciation	447,547	
Changes in assets and liabilities:		
Increase in inventory	(52,526)	
Decrease (increase) in other receivables	98,090	(343,343)
Increase in accounts payable	1,009,741	1,519,498
Increase (decrease) in accrued salaries	6,435	(7,246)
Decrease in compensated absences	(30,083)	
Decrease in the workers' compensation reserve		(666,068)
NET CASH USED IN OPERATING ACTIVITIES	$ (10,206,952)	$ (3,375,585)
NONCASH FINANCING TRANSACTION — Donated commodities	$ 579,302	

See notes to financial statements.

(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2010

	Private Purpose Trust	Agency Funds
ASSETS — Cash	$ 4,659	$ 1,186,190
LIABILITIES:		
Accounts payable — student activities funds	$ -	$ 1,186,190
Held in trust for escheated property payments	4,659	
TOTAL LIABILITIES	$ 4,659	$ 1,186,190
NET ASSETS	$ -	$ -

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District of Pittsburgh, Pennsylvania (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles. The following is a summary of the more significant policies:

a. *Reporting Entity* — The financial statements include all of the services provided by the District to its residents within its boundaries, which include nearly all of the City of Pittsburgh and the entire Borough of Mt. Oliver. Services provided include a comprehensive academic curriculum for primary and secondary as well as vocational courses and special education programs. The District also offers specialized curriculum and learning environments to students enrolled in the magnet programs, which offer educational options to parents and students. GASB Codification Section 2100, *Defining the Financial Reporting Entity*, provides guidance for the inclusion of entities in the District's financial statements. The financial reporting entity consists of:

   i. The primary government

   ii. Organizations for which the primary government is financially accountable

   iii. 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

   The Pittsburgh Mt. Oliver Intermediate Unit (the "Intermediate Unit") is excluded from the District's financial statements. The Intermediate Unit operates as a separate entity, which in addition to being responsible for providing services to public school students, is solely responsible for providing comparable services to all nonpublic school students within the geographic boundaries of the City of Pittsburgh and the Borough of Mt. Oliver. The Intermediate Unit operates independently of the District, having separate management and receiving the majority of its funds directly from the Commonwealth of Pennsylvania (the "Commonwealth"). The Directors of the Board of Public Education of the District (the "Board") authorized that its officers enter into an agreement with the Intermediate Unit whereby the District will provide all special education services including transportation for the Intermediate Unit. A fund was established for the operation of a special education program in the District. The officers of the Board authorized the acceptance of the Commonwealth revenue from the Intermediate Unit and the transfer of special education revenues, which the District received, from the Commonwealth to the Intermediate Unit. The Intermediate Unit utilized the monies to fund the operation of the special education program. During 2010, the District received $27,625,462 from the Commonwealth for special education costs. The Intermediate Unit's financial statements can be obtained at 515 North Highland Avenue, Pittsburgh, PA 15206. The Intermediate Unit is not part of the District reporting entity and is not included in the accompanying financial statements in accordance with the GASB's definition of the financial reporting entity and component units.

b. *Government-Wide and Fund Financial Statements* — The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Interfund activity primarily for payroll allocation has been removed based on salary percentages. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The functional expenses include an element of indirect costs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The basic financial statements now include government-wide (based on the District as a whole) financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

c. *Fund Financial Statements* — Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds composed of Private Purpose Trusts and Agency Funds, even though the latter are excluded from the governmental financial statements. The District's major governmental funds are the general fund, capital projects, and special revenue. The major enterprise fund is food service.

i. Governmental Funds

General Fund — The General Fund is used to account for all financial resources except those required to be in another fund.

Special Revenue Fund — The Special Revenue Fund is used to account for proceeds of specific revenue sources (other than major capital projects). Revenue sources include federal and state grants and other sources, which are used to finance particular activities within specific administrative and legal restrictions. This fund is legally restricted to expenditures for specified purposes, as defined by the appropriate federal, state, and other nonprofit grant programs and those created by District legislative action.

Capital Projects Fund — The Capital Projects Fund is used to account for financial resources related to acquisition, construction, improvement, and major maintenance of capital facilities.

Nonmajor Governmental Funds — The Nonmajor Governmental Funds are used to account for both special revenue funds and debt service funds. Special revenue funds are used to account for a nonprofit grant program and funds created by District legislative action. The debt service fund accounts for the resources accumulated that will be used by the District for payments of principal and interest related to long-term general obligation debt for closed school buildings.

ii. Proprietary Funds

Food Service — The Food service is used to account for all of the District's food service operations, which are financed and operated in a manner similar to private business enterprises. Food service operations intend to provide services at cost, which are financed or recovered primarily through user charges or governmental subsidies. The District has consistently implemented private sector guidance issued on or before November 30, 1989, for the food service fund, unless they conflict with or contradict GASB pronouncements.

Internal Service Funds — The Internal service funds are used to account for the workers' compensation, medical benefits, unemployment compensation, general liability, and duplication services.

iii. Fiduciary Funds

Private Purpose Trust Funds — Private purpose trust funds are used to account for assets held by the District in a trustee capacity. The District uses these to account for escheated property. The measurement focus of these funds is similar to proprietary funds.

Agency Funds — Agency funds are used to account for assets that the District holds on behalf of various student activity groups.

d. Measurement Focus and Basis of Accounting — The government-wide 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 the related cash flows. Property taxes are recognized as revenues in the year from which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. This focuses on the determination of and changes in financial position, and generally only current assets and current liabilities are included on the balance sheet. Revenues are recorded as soon as they are both measurable and available.

- The revenues are recognized when they become measurable and available to finance the District's operations. Property and other taxes are susceptible to accrual and are recognized as current revenue when received during the year and also when received by the District within 60 days after the close of the year.

- Currently levied property and other taxes that are not received by the District within 60 days after the close of the current year are susceptible to accrual and are recorded as deferred revenue of the General Fund after giving effect to a reserve for uncollectible taxes.

- State subsidies due to the District as current-year entitlements are recognized as revenue in the year that they are due to be received.

- Revenues from federal, state, and other grants designated for payment of specified District expenditures are recognized in the Special Revenue Funds when the related expenditures are incurred.

- Expenditures are generally recorded when a liability is incurred under accrual accounting. Because of their "current financial resources" measurement focus, expenditure recognition for governmental fund types excludes certain liabilities. Such liabilities are not recognized as governmental fund type expenditures or fund liabilities. Exceptions to this rule are 1) principal and interest on general long-term debt; 2) compensated absences, which are recorded only when payment is due; and 3) judgments and claims.

Proprietary Funds are accounted for on the "economic resources" measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activities are included in the statement of net assets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund and of the government's internal service funds are charges to customers for sales and services and governmental subsidies. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

e. *Assets, Liabilities, and Net Assets or Equity*:

i. Deposits and Investments — Cash is pooled (except where legal restrictions require a separate account to be maintained) to improve the District's cash and investment management programs. All interest earnings are reported in the general fund except where legally restricted.

Receipts from member funds increase their equity in the account, and disbursements made on behalf of member funds reduce their equity. Interest earned on investments is distributed, where applicable, to member funds based on their equity in the consolidated cash account. Investment income earned on capital project funds is legally accrued to benefit the general fund.

Investments are recorded at fair value, based on quoted market prices and other readily determinable fair values.

ii. Restricted Assets — Certain cash and investments of the District are classified as restricted assets because their use is limited by applicable covenants or a court order.

Investments are restricted in the Workers' Compensation Fund under Internal Service Funds for benefit claims.

iii. Inventories — Inventory in the Proprietary Fund consists of food and supplies. Commodities donated by the U.S. Department of Agriculture to the District are recorded at fair value. The remainder of the inventory is priced at average cost. The inventory is accounted for under the consumption method.

iv. Receivables and Payables — All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 19.65% of outstanding property taxes at December 31, 2010.

The Treasurer of the City of Pittsburgh bills and collects all property taxes based on assessed valuations provided by Allegheny County. The Treasurer has dual responsibility for collection of taxes for the City of Pittsburgh and the District. For the year ended December 31, 2010, the District paid $3,680,662 for this service.

The following statutory dates are applicable to property taxes:

Levy date	January 1
Lien date	January 1
Due date	February 28

Real estate taxes are billed in January. The gross amount is due February 28. A 2% discount can be taken if the taxes are paid in full by February 10. Real estate taxes can also be paid in installments. The first installment is due by February 28, the second is due by April 30, and the third is due by July 31. A 2% discount can be taken on the first installment if it is paid by February 10. No discount is allowed on the second or third installments. Also, no discount is allowed on that part of a payment paid by February 10 that is more than the first installment but less than the full year's taxes. Interest is charged at a rate of 10% per annum, accrues on the first of the month for the entire month or part thereof from the date that the tax claim is filed in the Office of Court Records and continues until the end of the month in which the tax is fully paid.

The District provides programs and schedules of real estate tax abatement for new construction and rehabilitation of deteriorated residential properties pursuant to the Commonwealth legislative authority. The residential abatement program provides for the abatement of taxes for a period of three years on the increased assessment attributable to new construction or rehabilitation as prescribed in the School Board Resolutions of December 21, 1977, and June 25, 1980.

The school tax rate in 2010 was 13.92 mills ($1 per $1,000 assessed valuation) on an assessed value of $13.3 billion.

Activities between funds are representative of lending/borrowing arrangements outstanding at the end of the year and are referred to as either "due to/from other funds" in the funds statements.

v. Due from Other Governments — Grant revenues from federal, state, and local governmental agencies, and other entities are recognized when expenditures are incurred. "Due from other governments" primarily represents the excess of grant expenditures over funds collected and other state subsidies.

vi. Prepaids — The District uses specific identification methods to record insurance prepayments in governmental funds.

vii Capital Assets — Capital assets, which include property, plant, equipment, intangibles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental- or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than $1,500 (plus all desktops, laptops, and network printers if the historical cost is less than $1,500) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	**Years**
Buildings	50
Electrical/plumbing/sprinkler/fire	25
Heating, ventilation, and air-conditioning systems	25
Interior construction	25
Roofing	25
Land improvements	20
Equipment	10
Fleet	10
Vehicle/copier	5
Computer hardware	3–5
Intangibles/internally generated software	5

viii. Deferred and Unearned Revenues — Deferred revenues represent receivables which will be collected and included in revenues of future fiscal years. Unearned revenues represent funds received in advance of being earned. In the General Fund, deferred revenues relate to property tax receivables that were levied in the current and prior years but will not be available to pay liabilities of the current period. In 2010, the District deferred revenue of $15,578,375 for the receipt of State gaming revenue to be used for 2011 Homestead reductions for property taxes. In the Special Revenue Funds, unearned revenues represent grant funds received prior to expenditure or grant funds that have been earned, but the resources are not considered to be available.

ix. Compensated Absences — Twelve-month employees of the District earn vacation on a monthly basis at the rate of 10 to 25 days per year depending on employment classification and length of service. Unused vacation may be carried beyond the leave year of July 1 to June 30 only with the approval of the Superintendent of Schools. Certain employees also earn two personal leave days per year beginning with their third year of continuous service. Unused personal days are converted to sick leave on the employee's annual anniversary date.

Unpaid earned vacation and unconverted personal leave days are accrued.

Sick leave is cumulative and is earned based on the length of an employee's work year and employment agreement with the District.

Severance pay is based on the accumulated balance of sick leave and personal leave. Administrator retirees are entitled to 50% to 65% of their daily rate of pay at 75% of their accumulated balance as specified in specific contracts, and resignees are entitled to one-third of their accumulated balance. The daily rate for resignees is the lesser of $60 per day or their daily rate. The accrual for severance compensation at December 31, 2010, is based on whether the employee is qualified to receive retirement pay or resignation pay at December 31, 2010.

In addition, employees in certain administrative positions earn terminal vacation days. They may accumulate these days as a one-time allotment to a maximum of 25 days, which will be paid upon retirement or resignation from the District. This terminal leave benefit has been eliminated for new school administrators promoted or hired after January 1, 2000.

Severance pay for food service employees is accrued in the proprietary fund. The current portion is based on the amount estimated to be paid in 2010. All vacation pay and severance pay is accrued when incurred in the government-wide and proprietary funds' financial statements for the estimated amount to be paid in future years. Liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

x. Other Postemployment Benefits — GASB Codification Section P50, *Postemployemnt Benefits Other Than Pension Benefits — Employer Reporting,* provides the accounting and reporting requirements for postretirement health care and other postemployment benefits (OPEB) that public sector employers may offer to their employees. GASB Codification Section P50 requires that employers accrue the cost of these benefits and account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB. Accordingly, the District's net OPEB obligation at December 31, 2010, has been reported in the statement of net assets. See Note 6g for additional disclosures.

xi. Termination Benefits — The District adopted a School Administrators Severance Incentive Plan (SASIP) on January 25, 2006. The SASIP was a one-time offer to full-time school administrators who were hired by the District on or before September 15, 2000, and who were eligible to retire with Public School Employees Retirement System. Plan participants must have exited from employment with the District on July 1, 2006. School administrators electing the SASIP receive an incentive of $55,000, plus any Act 93 severance pay (sick leave) and Act 93 vacation pay. The total is being distributed in 60 equal monthly installments of $43,832, which are made directly to the employee's 403(b) plan. Payments to the plan began in October 2006. The District used a discount rate of 5.2% to calculate the discounted present value of the expected future benefit payments of $383,596 at December 31, 2010. Twenty-two administrators participated in the plan.

As it relates to nonincentive plans, the District makes severance payments directly to 403(b) plans for current retirements of school administrators. For 2010, termination benefits for employees that elected retirement during the year was $70,761. The cumulative discounted present value of this liability is $264,547 as of December 31, 2010.

xii. Long-term Obligations — In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

In governmental funds, bond premiums and discounts are treated as other financing sources or uses and issuance costs are treated as an expenditure in that same statement.

xiii. Encumbrances — Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in the General, certain Special Revenue, Capital Project, and Internal Service Funds. Encumbrances are only reported in the financial statements in the General Fund, Other Governmental Funds, and Capital Projects Funds.

xiv. Fund Equity — In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Fund balances in the governmental funds are reserved for encumbrances. Designations reflect tentative management plans that are subject to change.

xv. Interest Expense — The District accounts for interest on its debt as an expense of the period in which it is incurred. The District does not capitalize interest on debt as part of the cost of the asset.

xvi. Estimates — The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets and liabilities, and disclosure of contingent assets, and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

xvii. Risks and Uncertainties — Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements.

xviii. Newly Adopted Accounting Pronouncements — The GASB has issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* effective for periods beginning after June 15, 2009. This statement establishes standards of accounting and financial reporting for intangible assets. The statement requires that all intangible assets not specifically excluded be classified as capital assets. The District has determined that District outlays related to internally generated computer software should be capitalized in accordance with this statement and as such have been included in the 2010 financial statements.

The GASB has issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* effective for periods beginning after June 15, 2009. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local government. A key provision in this statement is that derivative instruments covered in its scope are reported at fair value. There was no effect on the financial statement as a result of the adoption of GASB Statement No. 53.

The GASB has issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies,* effective for periods beginning after June 15, 2009. This statement establishes standards of accounting and financial reporting for all governments that have petitioned or granted relief under the provisions of Chapter 9 of the U. S. Bankruptcy code. The District has not filed for relief and as such there was no effect on the financial statement as a result of the adoption of GASB Statement No. 58.

xix. Recent Accounting Pronouncements — The GASB has issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for periods beginning after June 15, 2010. The objective of this statement is to enhance the usefulness of the fund balance information by providing cleaner fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District has not yet determined the effect that the adoption of GASB Statement No. 54 may have on its financial statements.

The GASB has issued GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, effective for periods beginning after June 15, 2011. This statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. In agent multiple-employer plans, separate liabilities are calculated and separate asset accounts are kept for each participating government, such as each public institution in a state. Such separate accounting makes these plans different from cost-sharing plans, which are administered and accounted for as a single plan within a governmental organization, such as a state or higher education system. The District has not yet determined the effect that the adoption of GASB Statement No. 57 may have on its financial statements.

The GASB has issued GASB Statement No. 59, *Financial Instruments Omnibus*, effective for periods beginning after June 15, 2010. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The District has not yet determined the effect that the adoption of GASB Statement of No. 59 may have on its financial statements.

The GASB has issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for periods beginning after December 15, 2011. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs). These arrangements can be between public-private or public-public partnership. A SCA is an arrangement between a transferor (a government) and an operator (a government or nongovernmental entity) conveys the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for consideration. The operator collects and is compensated by fees from a third party. The District has not yet determined the effect that the adoption of GASB Statement No. 60 may have on its financial statements.

The GASB has issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*, The objective of this statement is to improve financial reporting for a governmental financial report entity. The requirements of Statement No. 14, *The Financial Reporting Entity* and Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments*, were amended to better meet user need and to address reporting entity issues that have arisen since the issuance of these statements. The District has not yet determined the effect that the adoption of GASB Statement No. 61 may have on its financial statements.

The GASB has issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of AICPA Committee on Accounting Procedures

2. REPORTING ON BUDGETARY BASIS

The District reports its budgetary status with the actual data including outstanding encumbrances as charges against budget appropriations. This resulted in a reconciliation of fund balance computed on a GAAP basis and budgetary basis as follows:

	General Fund
GAAP basis:	
Fund balance — December 31, 2010	$ 72,529,250
Deduct outstanding encumbrances	(3,492,476)
Budgetary basis — fund balance — December 31, 2010	$ 69,036,774

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets. The governmental fund balance sheet includes reconciliation between *fund balance — total governmental funds* and *net assets — governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Certain liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $535,180,427 difference are as follows:

Bonds payable	$462,615,537
Compensated absences	14,117,342
Notes payable	25,195,000
Add premium on issuance (to be amortized as interest expense)	16,484,058
Less discount on issuance (to be amortized as interest expense)	(59,353)
Less deferred charge on refunding	(7,645,554)
Less deferred charge for issuance costs (to be amortized over life of debt)	(4,257,410)
Accrued interest payable	7,073,485
Obligations under leases	5,817,370
Termination benefits	648,143
Net OPEB obligation	15,191,809
Net adjustment to reduce fund balance — total governmental funds to arrive at net assets — governmental activities	$535,180,427

b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances — total governmental funds* and *changes in* *net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $8,515,280 difference are as follows:

Capital outlays	$ 34,934,141
Depreciation expense and changes in accumulated depreciation	(26,418,861)
Net adjustment to increase net changes in fund balances — total governmental funds to arrive at changes in net assets of governmental activities	$ 8,515,280

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets." The detail of this $2,166,679 difference is as follows:

The statement of activities reports gains or losses arising from the disposal of existing capital assets and recognition of permanently impaired assets under GASB Codification Section 1400, *Reporting Capital Assets.* Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	$2,166,679

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the changes in fund balances. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this $14,820,307 difference are as follows:

Net proceeds/financing received — issuance of general obligation bonds payable, debt refunding, and capital leases	$	93,024,565
Repayment — to bondholders and lessors		(78,204,258)
Net adjustments to increase net changes in fund balances — total governmental funds to arrive at changes in net assets of governmental activities	$	14,820,307

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds." The details of this $1,195,418 difference are as follows:

Accrued expenses	$ 543,873
Amortization of premium	2,226,961
Amortization of bond discount and issuance costs	(1,575,416)
Net adjustments to decrease net changes in fund balances — total governmental funds to arrive at changes in net assets of governmental activities	$ 1,195,418

c. Explanation of certain differences between the proprietary fund statement of net assets and the government-wide statement of net assets.

The proprietary fund statement of net assets includes reconciliation between *net assets — total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statement of net assets. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this $15,885 are as follows:

Internal receivable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — prior years	$ 43,074
Internal receivable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — current year	(58,959)
Net adjustment to increase net assets — total enterprise funds to arrive at net assets — business-type activities	$ (15,885)

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information — An operating budget is adopted each year for the General Fund. The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and the reporting of its financial statements, specifically:

- The District, before levying the annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District 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 15 days of final action, that the proposed budget has been prepared and is made available for public inspection by the Board.
- Notice that public hearings will be held on the proposed operating budget must be included in the advertisement. Such hearings are required to be scheduled at least 10 days before the Board takes final action.
- The legal level of budgetary control is established at major object accounts within the General Fund. Line item accounts are further defined as the lowest (most specific) level of details as established pursuant to the minimum chart of accounts referenced in the Pennsylvania School Code. The District's annual operating transfers to the Special Revenue Fund for special education and indirect

costs are integrated into budgetary controls at the major object level, but are properly reclassified and presented as other financing uses for financial reporting purposes.

- The budgetary basis applied to the General Fund differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures whereas GAAP does not.

- The Board may make transfers of funds appropriated to any particular item of expenditures by legislative action. An affirmative vote of two-thirds of all members of the Board is required. The Board made several such transfers of appropriations in 2010. There were no supplemental budget appropriations in 2010.

Fund balance is appropriated based on resolutions passed by the Board, which authorizes the District to make expenditures. Appropriations lapse at the end of the year. In order to reserve a portion of applicable appropriations for which the expenditure of monies has been committed by a purchase order, a contract, or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year-end are reported as reservations of fund balances.

Special Revenue funds generally begin their fiscal period as of July 1 and are usually of a 12-month duration. While all of these funds are legislatively accepted or established by the Board on an individual fiscal-year program basis, budgets for these funds are not legally adopted. Accordingly, the District has not presented a budget to actual comparison of Special Revenue funds in the financial statements.

Capital budgets are implemented to control revenues and expenditures for capital improvements, capital projects, and major maintenance in the Capital Projects funds. The budgets coincide with the anticipated length of the projects.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are to be recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, certain special revenue, capital projects, and trust funds.

Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

5. FUND INFORMATION

a. Deposits and Investments — The District reports deposits and investments in accordance with GASB Codification Section I50, *Investments*. GASB Codification Section I50 requires that investments be reported at fair value rather than cost. The District's investments are reported at fair value at December 31, 2010.

A summary of deposits and investments with financial institutions at December 31, 2010, is as follows:

Deposits and Investments

General Fund	$99,464,146
Capital Projects Funds	51,809,922
Special Revenue Funds	10,848,316
Nonmajor Governmental Funds	451,606
Food Service Funds	3,725
Internal Service Funds	27,118,071
Private Purpose Trusts	4,659
Fiduciary Funds	1,186,190

Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the District and approved by the Members of the Board. The School Code states that authorized types of investments shall be U.S. Treasury Bills; short-term obligations of the U.S. government or its agencies or instrumentalities; deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC); and obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Investments are reported at fair value.

The deposit and investment policy of the District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

Custodial Credit Risk — Deposits — 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 District's deposit policy for custodial credit risk generally requires that no more than 50% of the District funds shall be invested in one institution in total. Deposits in excess of amounts covered by the FDIC are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name. As of December 31, 2010, $122,486,392 of the District's $140,898,118 bank balance, including its nonnegotiable certificates of deposit with original maturities of greater than 90 days, was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank agent not in the District's name	$122,486,392

As of December 31, 2010, the District had the following investments:

Unrestricted Investments	Maturity Date	Fair Value
Money Market Funds:		
PA School District Liquid Asset Fund (PSDLAF)	n/a	$ 288,023
PA Local Government Investment Trust — Class (PLGIT)	n/a	12,249,115
PLGIT — ARM	60 days or less	26,119,351
PA INVEST	60 days or less	22,930
Federated Government Obligations Fund	35 days average	240,718
Nonnegotiable Certificates of Deposit:		
First Commonwealth Bank — .30%	01/13/11	1,000,000
First National Bank — .40%	01/27/11 - 03/17/11	3,000,000
Dollar Bank — .45% to .65%	05/10/11 - 08/10/11	2,000,000
PSDLAF —.20% to 1.07%	01/25/11 - 05/27/11	29,000,000
Various — Each Certificate Under $250,000 — .30% to 1.0%	01/18/11 - 06/19/12	14,045,000
U.S. Treasury Note 4.5%	09/30/11	1,959,153
U.S. Treasury Note 6.25%	10/31/11	2,381,668
U.S. Treasury Note 4.5%	09/30/11	1,031,133
U.S. Treasury Note 4.5%	09/30/11	1,237,360
FHLB Global Bonds 1.625%	07/27/11	1,138,268
FNMA Global Benchmark Notes 3.625%	08/15/11	1,428,136
FHLMC Global Notes 5.75%	01/15/12	1,053,989
FNMA Global Benchmark Notes 5.00%	02/16/12	1,365,417
FNMA Global Benchmark Notes 4.875%	05/18/12	1,377,555
FNMA Global Benchmark Notes 4.375%	09/15/12	2,467,378
Total unrestricted investments		$ 103,405,194
Restricted Investments		
Money Market Funds:		
PA Local Government Investment Trust — Class (PLGIT)	n/a	$ 1,118,811
PA School District Liquid Asset Fund— Class (PSDLAF)	n/a	59,992
Nonnegotiable Certificates of Deposit:		
Various — Each Certificate Under $250,000 — .35% to .50%	12/22/2011	992,000
PSDLAF — .87%	6/29/2011	2,000,000
PSDLAF — .20%	1/25/2011	1,000,000
PSDLAF — .27%	1/25/2011	2,000,000
Total restricted investments		$ 7,170,803

Restricted cash as of December 31, 2010 in the amount of $1,524,068, is held in demand deposits at a financial institution.

Interest Rate Risk — The District's investment policy that limits investment maturities as a means of managing its exposure to fair value losses, arising from increasing interest rates, is the maturity of any investments in U.S. Government or its agencies or instrumentalities may not exceed one year. The money market funds maintain an average maturity that is less than 60 days.

Credit Risks — The Pennsylvania Public School Code authorizes the types of investments allowed which are described above. The District has no investment policy that would further limit its investment choices. As of December 31, 2010, the District's investments were rated as follows:

Investments	**Standard and Poor's**	**Moody's**
PSDLAF	AAAm	N/A
PLGIT — Class	AAAm	N/A
PLGIT — ARM	AAAm	N/A
PA INVEST	AAAm	N/A
Federated Government Obligation Fund	AAAm	N/A
PNC Government Money Market Fund	AAAm	N/A
FHLB Global Bonds	AAA	Aaa
FNMA Global Benchmark Notes	AAA	Aaa
FHLMC Global Notes	AAA	Aaa

The repurchase agreement is not subject to credit risk disclosure as the securities underlying the repurchase agreement are U.S. Treasury or obligations explicitly guaranteed by the U.S. Government.

Concentration of Credit Risk — The District's investment procedures generally require that no more than 50% of the District funds shall be invested in one institution in total. Certificates of deposit purchased from commercial banks or savings or equivalent shall be limited to an amount to 20% of a bank's total capital and surplus. As of December 31, 2010, the repurchase agreement was 12% of the District's total unrestricted and restricted investments.

Custodial Credit Risk — For an investment, custodial credit risk is the risk that, in event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

The PSDLAF and the PLGIT were established as common law trusts, organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of the funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds.

PSDLAF and PLGIT, collectively referred to as the "Funds," are governed by elected boards of trustees who are responsible for the overall management of the Funds. The trustees are elected from the several classes of local governments participating in the Funds. Each fund is audited annually by independent auditors. The Funds operate in a manner consistent with the Securities and Exchange Commission's Rule 2(a)7 of the Investment Company Act of 1940. The Funds use amortized cost to report net assets to compute share prices. The Funds maintain net asset value of $1 per share. Accordingly, the fair value of the position in PSDLAF and PLGIT is the same as the value of PSDLAF and PLGIT shares.

PA INVEST is a diversified investment portfolio open to local governments of the Commonwealth of Pennsylvania. INVEST was implemented in early 1993 in order to provide local governments an alternative to existing investment methods. INVEST operates by pooling local government funds and by investing them under the investment expertise and integrity of the Pennsylvania Treasury Department.

b. **Receivables** — Receivables as of December 31, 2010, for the government's individual major funds, nonmajor funds, and internal service funds, including the applicable allowances for refunds and uncollectible accounts, are as follows:

	General Fund	Special Revenue Fund	Food Service	Internal Service Funds	Total
Receivables —					
Taxes:					
Real estate	$ 37,375,465	$ -	$ -	$ -	$ 37,375,465
Earned income	13,528,285				13,528,285
Due from other governments:					
Commonwealth of Pennsylvania	2,245,109		252,068		2,497,177
City of Pittsburgh	2,248,149				2,248,149
Federal			3,264,014		3,264,014
Other receivables	1,274,088	686,420	289,264	353,255	2,603,027
Interest	99,284			12,855	112,139
Gross receivables	56,770,380	686,420	3,805,346	366,110	61,628,256
Less allowance for uncollectibles	7,343,953				7,343,953
Net receivables	$ 49,426,427	$ 686,420	$ 3,805,346	$366,110	$ 54,284,303

The District's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of December 31, 2010, the various components of deferred revenue and unearned revenue reported in the governmental funds are as follows:

	Unavailable	Unearned
State property tax relief (General Fund)	$ 15,578,375	$ -
Delinquent property taxes receivable (General Fund)	28,907,884	
Grant drawdowns prior to meeting all eligibility requirements (Special Revenue Funds)		1,874,919
Total deferred/unearned revenue for governmental funds	$ 44,486,259	$ 1,874,919

c. **Interfund Receivables, Payables, and Transfers** — The composition of interfund balances as of December 31, 2010, are as follows:

Eliminations have been made in government-wide financial statements for these receivables and payables.

	Interfund Receivables	Interfund Payables
General fund	$ 214,509	$ -
Food service fund		214,509
Total	$ 214,509	$ 214,509

This balance includes the amount of working capital loans made to the Food Service Fund and Capital Projects, which the General Fund expects to collect in the subsequent year.

	Transfers — In			
	General Fund	Special Revenue Fund	Food Service Fund	Total
Transfers — out:				
General fund	$ -	$ 81,010,504	$ -	$ 81,010,504
Capital projects funds			70,569	70,569
Special revenue funds	2,228,760			2,228,760
Total transfers — in	$ 2,228,760	$ 81,010,504	$ 70,569	$ 83,309,833

Transfers are used to 1) fund the District special education program which is accounted for as a Special Revenue fund; 2) move unrestricted General Fund revenues to finance various programs that the District accounts for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs; 3) fund capital improvements to the Food Service facility; and 4) facilitate General Fund transfers to fund general liability claims.

d. **Capital Assets** — Capital asset activities for the year ended December 31, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets — not being depreciated:				
Land	$ 29,910,077	$ -	$ (70,147)	$ 29,839,930
Construction in progress	6,033,750	6,309,109		12,342,859
Total capital assets — not being depreciated	35,943,827	6,309,109	(70,147)	42,182,789
Capital assets — being depreciated:				
Land improvements	11,556,280	1,225,704	(31,283)	12,750,701
Buildings	445,528,839	345,000	(1,182,966)	444,690,873
Building improvements	269,189,615	17,709,509	(2,457,979)	284,441,145
Furniture, fixtures, machinery, and equipment	60,540,328	7,264,069	(1,702,077)	66,102,320
Computer software		2,425,749		2,425,749
Total capital assets — being depreciated	786,815,062	28,970,031	(5,374,305)	810,410,788
Total at historical cost	822,758,889	35,279,140	(5,444,452)	852,593,577
Less accumulated depreciation for:				
Land improvements	(2,778,078)	(593,318)	7,822	(3,363,574)
Buildings	(220,374,364)	(9,478,405)	763,425	(229,089,344)
Building improvements	(41,062,587)	(10,670,236)	394,966	(51,337,857)
Furniture, fixtures, machinery, and equipment	(48,457,962)	(5,456,327)	1,788,561	(52,125,728)
Computer software		(242,575)		(242,575)
Total accumulated depreciation	(312,672,991)	(26,440,861)	2,954,774	(336,159,078)
Total capital assets — being depreciated — net	474,142,071	2,529,170	(2,419,531)	474,251,710
Governmental activities capital assets — net	$ 510,085,898	$ 8,838,279	$(2,489,678)	$ 516,434,499

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets — not being depreciated — land	$ 43,878	$ -	$ -	$ 43,878
Total capital assets — not being depreciated	43,878	-	-	43,878
Capital assets — being depreciated:				
Buildings	13,201,041	70,569		13,271,610
Furniture, fixtures, machinery, and equipment	5,631,599	189,550	(14,776)	5,806,373
Total capital assets — being depreciated	18,832,640	260,119	(14,776)	19,077,983
Total at historical cost	18,876,518	260,119	(14,776)	19,121,861
Less accumulated depreciation for:				
Buildings	(4,554,593)	(277,631)		(4,832,224)
Furniture, fixtures, machinery, and equipment	(4,689,805)	(169,915)	14,776	(4,844,944)
Total accumulated depreciation	(9,244,398)	(447,546)	14,776	(9,677,168)
Total capital assets — being depreciated — net	9,588,242	(187,427)	-	9,400,815
Business-type activities capital assets — net	$ 9,632,120	$ (187,427)	$ -	$ 9,444,693

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

Governmental funds:	
Expenditures — instructional	$18,515,515
Expenditures — instructional student support	4,851,831
Expenditures — administrative and financial support services	2,127,905
Operation and maintenance of plant services	673,600
Student activities	71,285
Community services	20,047
Facilities	180,678
	$26,440,861

In accordance with impairment guidance under GASB Codification Section 1400, *Reporting Capital Assets*, an impairment loss of $2,136,321 is included in program expenditures. The loss is related to the closing of various schools due to declining enrollment and change in manner of use.

Building	Regular Instruction	Instructional Support	Total Loss	Carrying Value After Impairment Loss
Vann	$(1,602,241)	$(534,080)	$(2,136,321)	$345,000
Total	$(1,602,241)	$(534,080)	$(2,136,321)	$345,000

The carrying amount of temporarily impaired capital that was idle at year-end is as follows.

Building	Carrying Value	Year of Closing	Future Use
Columbus Elementary	$2,720,709	July 1, 2006	May reopen as classroom space
Knoxville Elementary/Middle	3,485,969	July 1, 2006	May reopen as classroom space
Ridge Avenue	230,089	July 1, 2006	May reopen as classroom space
Roger's CAPA	465,255	July 1, 2009	May reopen as classroom space
Rooney Middle	6,789,131	July 1, 2010	May reopen as classroom space

The carrying amount of impaired capital assets that are idle at year-end, regardless of whether the impairment is considered permanent or temporary, is $14,036,153 at December 31, 2010.

Construction Commitments — As of December 31, 2010, the District had the following committed construction projects:

Project	Total Contract Amount	Percentage Completed	Portion Completed	Total Remaining Commitment
Concord	$ 18,471,864	67 %	$ 12,376,149	$ 6,095,715

The District has no pollution remediation liability under GASB Codification Section P40, *Pollution Redemption Obligations,* as of December 31, 2010.

After review of GASB Codification Section I50, *Investments,* the District determined that it does not hold any real estate for investments in an endowment fund as of December 31, 2010.

e. **Long-Term Debt**

General Obligation Bonds — The original amount of current outstanding general obligation bonds and notes issued in prior years was $605,515,000. The general obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 15- to 20-year serial bonds.

Notes Payable — On December 14, 2010, the District issued General Obligation Bond Notes — Series A of 2010 in the amount of $9,578,000. The notes were issued under the State Public School Building Authority pooled, Qualified School Construction Bond (QSCB) Program. The taxable coupon rate is 6.495% and the tax credit rate is 5.60%, hence, a net rate after reimbursement of 0.895%. The notes will mature in 2028.

On December 14, 2010, the District also issued General Obligation Bond Notes — Series B of 2010 in the amount of $13,972,000. The notes were issued under the State Public School Building Authority pooled, Qualified Zone Academy Bond (QZAB) Program. The taxable coupon rate is 6.495% and the tax credit rate is 5.60%, hence, a net rate after reimbursement of 0.895%. The notes will mature in 2028.

On December 5, 2001, the District issued variable rate debt for the first time. The District's $19,655,000 General Obligation Note, Series 2001A was issued through the Emmaus General Authority's 2000A. The note carries an interest rate of the Securities Industry and Financial Market

Association (SIFMA) plus 53 basis points for the Series 2001A and an interest rate of SIFMA plus 55 basis points for the Series 2001B. The note was issued pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as amended, and a resolution of the Board of Directors of the District adopted on October 24, 2001. In 2010, the District used the appropriate interest savings with the intent of reducing the 2010 deficit.

Taxable Bonds — On December 7, 2010, the District issued taxable QSCB, Series D of 2010 amounting to $19,520,000 to provide funds for costs associated with the 2010 and 2011 Capital Improvement Plan. The taxable general obligation bonds are direct obligations and pledge the full faith and credit of the government. The taxable coupon rate is 6.85%. The District will receive a direct payment reimbursement tax credit of 5.49% of debt service from the federal government, hence, a net rate of 1.36%. The bonds will mature on September 1, 2029.

On October 27, 2009, the District issued taxable general obligation Build America Bonds (BAB) Series of 2009 amounting to $42,535,000 to provide funds for costs associated with the 2009 Capital Improvement Plan. The taxable general obligation bonds are direct obligations and pledge the full faith and credit of the government. The bonds will mature on September 1, 2029. The District will receive a direct payment reimbursement of 35% of debt service from the federal government.

Advance Refundings — In 2010, the District issued refunding Series A of 2010 issue. The proceeds amounting to $30,975,000 provide for the purchase of U.S. Government State and Local Government Series securities that were placed into escrow amounting to $34,896,279 and any related closing costs. Escrow agents will provide resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt for both refundings by approximately $2,676,279. This amount is being amortized over the remaining life of the refunded debt. Taking into consideration the prevailing interest rate environment at the time of the transaction, combined with the level of interest rates on its existing Series B of 2002 Bond issue, the District decided that it was economically beneficial to advance refund certain maturities of those issues. The maturities affected total $32,220,000 in principal and include the following: Series of 2002 — September 1, 2015 through and including September 1, 2022 maturities. The refunding was accomplished by issuing the General Obligation Bonds Series A of 2010 and calling the remaining maturities Series B of 2002. The corresponding interest rates on the refunding bonds allowed the District to realize debt service savings at levels meeting their governing criteria, as well as comply with Internal Revenue Service (IRS) regulations on tax-exempt refinancings. The resulting difference in debt service is a positive savings figure of $1,317,603. The present value economic gain on the transaction is $1,126,255.

In 2010, the District issued refunding Series B of 2010 issue. The proceeds amounting to $6,660,000 provide for the purchase of U.S. Government State and Local Government Series securities that were placed into escrow amounting to $7,602,031 and any related closing costs. Escrow agents will provide resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt for both refundings by approximately $537,031. This amount is being amortized over the remaining life of the refunded debt. Taking into consideration the prevailing interest rate environment at the time of the transaction, combined with the level of interest rates on its existing Series A of 2003 Bond issue, the District decided that it was economically beneficial to advance refund certain maturities of those issues. The maturities affected total $7,065,000 in principal and include the following: Series A of 2003 — September 1, 2015 through and including September 1, 2018 maturities. The refunding was accomplished by issuing the General Obligation Bonds Series B of 2010 and calling the remaining maturities Series A of 2003. The corresponding interest rates on the refunding bonds allowed the District to realize debt service savings at levels meeting their governing criteria, as well as comply with Internal Revenue Service (IRS) regulations on tax-exempt refinancings. The resulting difference in debt service is a positive savings figure of $227,935. The present value economic gain on the transaction is $179,093.

QZAB — On December 15, 2000, the District issued Qualified Zone Academy Bonds (QZABs) for the first time. The U.S. Congress established QZABs in Section 226(a) of the Taxpayer Relief Act of 1997 to help strengthen schools serving large concentrations of low-income families. The federal government subsidizes these 15-year bonds by providing tax credits to bondholders that are approximately equal to the interest that states and communities would ordinarily pay to the holders of taxable bonds. The federal government allocates the authority to issue these bonds to states based on their proportion of the U.S. population living below the poverty line. Either of two criteria must be met for a school district to be eligible for QZAB funds. To qualify for the QZAB funds, the school district must be located in an Empowerment Zone or Enterprise Community or have at least 35% of the school district's students eligible for free or reduced-price lunches. Under this program, the District received bond proceeds of $5,608,000 in 2006, $10,952,000 in 2001, and $2,568,000 in 2000 and received a 10% in-kind matching contribution of $560,800, $1,095,200, and $256,800 from a corporation in 2006, 2001, and 2000, respectively. The in-kind contribution was designated for capital expenditures that are energy-efficient. The 2000 QZABs have been in substance defeased. Accordingly, the trust account assets and the liabilities for the defeased QZABs are not included in the District's financial statements. QZABs of $2,568,000 defeased in 2000 are outstanding at December 31, 2010. The District will make 10 equal payments of $782,285 into a sinking fund and an eleventh payment of $782,295 for the 2001 QZAB Bonds. This sinking fund will pay interest to the District.

Defeased Bonds — The District defeased certain general obligation bonds and notes by placing the proceeds of new bonds and notes with an escrow agent to provide for all future debt service payments on the old bonds and notes. Accordingly, the trust account assets and the liabilities for the defeased bonds and notes are not included in the District's financial statements. Defeased bonds and notes of $43,644,688 are outstanding at December 31, 2010.

Legal Debt Margin — The District is subject to legal debt margin. This amount was $652,572,106 for 2010.

Board Actions in Anticipation of Future Debt Offerings — At the December 2010 Board of Directors meeting, the Board authorized the arrangement for capital borrowing of $60,353,918 for 2011. At the March 23, 2011 Board meeting this authorization was reduced to $14,980,291.

Summary of general obligation bonds and notes payable activities are as follows:

Balance — January 1, 2010	$474,754,694
Add debt issued or incurred:	
2010 Refunding Series A	30,975,000
2010 Refunding Series B	6,660,000
2010 GOB Series C	6,000,000
2010 QSCB Series D	19,520,000
2010 QSCB SPSBA Series A	9,578,000
2010 QZAB SPSBA Series B	13,972,000
	561,459,694
Less debt repayments or refundings:	
1/1/10—12/31/10 payments of principal bonds	(34,364,158)
Repayment of 2002 GOB	(32,220,000)
Repayment of 2003 GOB	(7,065,000)
Balance — December 31, 2010	$487,810,536

General obligation bonds and notes payable at December 31, 2010, are summarized as follows:

Bonds	Original Interest Rates	Maturity Range	Issued	Amount Outstanding	Due with 1 Year
2002	3.00–5.00	2003–2022	64,435,000	$ 12,670,000	$ 2,945,000
2002 Refunding bonds	3.00–5.38	2003–2016	51,505,000	22,895,000	5,625,000
2002A Refunding bonds	2.00–5.50	2003–2018	78,830,000	77,380,000	3,325,000
2003	2.00–4.65	2004–2023	39,345,000	27,810,000	2,500,000
2003A	2.00–4.25	2004–2018	21,720,000	6,035,000	1,420,000
2004	3.00–5.00	2005–2024	45,735,000	36,065,000	1,915,000
2004 Refunding	2.00–5.00	2005–2014	39,885,000	13,175,000	8,240,000
2005 A Refunding	2.15–5.00	2006–2018	20,175,000	8,370,000	45,000
2005 Series B	2.95–5.00	2006–2025	38,105,000	34,500,000	1,175,000
2006 Series B	3.75–5.00	2007–2026	53,335,000	45,575,000	1,995,000
2007	4.00–4.25	2008–2027	40,235,000	35,770,000	1,470,000
2009 A Refunding Bonds	3.00–5.00	2010–2019	28,570,000	25,965,000	2,520,000
2009 Refunding	3.00	2010–2012	4,890,000	2,520,000	-
2010 Refunding Series A	0.6–5.00	2011–2022	30,975,000	30,975,000	60,000
2010 Refunding Series B	0.6–5.00	2011–2018	6,660,000	6,660,000	5,000
2010 GOB Series C	0.6–4.00	2011–2030	6,000,000	6,000,000	65,000
Total				392,365,000	33,305,000
2001 QZAB	0		10,952,000	3,876,435	782,285
2006 QZAB	1.38	2007–2022	5,605,000	4,319,101	333,418
2009 Tax BAB	5.002–6.042	2010–2029	42,535,000	42,535,000	-
2010 QSCB Series D	6.85	2011–2029	19,520,000	19,520,000	440,000
Total				70,250,536	1,555,703
Notes					
2001A	Variable*	2002–2011	19,655,000	1,645,000	1,645,000
2010 QSCB SPSBA Series A	6.50	2011–2028	9,578,000	9,578,000	230,000
2010 QZAB SPSBA Series B	6.50	2011–2028	13,972,000	13,972,000	330,000
Total				25,195,000	2,205,000
Total outstanding principal				487,810,536	$ 37,065,703
Add interest payable in future years				211,220,795	
Total				$699,031,331	

* SIFMA Weekly

Future debt service requirements to maturity for general obligation bonds and notes are as follows:

Years Ending December 31	Principal	Interest
2011	$ 37,065,703	$ 22,070,516
2012	38,187,657	21,821,753
2013	37,062,321	20,207,246
2014	36,202,050	18,633,182
2015	36,231,855	17,139,669
2016–2020	158,732,061	63,183,302
2021–2025	104,776,830	34,376,841
2026–2030	39,552,059	13,788,286
Total	$487,810,536	$ 211,220,795

Changes in Long-Term Liabilities:

	Beginning	Additions	Reductions	Ending	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	$ 419,062,994	$ 43,635,000	$ (70,332,994)	$ 392,365,000	$33,305,000
QZABs	9,306,700	19,520,000	(1,111,164)	27,715,536	1,555,703
Notes payable	3,295,000	23,550,000	(1,650,000)	25,195,000	2,205,000
Taxable	43,090,000		(555,000)	42,535,000	
	474,754,694	86,705,000	(73,649,158)	487,810,536	37,065,703
Add (less) deferred amounts:					
Premium on issuance	13,360,591	5,350,428	(2,226,961)	16,484,058	2,226,961
Discount on issuance	(7,506)	(62,477)	10,630	(59,353)	7,506
On refunding	(5,464,205)	(3,213,310)	1,031,961	(7,645,554)	1,031,961
	482,643,574	88,779,641	(74,833,528)	496,589,687	40,332,131
Compensated absences	20,867,289	6,665,124	(7,508,707)	20,023,706	6,810,566
Postemployment benefits	12,833,547	15,611,535	(13,253,273)	15,191,809	
Termination benefits	1,498,606	70,761	(921,224)	648,143	940,775
Workers' compensation reserve	9,360,939	2,585,276	(3,251,344)	8,694,871	3,200,000
Capital leases	2,897,110	1,967,264	(1,264,331)	3,600,043	1,284,530
Capital leases — C.E.P. loan	2,281,258		(63,931)	2,217,327	68,760
Governmental activities long-term liabilities	$ 532,382,323	$ 115,679,601	$(101,096,338)	$ 546,965,586	$52,636,762
Business-type activities compensated absences	$ 424,448	$ 71,500	$ (101,583)	$ 394,365	$ 60,173

Since internal service funds predominantly serve the governmental funds, their long-term liability for workers' compensation reserve is included in the above totals. Also, for the governmental activities claims and judgments and compensated absences are generally liquidated by the general fund.

f. **Restricted Assets** — The balances of the restricted asset accounts in the governmental activities are as follows:

Workers' compensation claims — restricted by trust agreements with the Commonwealth	$8,694,871

g. **Capital Lease** — The District has entered into various lease agreements, ranging from four to five years, as lessee for financing of copy machines, computers, and servers. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. One new lease was entered during 2010.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	$ 6,922,204
Less accumulated depreciation	3,342,746
Total	$ 3,579,458

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, are as follows:

Years Ending December 31	Governmental Activities
2011	$1,373,942
2012	1,132,914
2013	774,813
2014	432,096
2015	216,058
Total minimum lease payments	3,929,823
Less amount representing interest	329,780
Present value of minimum lease payments	$3,600,043

6. OTHER INFORMATION

a. **Risk Management** — The District is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contracts; disagreements arising from the interpretation of laws or regulations; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for unemployment compensation, casualty losses, public liability, fire damage, workers' compensation (see Note 6b), and self-insurance health care. Under these self-insurance programs, the District maintains funds to provide for anticipated losses. Total assets less current liabilities available in the Special Revenue Funds and Internal Service Funds at December 31, 2010, are as follows:

Workers' compensation	$ 12,489,772
Comprehensive general liability	413,897
Fire damage	3,332,197
Self-insurance health care	8,938,800

Not included in the table above for the workers' compensation fund is the long-term portion of the claims reserve which was $8,694,871 as of December 31, 2010.

The funds for unemployment and workers' compensation are funded based on a percentage of gross payrolls, which was 0.2% and 0.9%, respectively. The comprehensive general liability and fire damage funds are funded from transfers made from the General Fund as considered necessary.

The District did not carry stop-loss insurance in 2010 for health care catastrophic losses. During 2007, $3,112,635 was designated for future catastrophic losses. The District maintained this designation of $3,112,635 as of December 31, 2010.

Additionally, the District carries commercial insurance for other risks of loss, including employee performance bonds, comprehensive vehicle insurance, and boiler insurance. The District does not participate in any public-entity risk pool and does not retain risk related to its commercial coverage except for those amounts incurred relative to policy deductibles, which are not significant. The District has not significantly reduced any of its insurance coverage from the prior year, and settled claims have not exceeded the District's other commercial coverage in any of the past three years.

b. **Workers' Compensation Reserve** — The District is self-insured under the Workers' Compensation Act. The self-insured status is reviewed annually by the Pennsylvania Bureau of Workers' Compensation Self-Insurance Division (the "Bureau"). The District has purchased commercial excess insurance for its workers' compensation self-insurance program for claims in excess of $500,000.

The workers' compensation reserve (the "Reserve") for unpaid claims and claims incurred but not yet reported was based on an updated actuarial calculation as of June 30, 2010, which utilized a discount rate of 4.5%. The Reserve was reviewed through December 31, 2010, and determined to be within reasonable range. Nonincremental claims adjustment expenses have not been included as part of the liability.

The self-insurance funds, actually maintained by the District to provide for future anticipated losses, were $8,694,871 at December 31, 2010. The expense is based on a percentage of gross payrolls for the year. The contribution rate is 0.9% of gross payroll at December 31, 2010.

Changes in the Reserve claims liability in fiscal 2010 and 2009, are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2010	$9,360,939	$2,585,276	$(3,251,344)	$ 8,694,871
2009	9,432,849	3,192,229	(3,264,139)	9,360,939

c. Subsequent Events — On March 7, 2011, at a special legislative meeting, the Board approved the new five-year collective bargaining agreements with the District's AFSCME Local 297 and Pittsburgh Building and Construction Trades Council. Both unions announced that its members ratified the five-year agreement. The new five-year contract includes provisions whereby every teacher and professional covered under the agreement receives annual wage increases and no change in cost of health care coverage. Highlights of the agreement include:

- The AFSCME Local 297 agreement runs from January 1, 2011 to December 31, 2015.
- The Pittsburgh Building and Construction Trades Council agreement runs from January 16, 2011 to January 15, 2016.
- Both agreements include annual 2% salary increases for all members effective January 1, 2011 and January 16, 2011.
- The agreements were revised to reflect the addition of UPMC as a health care provider plan option.

On March 23, 2011, the Board authorized a significant reduction of $45,373,627 to the 2011 Capital Budget spending plan from that passed at the December 15, 2010 legislative meeting. Due to this reduction, the new 2011 Capital Budget will be $14,980,291.

On March 23, 2011, the Board also authorized the Administration and Solicitor to accept the Offer to Purchase in the amount of $350,000 and complete the sale of the Robert Lee Vann Elementary School Building and land to St. Benedict the Moor Parish Charitable Trust.

d. Public School Employees' Retirement System:

i. Plan Description — Retirement allowances and other benefits are provided by a defined benefit pension plan administered by the Commonwealth of Pennsylvania. Public School Employees' Retirement System (PSERS) (www.psers.state.pa.us) is a governmental cost-sharing, multiple-employer defined benefit pension plan. Membership in the system is mandatory for substantially all full-time public school employees in the Commonwealth.

The PSERS plan provides retirement benefits, disability retirement benefits, death benefits, and a health insurance premium assistance program. The plan also provides various death and disability retirement benefits, whereby the disabled employee or surviving spouse is entitled to receive amounts determined by the plan. The plan also provides for a postemployment health care plan for all eligible annuitants that elect to participate.

The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 P.C.S. 8101-8535) is the authority by which benefit provisions are established and may be amended. PSERS issues a comprehensive annual financial report that includes financial statements and supplementary information for the plan. That report may be obtained by writing to PSERS, P.O. Box 125, Harrisburg, PA 17108-0125 or by calling (717) 787-8540.

ii. *Funding Policy* — Active members, employers, and the Commonwealth are required by Commonwealth statute to make contributions to the plan. The rate of contribution for most active members is set at 5.25% or 6.50% of the qualified member's compensation. For members joining the system on or after July 22, 1983, the rate of contribution is 6.25% or 7.50%. For members hired after July 1, 2001, or who return to work after a two-year absence, the rate of contribution is 7.50%. The employer contribution rate was 2.39% for the period January 1, 2010 through June 30, 2010, and was 2.82% for the period from July 1, 2010 through December 31, 2010. The District's contributions to PSERS for the years ended December 31, 2010, 2009, and 2008, were $14,937,637, $13,688,969, and $8,236,091, respectively, which is equal to the required contractual contribution for each year.

iii. *Pension Plan* — Most full-time public school employees of the District are required to enroll in the cost-sharing multiple-employer retirement plan. The District follows GASB Codification Section P20, *Pension Activities — Employer Reporting,* which requires the District to recognize annual pension expenditures equal to its contractually required contributions to the plan.

iv. *On-behalf Contributions* — The Commonwealth of Pennsylvania makes employer pension, social security, and Medicare contributions on behalf of the District. The Commonwealth of Pennsylvania contribution rate as a percentage of creditable earnings was 3.825% for social security and Medicare for calendar year 2010. The employer pension rate was 2.39% for the year ended December 31, 2010. The District recognized $13,955,721 in the General Fund for pension, social security, and Medicare contributions that the Commonwealth of Pennsylvania reimbursed to the District in 2010.

e. **Contingent Liabilities:**

i. *Grants* — The District participates in state and federally assisted grant programs. These programs are subject to program compliance audits. The District is potentially liable for any expenditure, which may be disallowed pursuant to the terms of these grant programs. Adjustments related to final settlement of disallowed costs are charged to the General Fund in the year of disallowances.

ii. *Litigation* — The District is involved in a number of claims and legal actions, including tax appeals, in the normal course of operations. The Office of the District's Solicitor and other District officials believe that such proceedings in the aggregate will not have a materially adverse effect on the District's financial condition or the power of the District to levy and collect taxes.

f. **Labor Relations** — Six bargaining units represent district employees. The largest unit, composed of teachers and other professionals, has a contract which expires on June 30, 2015. The federation also represents approximately 631 paraprofessionals and approximately 46 technical-clerical employees. Collective bargaining agreements with these units also expire June 30, 2015. The five-year collective bargaining agreements representing the custodial employees expire December 31, 2015. The collective bargaining agreement with building and trade employees expires January 15, 2016. We are still pending a bargaining agreement with the secretarial unit; their contract expired December 31, 2010.

g. Postemployment Health Benefits — In addition to providing pension benefits, the District provides health insurance coverage for retired employees and their dependents. Substantially, all of the employees may become eligible for this benefit if they reach normal retirement age while working for the District. The District is obligated to pay this benefit as a result of union contracts and Board rules and regulations for nonunion employees.

i. Plan Description — The District administers a single-employer defined benefit health care plan (School District of Pennsylvania Retiree Health Plan). The plan provides employees, under age 65, health care insurance for eligible retirees and their dependents through the District's self-insurance group health plan, which covers both active and retired members. The District also contributes funds towards a Medicare supplement reimbursement after age 65. The amount of the reimbursement depends on the date of retirement divided by out-of-pocket expenses. Benefit provisions are established through negotiations between the District and various unions.

ii. Funding Policy — Contribution requirements are negotiated. The employee contribution depends on the bargaining agreement. Employees eligible under Article 140 of the Collective Bargaining Agreement (CBA) pay 5% of the premium, plus 20% of the premium difference from the prior year, plus the cumulative surcharge if they retired prior to July 1, 2008. The minimum retiree contribution is $100 per month. After July 1, 2008, employees pay the pre-July 1, 2008, rate in effect on date of retirement, plus 50% of subsequent premium increases. Retiree contributions cannot exceed 50% of current premium. Employees not eligible under Article 140 of the CBA may elect coverage under Act 110 and pay 102% of the active premium or minimum of $100 a month. Retirees contributed $2,126,983 toward the plan in 2010. For the fiscal year 2010, the District contributed $13,253,273 towards actual claims paid for eligible retired plan members and their dependents.

iii. Annual OPEB Cost and Net OPEB Obligation — The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Codification Section P50, *Postemployment Benefits Other Than Pension Benefits — Employer Reporting*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table shows the components of the District's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the District's OPEB obligation to the plan.

Annual required contribution	$ 15,821,842
Interest on net OPEB obligation	577,510
Adjustment to annual required contribution	(787,817)
Annual OPEB cost	15,611,535
Contributions made	(13,253,273)
Increase in net OPEB obligation	2,358,262
Net OPEB obligation — beginning of year	12,833,547
Net OPEB obligation — end of year	$ 15,191,809

The following table presents the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 15,611,535	84.9 %	$ 15,191,809
12/31/2009	15,679,132	73.7	12,833,547
12/31/2008	15,667,255	73.4	8,706,571

iv. *Funded Status and Funding Progress* — As of November 1, 2009, the actuarial accrued liability for benefits was $160,247,100, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $267,208,486 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 60.0%. The projection of future benefit payments for an ongoing plan involves 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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

v. *Methods and Assumptions* — Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following assumptions were made:

vi. *Retirement Age for Active Employees* — Assumed rates of retirement are slightly different as those used in the most recent PSERS valuation report. For the current active population, the average assumed retirement ages are approximately 60 for PFT/PAA actives and 61 for all other actives.

Age	Early Retirement	Superannuation Retirement
50–54	0.00 %	24.00 %
55–59	10.00	24.00
60–64	10.00	28.00
65–69	20.00	20.00
70+	100.00	100.00

vii. *Marital Status* — 50% of active participants are assumed to have a covered spouse at retirement. The spouse is assumed to be the same age as the participant.

viii. Mortality — Life expectancies were based on the Uninsured Pensioners 1994 Mortality Table (UP-94), projected to 2004, and set back one year for males and one year for females.

ix. Health Care Cost Trend Rate — The expected rate of increase in health care insurance claims/premiums were based on a blended rates of future inflation for medical and prescription drug benefits. Long-term trends were developed using the Society of Actuaries (SOA) Long-Term Health Care Trends Resource Model. Expected Annual Claims Cost were developed from combined 2007, 2008, and first 10 months of 2009 HMO/PPO retiree claims and projected to 2009 at 9%.

x. Discount Rate — Based on the expected returns of the District's short-term investment portfolio, a discount rate of 4.5% was used.

xi. Participation — Currently, 100% of employees, participating in the group medical, are assumed to continue participation into retirement. Employees who waived participation are assumed to decline postretirement coverage.

xii. Aging Factors — Actual gross starting costs for medical and prescription drugs are developed at each age by taking the claims cost and spreading it using the aging factors as shown below:

Age	**Factor**
20–30	2 %
31–45	3
46–65	4
66–74	3
75–84	2.5
85+	1

Assumptions used on input variables for the SOA Long-Run Health Care Trends Resource Model:

Rate of inflation	3.2 %
Rate of growth in real income/GDP per capita	1.5
Income multiplier for health spending	1.4
Extra trend due to technology and other factors	1.2
Health share of GDP resistance point	20
Year for limiting cost growth to GDP growth	2025

Amortization period — 30 years

Amortization method — level dollar, open amortization

Actuarial cost method — projected unit credit

h. Postemployment Life Insurance — A contract for a key employee provides a continuation of a life insurance policy in an annual amount of $28,650. The term of the continuation of the policy depends on the service of the employee at the time of separation. The employee earns two years of insurance payment for each year of service under the contract (starting with 2005).

i. Reserves, Designations, and Restrictions — Reserves represent funds that have been legally segregated for a specific future use by the Board at December 31, 2010, and include:

Reserved for Encumbrances — Representing commitments related to unperformed (executory) contracts for goods or services.

Designated for Fund Balances for General Funds — Representing funds that the Board dedicated for 2011 General Fund Balances.

Designated for Capital Projects Expenditures — Representing funds that will be used for facilities acquisitions, construction, and improvement services.

Restricted for Workers' Compensation — Representing funds set aside for the payment of workers' compensation.

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REQUIRED SUPPLEMENTARY INFORMATION

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
AS OF DECEMBER 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded Actuarial Liability (UAL) (3)=(2)-(1)	Funded Ratio (4)=(1) (2)	Annual Covered Payroll (5)	Ratio of UAL to Payroll (6)=(3) (5)
November 1, 2007	$ -	$ 165,046,000	$ 165,046,000	0.00 %	$ 251,150,961	65.70 %
November 1, 2009	$ -	$ 160,247,100	$ 160,247,100	0.00 %	$ 267,208,486	60.00 %

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

The General Fund is the principal fund of the District and is used to account for resources that are not required to be accounted for in another fund.

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

BUDGET COMPARISON SCHEDULE
LEGAL LEVEL OF BUDGETARY CONTROL
FOR THE YEAR ENDED DECEMBER 31, 2010

		Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
100	Personnel services — salaries	$195,455,839	$195,431,390	$ -	$ 24,449
200	Personnel services — employee benefits	70,582,560	67,161,201		3,421,359
300	Purchased professional and technical services	77,248,094	74,021,901	1,276,100	1,950,093
400	Purchased property services	11,740,820	10,283,928	909,668	547,224
500	Other purchased services	85,951,426	83,542,407	47,413	2,361,606
600	Supplies	16,910,471	13,565,847	385,661	2,958,963
700	Property	4,551,843	3,077,033	873,634	601,176
800	Other objects	28,730,131	28,728,868		1,263
900	Other financing uses	37,748,552	36,641,964		1,106,588
	Budgetary basis	$528,919,736	512,454,539	$ 3,492,476	$ 12,972,721
	Transfer for Special Education budget as expenditures		(61,554,821)		
	Transfer for Special Revenue Fund Indirect Costs budgeted as expenditures		(19,455,683)		
	GAAP expenditures		$431,444,035		

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NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds include Special Revenue Funds and Debt Service Funds. Special Revenue Funds are used to account for a nonprofit grant program and a fund created by District legislative action. Debt Service Funds account for resources related to long-term general obligation debt.

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2010

		Special Revenue		
	Debt Service Fund	Special Trust Fund	Westinghouse Scholarship	Total
ASSETS				
CASH	$ 14,368	$ 33,023	$ 404,215	$ 451,606
LIABILITIES AND FUND BALANCE				
TOTAL LIABILITIES	$ -	$ -	$ -	$ -
FUND BALANCE:				
Reserved for — encumbrances	$ -	$ -	$ 5,191	$ 5,191
Unreserved — reported in:				
Debt service fund	14,368			14,368
Special revenue funds		33,023	399,024	432,047
TOTAL FUND BALANCE	$ 14,368	$ 33,023	$ 404,215	$ 451,606

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2010

		Special Revenue		
	Debt Service Fund	Special Trust Fund	Westinghouse Scholarship	Total
REVENUES — Investment income	$ 65	$ -	$ 805	$ 870
Total revenues	65	-	805	870
EXPENDITURES:				
Current — other instructional programs — elementary/secondary				
Support services — administration		10,000		10,000
Debt service — principal	105,000			105,000
Total expenditures	105,000	10,000	-	115,000
OTHER FINANCING SOURCES AND USES — Operating transfers in				
Total other financing sources and uses	-	-	-	-
(DEFICIENCY) EXCESS OF REVENUES UNDER EXPENDITURES	(104,935)	(10,000)	805	(114,130)
FUND BALANCE — January 1, 2010	119,303	43,023	403,410	565,736
FUND BALANCE — December 31, 2010	$ 14,368	$ 33,023	$404,215	$451,606

INTERNAL SERVICE FUNDS

Internal Service Funds account for the accumulation of contributions for the various funds to provide for current and long-term workers' compensation claims, unemployment claims, health benefits, central duplicating, and general liability claims.

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
AS OF DECEMBER 31, 2010

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
ASSETS						
CURRENT ASSETS:						
Cash	$ 3,924,422	$ 69,541	$420,599	$ 104,949	$ 7,462,412	$11,981,923
Investments					6,441,277	6,441,277
Interest receivable	9,060				3,795	12,855
Other receivables	48,946				304,309	353,255
Total current assets	3,982,428	69,541	420,599	104,949	14,211,793	18,789,310
NONCURRENT ASSETS:						
Restricted cash	1,524,068					1,524,068
Restricted investments	7,170,803					7,170,803
Total noncurrent assets	8,694,871	-	-	-	-	8,694,871
TOTAL	$12,677,299	$ 69,541	$420,599	$ 104,949	$14,211,793	$27,484,181
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	$ 171,224	$ 246,115	$ 6,702	$ -	$ 5,272,993	$ 5,697,034
Accrued salaries	16,304					16,304
Total current liabilities	187,528	246,115	6,702	-	5,272,993	5,713,338
NONCURRENT LIABILITIES — Workers' compensation reserve	8,694,871					8,694,871
Total noncurrent liabilities	8,694,871	-	-	-	-	8,694,871
TOTAL	$ 8,882,399	$ 246,115	$ 6,702	$ -	$ 5,272,993	$14,408,209
NET ASSETS (DEFICIT)						
Unrestricted	3,794,900	(176,574)	413,897	104,949	8,938,800	13,075,972
TOTAL NET ASSETS	$ 3,794,900	$ (176,574)	$413,897	$ 104,949	$ 8,938,800	$13,075,972

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
OPERATING REVENUES — Contributions	$ 2,703,706	$ 598,219	$ -	$ 66,363	$ 59,995,312	$ 63,363,600
Total operating revenues	2,703,706	598,219	-	66,363	59,995,312	63,363,600
OPERATING EXPENSES:						
Support services — administration			57,917			57,917
Support services — central:						
Operation of office — salaries and benefits, supplies, etc.	343,592	16,630	48,001			408,223
Benefit payments	2,585,276	758,163			63,107,072	66,450,511
Claims and judgments			325,375			325,375
Total operating expenses	2,928,868	774,793	431,293	-	63,107,072	67,242,026
OPERATING (LOSS) INCOME	(225,162)	(176,574)	(431,293)	66,363	(3,111,760)	(3,878,426)
NONOPERATING REVENUES — Investment earnings	57,354				49,412	106,766
(LOSS) INCOME BEFORE TRANSFERS	(167,808)	(176,574)	(431,293)	66,363	(3,062,348)	(3,771,660)
INTRAFUND TRANSFERS IN						
CHANGE IN NET ASSETS	(167,808)	(176,574)	(431,293)	66,363	(3,062,348)	(3,771,660)
NET ASSETS — January 1, 2010	3,962,708		845,190	38,586	12,001,148	16,847,632
NET ASSETS (DEFICIT) — December 31, 2010	$ 3,794,900	$ (176,574)	$ 413,897	$ 104,949	$ 8,938,800	$ 13,075,972

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Contributions	$ 2,703,706	$ 598,219	$ -	$ 66,363	$ 59,995,312	$ 63,363,600
Payments to suppliers			(64,572)			(64,572)
Payments to claimants	(3,339,618)	(761,139)	(325,375)		(61,833,012)	(66,259,144)
Payments to employees	(350,838)	(16,630)	(48,001)			(415,469)
Net cash (used in) provided by operating activities	(986,750)	(179,550)	(437,948)	66,363	(1,837,700)	(3,375,585)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	55,966				52,884	108,850
Purchase of investments	(8,048,691)				(5,012,028)	(13,060,719)
Sale of investments	4,018,562				983,000	5,001,562
Net cash provided by (used in) investing activities	(3,974,163)	-	-	-	(3,976,144)	(7,950,307)
(DECREASE) INCREASE IN CASH	(4,960,913)	(179,550)	(437,948)	66,363	(5,813,844)	(11,325,892)
CASH — January 1, 2010 (including $6,220,265 for the internal service funds included in restricted assets)	10,409,403	249,091	858,547	38,586	13,276,256	24,831,883
CASH — December 31, 2010 (including $1,524,068 for the internal service funds included in restricted assets)	$ 5,448,490	$ 69,541	$ 420,599	$ 104,949	$ 7,462,412	$ 13,505,991
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:						
Operating (loss) income	$ (225,162)	$ (176,574)	$ (431,293)	$ 66,363	$ (3,111,760)	$ (3,878,426)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:						
Changes in assets and liabilities:						
Decrease in other receivables	(48,946)				(294,397)	(343,343)
(Decrease) increase in accounts payable	(39,328)	(2,976)	(6,655)		1,568,457	1,519,498
Increase in accrued salaries	(7,246)					(7,246)
Decrease in the workers' compensation reserve	(666,068)					(666,068)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (986,750)	$ (179,550)	$ (437,948)	$ 66,363	$ (1,837,700)	$ (3,375,585)

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AGENCY FUNDS

Agency Funds account for student activity funds. Student activities include, but are not limited to, student council, interscholastic/athletics, and various clubs.

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

STUDENT ACTIVITIES FUNDS	Balance at December 31, 2009	Additions	Deductions	Balance at December 31, 2010
ASSETS				
CASH	$ 1,212,655	$ 1,808,666	$ 1,835,131	$ 1,186,190
LIABILITIES				
ACCOUNTS PAYABLE	$ 1,212,655	$ 1,808,666	$ 1,835,131	$ 1,186,190

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STATISTICAL SECTION

This part of the School District of Pittsburgh's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS *
(Accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
GOVERNMENTAL ACTIVITIES:									
Invested in capital assets — net of related debt	$ 11,578,720	$ 18,474,637	$ 27,583,051	$ 33,620,289	$ 11,510,006	$ 7,109,093	$ 24,410,706	$ 22,263,955	$ 14,027,441
RESTRICTED:									
Capital projects	39,247,135	61,687,529	38,808,227	23,190,338	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857
Workers' compensation	25,221,590	22,077,156	15,620,647	14,214,481	12,927,190	10,739,563	9,432,849	9,360,939	8,694,871
Unrestricted	2,055,226	2,536,470	5,079,922	18,813,101	66,838,899	75,027,227	90,939,469	92,143,099	92,711,757
TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS	$ 78,102,671	$ 104,775,792	$ 87,091,847	$ 89,838,209	$ 117,189,860	$ 124,097,494	$ 153,680,947	$ 152,953,778	$ 163,643,926
BUSINESS-TYPE ACTIVITIES:									
Invested in capital assets — net of related debt	$ 12,675,745	$ 12,163,549	$ 11,725,389	$ 11,326,759	$ 10,638,946	$ 10,140,217	$ 9,880,588	$ 9,632,120	$ 9,444,693
Unrestricted	2,594,008	1,635,194	392,496	(596,452)	1,609,760	3,195,007	2,494,152	1,891,348	2,476,226
TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS	$ 15,269,753	$ 13,798,743	$ 12,117,885	$ 10,730,307	$ 12,248,706	$ 13,335,224	$ 12,374,740	$ 11,523,468	$ 11,920,919
PRIMARY GOVERNMENT:									
Invested in capital assets — net of related debt	$ 24,254,465	$ 30,638,186	$ 39,308,440	$ 44,947,048	$ 22,148,952	$ 17,249,309	$ 34,291,294	$ 42,066,213	$ 23,472,134
RESTRICTED:									
Capital projects	39,247,135	61,687,529	38,808,227	23,190,338	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857
Workers' compensation	25,221,590	22,077,156	15,620,647	14,214,481	12,927,190	10,739,563	9,432,849	9,360,939	8,694,871
Unrestricted	4,649,234	4,171,664	5,472,418	18,216,649	68,448,659	78,222,235	93,433,621	83,864,309	95,187,983
TOTAL PRIMARY GOVERNMENT NET ASSETS	$ 93,372,424	$ 118,574,535	$ 99,209,732	$ 100,568,516	$ 129,438,566	$ 137,432,718	$ 166,055,687	$ 164,477,246	$ 175,564,845

* Less than ten fiscal years are shown due to implementation of GASB Statement No. 34 in fiscal year 2002.

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS *
(Accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
EXPENSES:									
Governmental activities:									
Instruction	$ 285,784,225	$ 296,582,585	$ 320,963,187	$ 330,508,280	$ 343,103,518	$ 412,481,720	$ 354,803,355	$ 359,892,900	$ 367,624,843
Instruction student support	46,814,372	54,046,919	53,843,999	48,872,492	50,212,401	18,788,145	72,889,909	76,343,837	77,196,218
Administrative and financial support services	55,083,778	56,025,051	75,646,481	72,955,936	70,317,359	43,726,558	41,744,853	41,894,934	39,632,257
Operation and maintenance of plant services	44,116,397	48,716,904	52,477,423	51,248,711	54,293,456	51,465,382	52,652,003	50,554,945	50,102,490
Student transportation services	29,011,096	31,730,202	32,936,828	34,385,680	36,265,693	37,350,251	40,407,143	38,990,860	39,531,164
Facilities	18,722,136	19,394,564	9,679,922	994,733	4,741,647	4,309,043	4,068,041	10,313,503	9,391,546
Student activities	4,613,974	4,857,333	6,359,515	6,213,829	6,517,464	6,577,584	6,234,205	6,287,969	6,065,262
Community services	1,016,676	1,303,291	1,067,895	851,183	1,097,706	960,216	438,186	174,651	393,461
Scholarships and awards		5,000						25,881	
Food service	54,943	114,402	173,254	134,649	59,506	1,019,772	541,103	9,261	34,672
Interest on long-term debt	20,856,240	18,429,499	21,290,001	22,705,775	23,213,046	25,369,995	25,453,453	25,581,149	24,948,700
Total governmental activities	506,073,837	531,205,750	574,438,505	568,871,268	589,821,796	602,048,666	599,232,251	610,069,890	614,920,613
Business-type activities:									
Food service operations	14,432,192	15,053,888	15,077,004	15,051,158	13,754,932	13,480,029	14,717,475	14,997,269	15,202,951
Educational management					169,923	250,860			
Total business-type activities	14,432,192	15,053,888	15,077,004	15,051,158	13,924,855	13,730,889	14,717,475	14,997,269	15,202,951
Total primary government	520,506,029	546,259,638	589,515,509	583,922,426	603,746,651	615,779,555	613,949,726	625,067,159	630,123,564
PROGRAM REVENUES:									
Governmental activities:									
Charges for services — instruction	2,682,414	3,922,854	4,494,607	3,653,179	2,981,589	5,382,047	4,232,887	3,900,934	3,735,342
Operating grants and contributions	65,772,739	53,264,857	77,482,739	58,035,999	107,342,376	93,878,334	94,837,622	93,464,939	100,337,549
Capital grants and contributions	108,101							1,145,639	
Total governmental activities program revenues	68,563,254	57,187,711	81,977,346	61,689,178	110,323,965	99,260,381	99,070,509	98,511,512	104,072,891
Business-type activities:									
Charges for services — food sales	3,603,130	3,989,867	3,992,405	4,212,346	4,956,902	4,673,892	3,046,494	2,359,785	2,878,544
Operating grants and contributions	9,051,071	9,550,148	9,299,178	9,402,243	9,852,424	9,918,718	11,638,102	12,212,629	12,651,008
Total business-type activities program revenues	12,654,201	13,540,015	13,291,583	13,614,589	14,809,326	14,592,610	14,684,596	14,572,414	15,529,552
Total primary government program revenues	81,217,455	70,727,726	95,268,929	75,303,767	125,133,291	113,852,991	113,755,105	113,083,926	119,602,443
NET (EXPENSE) REVENUE:									
Governmental activities	(437,510,583)	(474,018,039)	(492,461,159)	(507,182,090)	(479,497,831)	(502,788,285)	(500,161,742)	(511,558,378)	(510,847,722)
Business-type activities	(1,777,991)	(1,513,873)	(1,785,421)	(1,436,569)	884,471	861,721	(32,879)	(424,855)	326,601
TOTAL PRIMARY GOVERNMENT NET EXPENSE	$ (439,288,574)	$ (475,531,912)	$ (494,246,580)	$ (508,618,659)	$ (478,613,360)	$ (501,926,564)	$ (500,194,621)	$ (511,983,233)	$ (510,521,121)

* Less than ten fiscal years are shown due to implementation of GASB Statement No. 34 in fiscal year 2002.

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS *
(Accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
GENERAL REVENUES:									
Taxes:									
Real estate	$ 161,470,452	$ 182,188,003	$ 183,210,283	$ 184,098,557	$ 182,844,940	$ 180,610,786	$ 201,056,780	$ 165,639,728	$ 167,021,527
Earned income	95,565,856	93,892,070	94,604,673	96,478,095	98,113,842	99,463,263	97,449,958	94,278,868	96,580,035
Others	10,987,262	10,418,040	8,460,506	9,542,162	2,951,903	460,595	625,808	404,485	383,480
Federal and state grants and subsidies	165,133,820	206,710,739	180,361,141	206,162,647	199,519,748	213,084,958	214,935,445	238,629,300	246,496,380
Investment income	4,923,428	3,782,382	5,067,985	7,405,659	10,331,541	11,482,539	7,856,272	5,051,424	3,309,796
Miscellaneous income	7,201,410	3,699,926	3,157,759	11,009,396	8,960,996	4,809,711	6,868,385	6,400,064	7,817,222
Transfers	(195,520)		(85,133)	(21,849)	(619,703)	(215,933)	952,547	427,340	(70,570)
Total government activities	445,086,708	500,691,160	474,777,214	514,674,667	502,103,267	509,695,919	529,745,195	510,831,209	521,537,870
BUSINESS-TYPE ACTIVITIES:									
Investment income	19,979	14,863	19,430	12,940	14,225	12,644	8,941	923	280
Gain on disposal of assets		28,000		14,202		(3,780)	16,000		
Transfers	195,520		85,133	21,849	619,703	215,933	(952,546)	(427,340)	70,570
Total business-type activities	215,499	42,863	104,563	48,991	633,928	224,797	(927,605)	(426,417)	70,850
Total primary government	445,302,207	500,734,023	474,881,777	514,723,658	502,737,195	509,920,716	528,817,590	510,404,792	521,608,720
CHANGE IN NET ASSETS:									
Governmental activities	7,576,125	26,673,121	(17,683,945)	7,492,577	22,605,436	6,907,634	29,583,453	(727,169)	10,690,148
Business-type activities	(1,562,492)	(1,471,010)	(1,680,858)	(1,387,578)	1,518,399	1,086,518	(960,484)	(851,272)	397,451
TOTAL PRIMARY GOVERNMENT	$ 6,013,633	$ 25,202,111	$ (19,364,803)	$ 6,104,999	$ 24,123,835	$ 7,994,152	$ 28,622,969	$ (1,578,441)	$ 11,087,599

* Less than ten years are shown due to implementation of GASB Statement No. 34 in fiscal year 2002.

(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(Modified accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GENERAL FUND:										
Reserved	$ 11,065,219	$ 8,385,081	$ 17,870,811	$ 4,710,431	$ 3,848,109	$ 3,100,904	$ 4,171,947	$ 4,693,507	$ 3,548,327	$ 3,492,476
Unreserved	71,882,113	86,381,926	98,202,946	78,723,700	62,847,401	71,850,561	69,231,998	67,346,931	67,972,380	69,036,774
Total general fund	82,947,332	94,767,007	116,073,757	83,434,131	66,695,510	74,951,465	73,403,945	72,040,438	71,520,707	72,529,250
CAPITAL PROJECTS:										
Reserved	43,197,907	39,247,135	20,158,084	22,339,569	6,619,973	13,970,759	17,772,085	9,519,459	24,365,531	22,110,291
Unreserved	10,821,544	6,750,548	19,441,427	4,206,572	3,081,377	11,943,006	13,449,526	19,378,464	4,820,254	26,099,566
Total capital projects	54,019,451	45,997,683	39,599,511	26,546,141	9,701,350	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857
SPECIAL FUNDS:										
Reserved										
Unreserved	3,751,904	4,331,759	4,885,362	4,738,188	4,454,216	4,449,482	4,213,474	5,084,453	4,852,781	3,621,026
Total special funds	3,751,904	4,331,759	4,885,362	4,738,188	4,454,216	4,449,482	4,213,474	5,084,453	4,852,781	3,621,026
OTHER GOVERNMENTAL FUNDS:										
Reserved							84,532	79,460	5,191	5,191
Unreserved	596,577	578,674	578,674	599,507	419,385	3,244,532	2,175,837	421,273	560,545	446,415
Total other governmental funds	596,577	578,674	578,674	599,507	419,385	3,244,532	2,260,369	500,733	565,736	451,606
TOTAL ALL FUNDS	$141,315,264	$145,675,123	$161,137,304	$115,317,967	$ 81,270,460	$108,559,244	$111,099,399	$106,523,547	$106,125,009	$124,811,739

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES:										
Taxes	$297,648,561	$273,919,257	$283,744,237	$287,666,942	$283,070,648	$288,729,045	$285,479,159	$291,178,837	$272,514,477	$265,323,836
Local nontax revenue	63,849,631	20,376,175	20,993,111	7,652,366	7,935,067	11,930,587	9,992,883	3,298,412	2,630,043	10,833,651
Federal and state grants and subsidies	176,557,421	220,540,921	247,650,298	257,843,878	278,861,216	306,874,124	306,579,696	310,462,249	333,198,409	347,526,827
Investment earnings	6,649,656	4,205,359	3,525,776	3,279,777	5,700,527	8,220,724	9,251,027	4,973,882	2,483,855	976,068
Total revenues	544,705,269	519,041,712	555,913,422	556,442,963	575,567,458	615,754,480	611,302,765	609,913,380	610,826,784	624,660,382
EXPENDITURES:										
Instruction	313,306,696	264,561,927	277,889,966	295,842,911	296,536,288	303,497,446	308,178,614	337,069,804	338,411,054	345,965,024
Support service instruction	35,468,272	40,422,965	44,666,989	49,938,951	45,543,803	47,216,488	49,249,383	48,260,865	47,036,824	46,800,516
Administration and business	54,534,262	51,936,527	55,567,500	68,265,676	68,613,829	61,203,994	57,744,635	58,659,072	57,567,589	60,434,659
Pupil health	4,666,663	4,796,830	4,841,097	5,729,419	6,050,626	6,284,059	6,775,578	6,319,601	6,288,538	6,714,603
Operation and maintenance	45,181,614	44,279,955	48,290,920	52,382,779	52,381,126	55,163,987	51,272,510	53,350,551	49,934,296	50,099,238
Transportation	29,928,128	29,014,994	31,720,374	32,938,036	34,406,327	36,117,732	37,308,662	40,410,946	38,979,412	39,525,502
Operation of noninstructional services	5,762,088	5,559,999	6,245,838	7,507,106	7,691,820	6,901,707	8,250,935	7,786,860	6,706,366	6,477,685
Facilities — capital outlay	65,989,195	74,786,472	68,797,351	62,656,404	59,887,115	41,983,063	39,676,515	33,785,391	42,189,499	32,109,788
Facilities — noncapital outlay					1,110,144	2,087,916	2,123,683	1,778,179	6,036,703	2,361,405
Allocated costs	(12,395,501)									
Debt service principal and interest:										
Principal	20,501,344	40,597,689	31,532,439	33,341,288	33,654,693	31,438,004	35,012,840	37,088,505	34,845,747	35,458,134
Interest	14,686,661	14,567,347	18,061,693	20,182,183	20,714,751	22,129,727	23,207,737	23,621,598	23,668,629	24,261,943
Charter schools [1]	6,421,723	7,441,695	11,031,920	16,751,469	21,384,458	28,320,639	26,866,103			
Other charges		4,760,149	3,181,535	5,977,709	6,049,776	7,945,318	5,898,269	3,342,782	4,944,404	5,240,846
Total expenditures	584,051,145	582,726,549	601,827,622	651,513,931	654,024,756	650,290,080	651,565,464	651,474,154	656,609,061	655,449,343
EXCESS OF REVENUES OVER/ UNDER EXPENDITURES	(39,345,876)	(63,684,837)	(45,914,200)	(95,070,968)	(78,457,298)	(34,535,600)	(40,262,699)	(41,560,774)	(45,782,277)	(30,788,961)
OTHER FINANCING SOURCES (USES):										
Issuance of general obligation bonds	79,430,853	66,389,207	61,376,381	45,735,000	41,745,000	53,355,000	40,235,000	29,050,000	42,535,000	49,070,000
Premium on refunding				3,577,892	541,665	245,280			33,460,000	37,635,000
Premium on general obligation bonds				1,564,329	1,581,001	555,983	549,205	389,851	2,094,295	5,287,951
Issuance of refunding bonds	(467,911)	140,537,263		39,885,000	20,175,000	6,350,000				
Issuance of QZAB						5,608,000				
Debt service (payments to refunded bond escrow agent)		(139,375,238)		(42,590,910)	(20,471,625)	(6,519,498)			(34,029,604)	(42,498,310)
Other capital leases					696,600		2,400,000	4,954,942		
Sale of or compensation for capital assets					164,000	2,849,320	11,732	1,263,651	1,270,639	51,619
Transfers in	11,232,884	12,294,165	15,765,644	18,199,396	16,603,119	20,853,200	19,618,867	22,623,705	23,656,159	21,684,483
Transfers out	(11,183,928)	(12,489,686)	(15,765,644)	(18,284,529)	(16,624,968)	(21,472,902)	(20,011,951)	(21,671,159)	(23,228,819)	(21,755,052)
Total other financing sources	79,011,898	67,355,711	61,376,381	48,086,178	44,409,792	61,824,383	42,802,853	36,610,990	45,757,670	49,475,691
NET CHANGE IN FUND BALANCES	$ 39,666,022	$ 3,670,874	$ 15,462,181	$ (46,984,790)	$ (34,047,506)	$ 27,288,783	$ 2,540,154	$ (4,949,784)	$ (24,607)	$ 18,686,730
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	6.79 %	10.86 %	9.30 %	9.11 %	9.15 %	8.81 %	9.51 %	9.83 %	9.52 %	9.51 %

Source: School District of Pittsburgh, Finance Division

[1] Charter school costs are included in Instructions Expenditures for 2008 and forward

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
NINE FISCAL YEARS [1]
(Accrual basis of accounting)

Fiscal Year	Real Estate Tax	Real Estate Transfer Tax	Earned Income Tax	Mercantile Tax	Public Utility Realty Tax	Total
2002	$ 154,631,187	$ 6,839,265	$ 95,565,856	$ 3,696,721	$ 451,276	$ 261,184,305
2003	176,289,629	5,898,374	93,892,070	4,021,806	497,860	280,599,739
2004	175,036,784	7,792,524	94,604,673	3,877,309	380,970	281,692,260
2005	175,331,875	8,295,249	96,478,095	159,353	471,433	280,736,005
2006	173,796,113	9,048,826	98,113,842	66,734	459,540	281,485,055
2007	172,240,306	8,370,480	99,463,263	22,102	426,761	280,522,912
2008	[2] 192,508,265	8,548,515	97,449,958	12,426	380,376	298,899,540
2009	[3] 159,517,055	6,122,673	94,278,868	5,392	399,091	260,323,079
2010	[3] 159,966,438	7,055,089	96,580,035	4,321	379,159	263,985,042

Source: School District of Pittsburgh, Finance Division

[1] Less than ten fiscal years are shown due to implementation of GASB Statement No. 34 in fiscal year 2002.
[2] Reflects one-time change to deferred revenue for property tax reduction.
[3] Decrease reflects new state property tax reduction allocation program. Revenue now recorded as state grants.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

Fiscal Year	Real Estate Tax	Earned Income Tax	Mercantile Tax [1]	Real Estate Transfer Tax	Public Utility Realty Tax	Total
2001	$117,546,691	$92,019,626	$3,922,038	$5,551,352	$ 451,541	$219,491,248
2002	167,366,139	95,565,856	3,696,721	6,839,265	451,276	273,919,257
2003	179,434,127	93,892,070	4,021,806	5,898,374	497,860	283,744,237
2004	176,428,267	94,604,673	3,877,309	7,792,524	380,970	283,083,743
2005	176,218,546	96,478,095	159,353	8,295,249	471,433	281,622,676
2006	181,040,104	98,113,842	66,734	9,048,826	459,540	288,729,046
2007	176,997,680	99,463,263	22,102	8,370,478	426,761	285,280,284
2008	177,550,700	97,449,958	12,426	8,548,515	380,376	283,941,975
2009	[2] 163,984,723	94,278,868	5,392	6,122,673	399,091	264,790,747
2010	[2] 161,280,364	96,580,035	4,321	7,055,089	379,159	265,298,968

[1] The Mercantile Tax was eliminated as of 2005 by Pennsylvania General Assembly legislation HB 850 and HB 197 to provide as part of its plan financial assistance to the City of Pittsburgh.

[2] Decrease reflects new state property tax reduction allocation program.

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY*
LAST TEN FISCAL YEARS

	City of Pittsburgh and Mt. Oliver Borough (Values Assessed in Thousands)							
Fiscal Year	Assessed[1] Value Residential	Assessed[1] Value Commercial	Total Assessed[1] Value	Less: Tax-Exempt[1] Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Total[2] Assessed Value to Total Estimated Actual Value
2001	7,560,761	12,000,050	19,560,811	6,144,109	13,416,702	1.00	14,273,087	0.940
2002	8,521,486	12,241,639	20,763,125	6,012,409	14,750,716	1.00	15,128,939	0.975
2003	7,991,249	12,264,563	20,255,812	6,601,925	13,653,887	1.00	14,540,881	0.939
2004	7,895,905	12,197,114	20,093,019	6,751,370	13,341,649	1.00	14,612,978	0.913
2005	7,855,080	12,203,614	20,058,694	6,750,063	13,308,631	1.00	14,608,816	0.911
2006	7,359,655	13,258,151	20,617,806	7,247,496	13,370,310	1.00	15,315,361	0.873
2007	7,365,189	13,809,440	21,174,629	7,696,640	13,477,989	1.00	15,581,490	0.865
2008	7,302,960	13,792,448	21,095,408	7,826,233	13,269,175	1.00	15,164,771	0.875
2009	7,348,092	14,068,732	21,416,824	7,985,191	13,431,633	1.00	15,581,941	0.862
2010	7,359,741	14,049,120	21,408,861	8,115,436	13,293,425	1.00	15,421,607	0.862

*Figures in U.S. $s

[1] City of Pittsburgh, Department of Finance, Division of Real Estate Property — updated levy.

[2] Pennsylvania State Tax Equalization Board (www.steb.state.pa.us) Common Level Ratio for Allegheny County. Update not yet available for 2008.

Note: Allegheny County's predetermined ratio of assessed to market value changed from 1:4 to 1:1 starting with tax year 2001.

Source: City of Pittsburgh, Department of Finance, Division of Real Estate Property

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

PROPERTY TAX RATES
DIRECT AND OVERLAPPING [1] GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	School District of Pittsburgh Millage	Overlapping Rates: City of Pittsburgh Land Millage	City of Pittsburgh Building Millage	City of Pittsburgh Average [3]	Mt. Oliver Borough Millage	Allegheny County Millage	Total Millage City Resident[4]	Total Millage Mt. Oliver Resident[5]
2001 [2]	13.920	10.800	10.800	10.800	8.000	4.720	29.440	26.640
2002	13.920	10.800	10.800	10.800	10.000	4.720	29.440	28.640
2003	13.920	10.800	10.800	10.800	10.000	4.720	29.440	28.640
2004	13.310	10.800	10.800	10.800	11.000	4.690	28.800	29.000
2005	13.920	10.800	10.800	10.800	12.000	4.690	29.410	30.610
2006	13.920	10.800	10.800	10.800	13.500	4.690	29.410	32.110
2007	13.920	10.800	10.800	10.800	13.500	4.690	29.410	32.110
2008	13.920	10.800	10.800	10.800	13.500	4.690	29.410	32.110
2009	13.920	10.800	10.800	10.800	13.500	4.690	29.410	32.110
2010	13.920	10.800	10.800	10.800	13.500	4.690	29.410	32.110

(1) Overlapping rates are those of local and county governments that apply to property owners within the District.
(2) Allegheny County performed a reassessment of all real property and this is reflected in the 2001 Assessed Evaluation.
(3) Determined by multiplying the respective assessed valuation by the millage rate and dividing by the total assessed valuation.
(4) Determined by adding School District, Average City of Pittsburgh and Allegheny County Millage.
(5) Determined by adding School District, Mount Oliver Borough and Allegheny County Millage.

The basis for the property tax rates is per each $1,000 of assessed valuation.

Source: City of Pittsburgh, Department of Finance, Division of Real Estate Property

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL PROPERTY TAXPAYERS
2009 AND NINE YEARS AGO

	2010			2001		
Taxpayer	(1) Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
500 Grant Street Associates/Mellon Bank	$ 349,940,300	1	21.38 %	$ 517,850,000	1	28.84 %
Holdings Acquisition Co LP	203,091,800	2	12.41			
PNC	192,480,800	3	11.76	138,117,000	6	7.69
Buncher Company	192,367,374	4	11.76	137,959,000	7	7.68
Market Assoc. Limited	185,000,000	5	11.31	205,076,000	3	11.42
600 GS Prop LP	175,000,000	6	10.69	264,303,000	2	14.72
Oxford Development	115,000,000	7	7.03	139,111,000	5	7.75
Grant Liberty Dev. Group	110,000,000	8	6.72	146,661,000	4	8.17
North Shore Developers	64,297,550	9	3.93			
Liberty Avenue Holdings LLC	49,210,000	10	3.01			
Harrahs Forest City Assoc.				30,052,000	10	1.67
Gateway Trizec, Inc.				131,704,000	8	7.33
Penn Liberty Holding				84,970,000	9	4.73
Total assessed value (in thousands)	$ 1,636,387,824			$ 1,795,803,000		

Source: City of Pittsburgh, Department of Finance
(1) Allegheny County performed reassessments of all real property in 2001 and again in 2002.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Levy Year	Taxable Valuation (Millions)[1]	Adjusted Levy[2]	Collected Within the Fiscal Year of the Levy Amount	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date Amount	Total Collections to Date Percentage of Levy[4]
2001	12,927.5	190,439,261	164,887,976	86.58	9,266,516	174,154,492	91.45
2002	13,484.5	188,761,754	176,971,534 [3]	93.75	10,531,489	187,503,023 [3]	99.33
2003	13,138.9	181,014,244	170,590,774	94.24	7,913,361	178,554,259	98.64
2004	13,065.6	171,798,461	162,146,215	94.38	6,785,014	168,931,229	98.33
2005	12,999.0	179,628,170	169,439,957	94.33	6,840,259	176,280,216	98.14
2006	13,126.6	181,746,627	171,703,252	94.47	6,344,072	178,047,324	97.96
2007	12,902.6	179,605,293	171,657,699	95.57	5,943,442	177,601,141	98.88
2008	12,977.5	180,648,220	171,075,386	94.70	5,767,348	176,842,734	97.89
2009	11,784.7	164,044,094	157,206,287	95.83	3,986,947	161,193,235	98.26
2010	11,787.9	164,088,430	155,802,011	94.95	-	155,802,011	94.95

[1] Original taxable valuation plus/less adjustments less exonerations.

[2] Original levy plus/less adjustments and exonerations.

[3] Prior year published numbers have been changed to comply with GASB Codification Section 2300, *Statistical Section.*

Figures for 2001–2009 were calculated on a collection basis, whereas, the figures used in the District's financial statements are calculated on a modified accrual basis.

Source: School District of Pittsburgh Real Estate Tax Collection Records

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities: (Net) General Obligation Bonds	Governmental Activities: Capital Leases	Total Primary Government	(Net) General Bonded Debt Estimated Actual Taxable Value [1] of Property	Total Outstanding Debt Per Capita	(Net) General Bonded Debt Per Capita	Total Outstanding Debt as a Percentage of Personal Income [2]
2001	$ 370,284,245	$ -	$ 370,284,245	2.54 %	$ 1,071.25	$ 1,071.25	0.52 %
2002	392,466,556		392,466,556	2.58	1,152.18	1,152.18	0.52
2003	422,122,722		422,122,722	2.90	1,246.92	1,246.92	0.55
2004	434,081,483		434,081,483	2.97	1,282.75	1,282.75	0.56
2005	442,891,791	570,056	443,461,847	3.04	1,310.47	1,308.79	0.56
2006	470,416,786	434,933	470,851,719	3.07	1,391.57	1,390.12	0.57
2007	475,638,946	2,690,494	478,329,440	3.07	1,413.51	1,405.56	0.55
2008	467,600,440	6,469,776	474,070,216	3.13	1,515.57	1,494.89	0.54
2009	474,754,694	5,178,368	479,933,062	3.13	1,542.20	1,525.56	0.55
2010	487,810,536	5,817,370	493,627,906	3.20	1,592.29	1,573.39	0.57

[1] See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 84 for property value data.
[2] See the Schedule of Demographic and Economic Statistics for Total Personal Income.

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

RATIOS OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2001	20,501,344	14,686,661	35,188,005	584,051,145	6.02
2002	40,597,689	14,567,347	55,165,036	582,726,549	9.47
2003	31,532,439	18,061,693	49,594,132	601,827,622	8.24
2004	33,341,288	20,182,183	53,523,471	647,686,780	8.26
2005	33,654,693	20,714,751	54,369,444	653,328,154	8.32
2006	31,438,004	22,129,727	53,567,731	650,290,080	8.24
2007	35,012,840	23,207,738	58,220,578	651,565,463	8.94
2008	37,088,505	23,621,598	60,710,103	651,474,153	9.33
2009	34,845,747	23,668,629	58,514,376	656,609,061	8.91
2010	34,364,158	24,261,943	58,626,101	655,449,343	8.94

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

DIRECT AND OVERLAPPING DEBT OF GOVERNMENTAL DEBT
AS OF DECEMBER 31, 2010

Jurisdiction	Net Debt Outstanding	Percentage Applicable to School District	Amount Applicable to School District
Direct debt — School District of Pittsburgh			
General Obligation Bonds	$ 462,615,536	100 %	$ 462,615,536
Notes	25,195,000	100	25,195,000
Total direct debt	$ 487,810,536		$ 487,810,536
Overlapping debt:			
Allegheny County (2)	$ 655,825,000	25	$ 163,956,250
City of Pittsburgh:			
City	633,338,000	100	633,338,000
Auditorium Authority (1)	3,180,000	50	1,590,000
Stadium Authority		100	
Urban Redevelopment Authority (3)	76,875,000	63	48,431,250
Parking Authority	97,400,000	100	97,400,000
	$1,466,618,000		$ 944,715,500

(1) Based on contractual agreements
(2) Percentage of the City population to the county population
(3) Percentage of the City liability per agreement

Source: City of Pittsburgh, Department of Finance

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	$871,545,206	$916,606,405	$973,258,564	$ 1,031,122,899	$ 1,058,148,177	$1,074,251,941	$1,093,536,657	$1,112,485,535	$1,133,187,826	$1,140,382,642
Total net debt applicable to limit	370,284,245	392,466,556	422,122,772	434,081,483	442,891,790	470,416,786	475,638,946	467,600,441	474,754,695	487,810,536
Legal debt margin	$501,260,961	$524,139,849	$551,135,792	$ 597,041,416	$ 615,256,387	$ 603,835,155	$ 617,897,711	$ 644,885,094	$ 658,433,131	$ 652,572,106
Total net debt applicable to the limit as a percentage to debt limit	42.49 %	42.82 %	43.37 %	42.10 %	41.86 %	43.79 %	43.50 %	42.03 %	41.90 %	42.78 %

Legal Debt Margin Calculation for Fiscal Year 2009

	2007	2008	2009	Total	
Total general funds	$ 509,713,613	$ 509,884,658	$ 510,647,550	$1,530,245,821	
Less required deduction rental and sinking fund reimbursement	(3,040,179)	(2,827,503)	(3,867,950)	(9,735,632)	
Total net general fund revenues	$ 506,673,434	$ 507,057,155	$ 506,779,600	$1,520,510,189	
Average of three years				$ 506,836,730	
Multiply by 225% (1)				225 %	
Debt limit					$1,140,382,642
Less total net debt applicable to limit					(487,810,536)
Legal debt margin					$ 652,572,106

(1) Act 177 of 1996 changed the borrowing calculation from 350% to 225% of average annual revenues.

Source: School District of Pittsburgh, Finance Division

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population	Total Personal Income[1]	Per Capita Personal Income[2]	Median Age	School Enrollment[3]	Unemployment Rate[4]
2001	338,533	70,296,127	28,827	40.0	37,612	4.20
2002	338,533	74,360,816	30,610	35.5	35,147	5.40
2003	338,533	76,253,651	31,544	36.0	34,619	4.90
2004	338,533	77,737,651	32,208	35.5	32,661	5.40
2005	338,533	79,441,665	32,987	35.5	32,529	4.70
2006	338,533	83,167,643	34,685	35.7	30,969	4.90
2007	314,901	87,003,015	36,530	36.0	29,902	5.00
2008	312,800	91,100,723	38,550	39.2	28,436	6.00
2009	311,200	97,006,591	41,206	36.6	27,922	8.00
2010	310,037	99,171,917	42,104	36.6	27,132	8.00

Sources:
[1] Bureau of Economic Analysis — two-year lag
[2] U.S. Bureau of Economic Analysis — two-year lag
[3] Includes Pre-K Students
[4] U.S. Department of Labor, Bureau of Labor Statistics

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL EMPLOYERS, PITTSBURGH METROPOLITAN STATISTICAL AREA
2010 AND NINE YEARS AGO

	2010			2001		
Employer	Employees	Rank	Percentage of Total City Employment *	Employees	Rank	Percentage of Total City Employment *
University of Pittsburgh Medical Center	36,755	1	13.68 %	28,000	1	9.00 %
U.S. Government	18,738	2	6.98	20,200	2	6.50
Commonwealth of Pennsylvania	13,805	3	5.14	15,300	3	4.92
University of Pittsburgh	11,328	4	4.22	8,177	7	2.63
West Penn Allegheny Health System	10,616	5	3.95	8,901	5	2.86
Giant Eagle, Inc.	10,440	6	3.89	4,301	17	1.38
Wal-Mart Stores Inc.	10,830	7	4.03			
PNC Financial Services Group, Inc.	9,150	8	3.41	6,993	8	2.25
Westinghouse Electric Co.	8,000	9	2.98	3,200	22	1.03
The Bank of New York Mellon	7,017	10	2.61	8,613	6	2.77
Allegheny County	6,945	11	2.59	6,699	9	2.15
Highmark, Inc.	5,460	12	2.03	4,529	14	1.46
Pittsburgh School District +	4,852	13	1.81	5,160	11	1.66

Sources:
Pittsburgh Business Times 2011 Book of Lists and 2001 Book of Lists
City of Pittsburgh Tax Files

* Total city employment reflects only people making more than $12,000 annually.
Starting in 2008, local service tax was not collected for individuals making less than $12,000 annually.
\+ This includes both full-time and part-time employees. The part-time employees for 2010 and 2001 were 481 and 71, respectively.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STUDENT MEMBERSHIP
LAST TEN YEARS

	2001–2002	2002–2003	2003–2004	2004–2005	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010-2011
Elementary school#	18,010	16,513	15,943	15,254	14,975	15,864	15,363	14,667	12,268	12,081
Middle school	7,965	7,618	7,539	6,655	6,088	4,001	3,825	3,658	5,674	5,555
Secondary school	11,135	10,599	10,729	10,381	9,719	9,247	8,634	7,777	7,617	7,166
Special education	502	417	408	371	366	333	443	547	564	524
Pre-K/Headstart*	—	—	—	—	1,381	1,452	1,637	1,787	1,799	1,806
Total	37,612	35,147	34,619	32,661	32,529	30,897	29,902	28,436	27,922	27,132

* The 2005–2006 school year was the first year Pre-K/Headstart was utilized in calculating student membership.
# Schools with the K-8 designation are included in the elementary school number.

Source: School District of Pittsburgh, Office of Technology

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

GRADUATION RATE (LAST TEN YEARS)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Number of schools:										
Elementary	57	57	57	57	53	39	39	39	39	38
Junior/middle	20	20	19	19	18	11	11	11	9	7
Senior	12	12	12	12	11	11	11	12	14	14
Special	3	3	5	5	4	4	4	4	4	4
Total public schools	92	92	93	93	86	65	65	66	66	63
Number of charter schools [1]		13	14	17	21	23	22	24	24	25
Total	92	105	107	110	107	88	87	90	90	88
School enrollment:										
Elementary	18,010	16,513	15,943	15,254	14,975	15,864	15,363	14,667	12,268	12,081
Junior/middle	7,965	7,618	7,539	6,655	6,088	4,001	3,825	3,658	5,674	5,555
Senior/special/vocational	11,135	10,599	10,729	10,381	9,719	9,247	8,634	7,777	7,617	7,166
Special	502	417	408	371	366	333	443	547	564	524
Pre-K					1,381	1,452	1,637	1,787	1,799	1,806
Total public schools	37,612	35,147	34,619	32,661	32,529	30,897	29,902	28,436	27,922	27,132
Charter schools		959	1,377	1,626	2,083	2,087	2,023	2,467	2,945	3,117
Total	37,612	36,106	35,996	34,287	34,612	32,984	31,925	30,903	30,867	30,249
Number of public high school graduates	1,983	1,864	1,875	1,945	1,963	1,908	1,744	1,818	1,676	1,726
Number of high school charter graduates [2]		24	24	33	47	153	205	245	264	297
Total number of high school graduates	1,983	1,888	1,899	1,978	2,010	2,061	1,949	2,063	1,940	2,023

[1] Includes all charter and cyber charter schools attended by Pittsburgh students.

[2] As reported to School District of Pittsburgh, Finance Division, by charter and cyber charter schools.

Source: School District of Pittsburgh, Finance Division, Office of Technology

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STUDENT OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Operating Expenses [1]	Enrollment *	Cost Per Pupil	Percentage Change *	Expenses [2]	Cost Per Pupil	Change	Teaching Staff *	Pupil Teacher Ratio	Student Attendance % *
2001	482,919,475	37,612	12,840	5.83	N/A	N/A	N/A	3,362	11	91.3
2002	452,775,041	35,147	12,882	0.33	$ 520,506,029	$ 14,809	N/A	2,883	12	90.3
2003	483,559,793	34,619	13,968	8.43	543,259,638	15,779	6.55	2,862	12	89.7
2004	534,168,605	32,661	16,355	17.09	589,014,133	18,034	14.29	2,790	12	89.6
2005	539,768,197	32,529	16,593	1.46	583,922,426	17,951	(0.46)	2,722	12	90.0
2006	554,739,286	30,897	17,954	8.20	603,746,651	19,541	8.86	2,555	12	91.3
2007	553,668,371	29,902	18,516	3.13	615,779,554	20,593	5.39	2,466	12	91.4
2008	555,200,481	28,436	19,525	5.45	613,949,726	21,591	4.84	2,303	12	90.9
2009	549,868,483	27,922	19,693	0.86	625,067,159	22,484	3.60	2,315	12	91.1
2010	561,258,073	27,132	20,686	5.04	630,123,564	23,224	3.74	2,259	12	91.7

Sources: School District of Pittsburgh, Finance Division, Student Information Department

* Enrollment based on start of school year census. Teaching staff are full-time equivalents and include academic coaches. Attendance is a yearly average.

[1] Based on fund-level financial reports — total expenditures less capital outlay less debt service

[2] Based on government-wide financial reports

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

TOTAL NUMBER OF EMPLOYEES
LAST TEN FISCAL YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Administration:										
Officials, administrators, and managers	167	83	90	80	70	74	84	87	106	108
Legal services	4	3	4	4	4	3	3	2	2	2
Clerical and other nonprofessional	436	627	673	705	726	691	659	661	652	585
Total administration	607	713	767	789	800	768	746	750	760	695
Instruction:										
Principals	150	96	96	91	91	73	75	72	73	73
Supervisors and assistant principals	43	56	58	66	57	68	64	50	40	34
Teachers	3,361	2,883	2,862	2,790	2,722	2,555	2,466	2,303	2,315	2,166
Librarians	75	69	72	69	65	56	52	48	45	40
Professionals and support staff		750	862	769	738	701	694	651	688	599
Total instruction	3,629	3,854	3,950	3,785	3,673	3,453	3,351	3,124	3,161	2,912
Pupil affairs:										
Directors and coordinators	9	14	14	11	10	9	8	8	1	1
Attendance personnel	52	75	71	67	66	62	54	53	53	51
Guidance and psychological personnel	138	160	169	166	170	160	154	150	147	138
Total pupil affairs	199	249	254	244	246	231	216	211	201	190
Health services:										
Nurses and health worker	37	42	41	38	39	35	35	35	37	35
Dentist and hygienists	3	3	3	3	3	3	3	3	3	3
Total health services	40	45	44	41	42	38	38	38	40	38
Operation and maintenance:										
Supervisors	7	11	13	14	14	13	13	13	14	13
Operation and maintenance	530	451	386	436	433	406	383	374	375	367
Total operation and maintenance	537	462	399	450	447	419	396	387	389	380
Food service:										
Director	1	1	1	1	1	1	1	1	1	1
Salaried employees	218	237	232	217	204	184	165	148	159	155
Total food service	219	238	233	218	205	185	166	149	160	156
Total general budget	5,231	5,561	5,647	5,527	5,413	5,094	4,913	4,659	4,711	4,371

Source:
1) Detail query in new software system (Peoplesoft) for years 2002–2009
2) Pittsburgh Public Schools Human Resource Department for years 2000–2001

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

TEACHER'S BASE SALARY
ANNUAL SCHOOL YEAR SALARY
LAST TEN FISCAL YEARS

Year	Minimum Salary [1]	Median Salary	Maximum Salary [2]
2001	34,500	51,500	68,500
2002	35,100	52,300	69,500
2003	35,100	52,300	69,500
2004	35,500	53,800	72,100
2005	35,500	54,500	73,500
2006	35,500	54,500	73,500
2007	36,030	56,615	77,200
2008	36,570	57,935	79,300
2009	37,120	59,260	81,400
2010	37,620	60,260	82,900

(1) The minimum salary represents the minimum amount a District teacher with a bachelor's degree may earn for regular classroom instruction during the school year according to the Pittsburgh Federation of Teachers contract. The minimum starting wage has five different levels dependent on level of education attained:
- Level 1: Bachelor's Degree
- Level 2: Master's Degree
- Level 3: Master's Degree + 30 Credits
- Level 4: Master's Degree + 60 Credits
- Level 5: Earned Doctorate

(2) The maximum salary represents the maximum amount a District teacher with a doctoral degree may earn for regular classroom instruction during the school year according to the salary schedule dependent on educational attainment and years of service. The maximum salary for each level (Level 1 through Level 5) is reached in 11 years. The majority of teachers receive the maximum salary due to the 11-year minimum needed to reach the highest pay scale dependent on years of service only. Maximum salary excludes pension and hospitalization benefits.

Source: Human Resource Department

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

BUILDING FUNCTIONAL AND EDUCATIONAL CAPACITY [1]
LAST TEN FISCAL YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Instruction and instruction student support:										
Elementary:										
Total schools	60	57	57	57	53	39	39	39	39	38
Total square footage	3,446,993	3,407,266	3,407,266	3,424,933	3,237,113	2,437,759	2,604,660	2,832,147	2,832,147	2,510,350
Enrollment	18,010	16,513	15,943	15,254	14,975	15,864	15,363	14,667	12,268	12,081
Functional capacity	23,344	22,247	21,727	20,366	22,957	21,275	19,010	19,541	19,801	19,374
Educational capacity	N/A	N/A	24,798	23,023	25,165	22,362	21,337	22,526	22,849	22,341
Percentage of capacity used	N/A	N/A	88 %	88 %	91 %	92 %	89 %	87 %	87 %	87 %
Middle:										
Total schools	21	20	19	19	18	11	11	11	9	7
Total square footage	2,310,969	2,264,297	2,208,862	2,208,862	2,159,190	1,361,692	997,758	758,565	557,300	868,508
Enrollment	7,965	7,618	7,539	6,655	6,088	4,001	3,825	3,658	5,674	5,555
Functional capacity	12,630	11,436	11,895	9,943	9,943	5,120	4,772	4,866	3,783	3,333
Educational capacity	N/A	N/A	12,968	10,817	10,817	5,474	5,251	5,576	4,310	3,802
Percentage of capacity used	N/A	N/A	92 %	92 %	92 %	94 %	91 %	87 %	88 %	88 %
Secondary:										
Total schools	12	12	12	12	11	11	11	12	14	14
Total square footage	3,291,084	3,291,084	3,291,084	3,291,084	3,066,060	3,066,060	2,835,475	2,928,974	3,092,014	2,868,961
Enrollment	11,135	10,599	10,729	10,381	9,719	9,247	8,634	7,777	7,617	7,166
Functional capacity	15,192	15,216	15,870	11,802	12,032	12,460	12,032	12,391	13,765	13,934
Educational capacity	N/A	N/A	17,053	12,945	13,175	13,578	13,175	14,272	15,921	16,202
Percentage of capacity used	N/A	N/A	93 %	91 %	91 %	98 %	91 %	87 %	86 %	86 %
Special:										
Total schools	3	3	5	5	4	4	4	4	4	4
Total square footage	211,722	211,722	211,722	211,722	211,722	211,722	211,722	313,960	313,960	400,499
Enrollment	502	417	408	371	366	333	443	547	564	524
Functional capacity	783	945	657	668	668	668	668	576	576	576
Educational capacity	N/A	N/A	805	1,334	1,334	1,334	1,334	1,334	1,334	1,334
Percentage of capacity used	N/A	N/A	82 %	50 %	50 %	50 %	50 %	43 %	43 %	43 %
Pre-K and headstart:										
Total schools										
Total square footage										
Enrollment					1,381	1,452	1,637	1,787	1,799	1,806
Functional capacity	N/A	N/A	N/A	N/A	N/A	796	740	940	940	940
Educational capacity	N/A	N/A	N/A	N/A	N/A	874	874	1,012	1,012	1,012
Percentage of capacity used	N/A	N/A	N/A	N/A	N/A	91 %	85 %	93 %	93 %	93 %
Administrative and financial support service:										
Total buildings	2	2	2	2	2	2	2	3	3	2
Total square footage	129,345	129,345	129,345	129,345	129,345	129,345	129,345	390,600	390,600	156,678
Operation and maintenance of plant services:										
Total buildings	1	1	1	1	1	1	1	1	1	1
Total square footage	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Food service:										
Total buildings	1	1	1	1	1	1	1	1	1	1
Total square footage	87,800	87,800	87,800	87,800	87,800	87,800	87,800	87,800	87,800	87,800
Grand total all buildings:										
Total buildings	100	96	97	97	90	69	69	70	71	67
Total square footage	9,547,913	9,461,514	9,406,079	9,423,746	8,961,230	7,364,378	6,936,760	7,120,791	7,343,821	6,962,796
Enrollment	37,612	35,147	34,619	32,661	32,529	30,897	29,902	28,436	27,922	27,132
Functional capacity	52,076	49,844	50,149	42,779	45,600	40,319	37,222	38,314	38,865	38,157
Educational capacity	N/A	N/A	55,624	48,119	50,491	43,622	41,971	44,720	45,426	44,691
Percentage of capacity used	N/A	N/A	62 %	68 %	64 %	71 %	71 %	64 %	61 %	61 %

Source: School District of Pittsburgh, Facilities Division

[1] Functional capacity is based on how a building is used currently and changes every school year depending on the space usage as determined by the school principal. Functional capacity did not exist in 1999. Educational capacity is based on the premise that all standard and classroom spaces can be used to the fullest with 23 students per classroom, including special education rooms and other classroom spaces that are eligible for use as home rooms. Gymnasiums, computer labs, shops, and other spaces where safety or vandalism is a concern are not considered for home rooms. Educational capacity was not measured from 1999 to 2002.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES
LAST TEN FISCAL YEARS

School Code	School Name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
101	ARLINGTON ELEMENTARY SCHOOL	75.77 %	87.82 %	86.58 %	83.95 %	82.87 %	88.19 %	88.21 %	88.02 %	86.56 %	86.12 %
102	ALLEGHENY TRADITIONAL ELEMENTARY	69.30	63.93	68.09	71.92	71.94	77.17	77.36	78.41	80.90	82.95
103	BANKSVILLE ELEMENTARY SCHOOL	36.68	35.59	43.89	37.26	38.86	46.25	50.00	60.98	62.10	54.09
105	BEECHWOOD ELEMENTARY SCHOOL	47.06	50.32	54.30	51.06	57.00	61.44	63.64	70.41	74.93	67.13
106	*BELMAR ELEMENTARY SCHOOL	82.07									
107	*BELTZHOOVER ELEMENTARY SCHOOL	85.98									
108	**ARSENAL ELEMENTARY SCHOOL						85.94	77.57	88.35	83.90	85.65
109	*BON AIR ELEMENTARY SCHOOL	29.41	39.13	54.22	65.52	71.28					
110	BROOKLINE ELEMENTARY SCHOOL	50.83	49.88	53.61	50.95	50.53	53.26	58.38	61.35	59.34	59.60
111	*BURGWIN ELEMENTARY SCHOOL	84.79	84.44	82.94	90.71	92.16					
112	CARMALT ACAD. OF SCIENCE AND TECHNOLOGY	54.16	62.64	61.41	57.26	66.50	68.06	69.49	68.27	68.72	65.35
113	*CHARTIERS ELEMENTARY SCHOOL	60.66									
114	*CHATHAM ELEMENTARY SCHOOL	92.81	86.92	95.45	95.51	93.44					
116	COLFAX ELEMENTARY SCHOOL	68.22	62.65	66.32	52.84	37.06	38.22	34.88	34.54	34.01	30.70
117	*CLAYTON ELEMENTARY SCHOOL	84.50	90.24	92.56	90.86	90.10					
118	CONCORD ELEMENTARY SCHOOL	44.67	50.31	44.41	49.49	57.33	56.77	60.90	67.82	63.99	61.31
121	*CRESCENT ELEMENTARY SCHOOL	81.07	89.03	88.72	91.82	92.69					
121	**HELEN S. FAISON INTERMEDIATE SCHOOL						88.20	86.54	87.35	90.56	86.06
123	*MCCLEARY ELEMENTARY SCHOOL	86.47	92.68	91.84	91.78	97.37					
128	*WEST SIDE TRADITIONAL ACADEMY	54.25									
131	FORT PITT ELEMENTARY SCHOOL	88.74	95.05	97.67	98.25	98.46	95.19	97.20	96.96	93.36	89.25
133	*FRIENDSHIP ELEMENTARY SCHOOL	75.82	76.89	76.17	85.48	89.91					
134	FULTON ACA OF GEO & LIFE SCIENCES	80.89	81.62	84.88	88.48	82.35	82.37	84.06	87.66	89.97	87.13
136	GRANDVIEW ELEMENTARY SCHOOL	77.56	79.22	81.44	78.08	79.84	83.01	85.37	89.84	90.44	88.76
137	GREENFIELD ELEMENTARY SCHOOL	53.99	57.08	59.50	55.24	59.12	65.14	66.50	70.90	70.62	59.54
141	HOMEWOOD MONTESSORI ELEM. SCHOOL	34.50	40.87	36.95	49.77	52.07	54.41	54.55	54.95	53.85	53.26
142	HELEN S. FAISON PRIMARY SCHOOL				87.53	88.04	86.98	90.57	93.28	87.61	84.73
143	*KNOXVILLE ELEMENTARY SCHOOL	92.37	95.53	92.34	96.33	98.62					
145	*LEMINGTON ELEMENTARY SCHOOL	90.69	93.26	90.95	91.74	93.85					
145	**LINCOLN INTERMEDIATE SCHOOL						88.07	85.90	89.90	91.71	89.25
147	LIBERTY ELEMENTARY SCHOOL	46.00	46.95	44.39	42.23	43.22	41.78	46.08	46.23	52.71	52.23
148	LINCOLN ELEMENTARY SCHOOL	84.35	91.39	93.65	92.86	92.11	89.58	85.84	94.68	93.16	90.19
149	LINDEN ELEMENTARY SCHOOL	39.95	35.18	36.32	33.84	37.28	37.40	35.81	40.58	44.89	48.09

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES
LAST TEN FISCAL YEARS

School Code	School Name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
150	*MADISON ELEMENTARY SCHOOL	78.15 %	76.17 %	85.13 %	82.22 %	87.10 %	- %	- %	- %	- %	- %
151	MANCHESTER ELEMENTARY SCHOOL	77.67	79.72	78.87	84.51	91.32	94.17	89.86	90.39	87.15	84.77
152	*MANN ELEMENTARY SCHOOL	79.58	81.13	85.28	86.31	93.09					
153	MIFFLIN ELEMENTARY SCHOOL	37.11	36.67	35.58	37.18	41.34	55.68	56.36	54.20	60.25	60.44
154	MILLER ELEMENTARY SCHOOL	78.13	80.71	81.30	77.36	85.47	91.64	87.01	89.49	92.13	93.25
155	MINADEO ELEMENTARY SCHOOL	39.86	35.07	34.96	32.23	36.47	51.53	57.29	58.48	54.93	50.18
156	*MORNINGSIDE ELEMENTARY SCHOOL	46.07	48.15	60.00	76.89	79.80					
157	MORROW ELEMENTARY SCHOOL	57.94	60.76	69.78	67.31	74.59	76.71	77.59	84.03	85.53	85.42
160	MURRAY ELEMENTARY SCHOOL	90.03	88.93	93.04	92.23	92.59	94.48	96.14	94.59	89.78	88.03
161	DILWORTH TRADITIONAL ACADEMY	76.95	77.96	75.16	72.56	71.66	75.14	75.43	74.85	73.61	74.69
162	*MCKELVEY ELEMENTARY SCHOOL	92.38									
164	NORTHVIEW ELEMENTARY ACADEMY	91.63	93.08	90.75	94.04	91.58	97.72	95.21	98.21	95.10	87.94
166	*OVERBROOK ELEMENTARY SCHOOL	63.09									
168	PHILLIPS ELEMENTARY SCHOOL	58.56	61.87	60.47	61.11	63.10	64.16	67.12	66.55	68.23	59.32
170	*PROSPECT ELEMENTARY SCHOOL	69.60	75.95	78.01	84.33	83.72					
171	*REGENT SQUARE ELEMENTARY SCHOOL	74.24									
172	ROOSEVELT ELEMENTARY SCHOOL (NEW)		60.29	62.93	58.28	66.76	67.14	69.82	75.72	77.03	77.14
173	ROOSEVELT ELEMENTARY SCHOOL	57.05									
174	SCHAEFFER ELEMENTARY SCHOOL (PRIMARY)	65.28	66.67	66.47	63.24	63.83	79.71	90.50	92.55	88.52	81.59
176	*SHERADEN ELEMENTARY SCHOOL	73.06	76.89	81.08	84.80	89.47					
176	**SCHAEFFER INTERMEDIATE SCHOOL						88.05	92.19	91.05	91.72	92.22
177	*SPRING GARDEN ELEMENTARY SCHOOL	68.02									
178	SPRING HILL ELEMENTARY SCHOOL	77.78	78.03	79.46	84.56	87.60	89.53	87.77	88.97	89.31	89.10
180	STEVENS ELEMENTARY SCHOOL	91.67	84.85	81.03	85.71	92.18	91.25	86.45	92.40	87.42	81.36
181	SUNNYSIDE ELEMENTARY SCHOOL	53.17	57.22	60.91	65.82	71.13	80.48	76.38	82.27	81.38	79.12
183	VANN ELEMENTARY SCHOOL	80.00	79.31	78.11	82.70	96.32	93.36	87.01	89.92	92.53	92.53
184	WEIL TECHNOLOGY INSTITUTE	89.95	92.47	87.27	83.65	91.37	85.75	86.28	86.97	89.02	93.21
185	WEST LIBERTY ELEMENTARY SCHOOL		43.44	41.63	45.85	44.88	44.53	44.24	48.97	48.56	49.81
186	WESTWOOD ELEMENTARY SCHOOL	58.13	56.88	63.22	59.94	67.53	66.40	66.88	73.26	71.55	76.00
187	WHITTIER ELEMENTARY SCHOOL	60.75	50.75	57.14	56.55	61.19	77.46	77.13	81.68	82.67	75.63
189	WOOLSLAIR ELEMENTARY	65.59	75.99	77.49	90.43	91.25	92.16	89.05	88.70	86.55	82.47
192	*EAST HILLS ELEMENTARY SCHOOL	47.07	46.81	67.01	73.33	80.42					
195	M L KING ELEMENTARY SCHOOL	84.07	89.93	89.72	94.83	95.41	89.31	88.47	88.39	88.99	89.69
	TOTAL ELEMENTARY SCHOOLS	**68.03 %**	**68.35 %**	**69.44 %**	**70.93 %**	**72.75 %**	**73.82 %**	**73.29 %**	**75.44 %**	**74.65 %**	**72.11 %**

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES
LAST TEN FISCAL YEARS

School Code	School Name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
204	ALLEGHENY TRADITIONAL MIDDLE SCHOOL	70.39 %	76.12 %	76.78 %	77.00 %	79.62 %	79.87 %	81.85 %	80.00 %	80.07 %	83.38 %
205	SOUTH HILLS MIDDLE SCHOOL	41.53	40.19	45.30	46.30	54.60	65.33	70.64	73.53	75.05	72.25
208	*COLUMBUS MIDDLE SCHOOL	85.31	81.29	85.47	89.46	90.81					
209	*GLADSTONE MIDDLE SCHOOL	86.32									
210	ARTHUR J. ROONEY MIDDLE SCHOOL	74.69	67.66	76.72	79.94	79.78	89.52	92.49	87.38	83.13	
211	*MILLIONES MIDDLE SCHOOL	89.16	81.54	84.10	88.73	95.21					
212	*KNOXVILLE MIDDLE SCHOOL	86.63	92.29	95.76	94.95	97.22					
215	PITTSBURGH CLASSICAL ACADEMY MIDDLE SCHOOL		60.62	61.30	56.36	62.28	61.24	62.57	63.49	72.67	78.72
219	UNIVERSITY PREP MIDDLE (6-8)										88.32
221	*PROSPECT MIDDLE SCHOOL	73.68	69.58	77.41	79.78	84.65					
232	FRICK INTERNATIONAL STUDIES	47.43	43.83	43.75	46.56	52.51	55.60	60.53	61.96		59.56
237	*OVERBROOK MIDDLE SCHOOL	51.14									
234	**STUDENT ACHIEVEMENT MIDDLE CENTER	52.78					79.10	88.14	83.33		96.15
250	SOUTH BROOK MIDDLE SCHOOL		48.69	52.00	52.55	53.58	52.82	59.95	62.65	60.05	62.91
272	ROGERS CAPA MIDDLE SCHOOL	38.44	40.67	42.56	38.91	43.42	38.49	40.45	68.04		34.23
275	SCHILLER CLASSICAL ACADEMY	64.86	62.92	63.49	63.61	75.32	75.41	78.35	81.74	86.05	85.83
279	STERRETT CLAS. AC. MIDDLE SCHOOL	35.50	36.49	41.11	40.98	47.97	52.02	46.55	62.50	63.13	69.54
280	*ARLINGTON MIDDLE SCHOOL	77.91									
285	WEST LIBERTY CLASSICAL ACADEMY	61.14									
290	*WASHINGTON POLYTECHNIC ACADEMY	58.82	76.77	81.75	80.80	83.86					
297	*REIZENSTEIN MIDDLE SCHOOL	75.21	84.16	82.29	85.45	86.76					
298	ARSENAL MIDDLE SCHOOL	88.32	92.25	88.44	91.33	90.99	90.20	94.16	94.24	90.49	83.47
299	*GREENWAY MIDDLE SCHOOL	72.68	75.00	74.94	81.62	85.59					
	TOTAL MIDDLE SCHOOLS	**68.37 %**	**67.73 %**	**69.30 %**	**69.74 %**	**72.28 %**	**65.97 %**	**68.38 %**	**72.19 %**	**74.49 %**	**70.66 %**
301	ALLDERDICE HIGH SCHOOL	21.77 %	24.77 %	24.51 %	26.68 %	29.31 %	31.96 %	33.49 %	39.14 %	41.88 %	40.49 %
304	PGH HS CRT/PRFM ARTS	31.53	30.09	26.92	22.15	24.48	24.86	25.85	26.81	30.77	30.39
305	CARRICK HIGH SCHOOL	36.18	48.34	52.20	55.61	59.46	60.00	62.54	72.30	74.45	73.58
306	+ SCIENCE AND TECHNOLOGY ACADEMY									67.77	64.85
309	***PITTSBURGH UNIVERSITY PREP									80.71	74.53
312	^BARACK OBAMA IB 9-12										47.86
313	LANGLEY HIGH SCHOOL	55.62	56.18	62.58	58.40	60.00	67.57	68.47	79.67	79.17	75.89
317	OLIVER HIGH SCHOOL	55.18	56.66	67.38	69.76	73.88	77.06	73.30	77.07	79.27	75.98
318	PEABODY HIGH SCHOOL	52.10	57.18	65.71	68.78	68.65	72.28	69.78	75.92	78.79	73.14
319	PERRY TRAD. AC. HIGH SCHOOL	40.11	40.36	45.69	47.46	50.81	55.74	59.69	65.35	67.20	69.30
322	SCHENLEY HIGH SCHOOL	34.92	40.24	41.90	44.96	49.88	49.35	53.42	54.33	55.80	54.65
323	SOUTH VO-TECH HIGH SCHOOL	58.56									
327	WESTINGHOUSE HIGH SCHOOL	54.74	60.06	61.84	68.91	72.92	77.28	80.97	89.69	84.39	82.39
329	BRASHEAR HIGH SCHOOL	37.01	39.86	44.07	42.70	48.08	49.23	51.09	58.83	60.40	59.59
332	**STUDENT ACHIEVEMENT CENTER						67.91	63.26	73.47	81.22	77.18
332	*LETSCHE EDUCATION CENTER	38.06	65.31	65.89	65.69	63.72					
	TOTAL HIGH SCHOOLS	**41.32 %**	**44.66 %**	**47.82 %**	**49.06 %**	**51.68 %**	**53.28 %**	**54.44 %**	**60.56 %**	**61.81 %**	**60.07 %**
335	**CLAYTON ACADEMY (CEP)							81.57 %	82.30 %	90.19 %	90.97 %
419	CONROY TMR CTR	88.72 %	88.07 %	88.83 %	87.71 %	87.43 %	84.52 %	87.65	84.30	81.41	77.56
446	MERCY BEHAVIORAL HEALTH		61.54	33.33		47.62	52.94	65.38	85.71	85.71	77.78
463	MCNAUGHER SPEC. ED. CTR.	83.62	80.56	83.62	84.00	88.04	86.36	83.96	94.44	84.00	75.76
469	PIONEER CENTER	65.22	70.51	57.14	36.23	58.33	49.28	50.70	57.75	62.50	58.44
	TOTAL SPECIAL SCHOOLS	**81.89 %**	**81.33 %**	**73.79 %**	**76.44 %**	**79.44 %**	**76.32 %**	**79.21 %**	**81.94 %**	**82.66 %**	**76.22 %**
	TOTAL DISTRICT FREE/REDUCED PERCENTAGE	**60.61 %**	**63.34 %**	**64.88 %**	**65.65 %**	**66.26 %**	**66.40 %**	**67.06 %**	**70.87 %**	**70.79 %**	**70.79 %**

* Closed under district right-sizing plan
** New school/program under district right-sizing plan
*** School opened in 2008 fiscal year
\+ School opened in 2009 fiscal year

^ New School/Program started in 2010 Fiscal Year
Source: School District of Pittsburgh, Finance Division

(Concluded)

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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 of Public Education
School District of Pittsburgh
Pittsburgh, Pennsylvania

We have audited the financial statements of the School District of Pittsburgh, Pennsylvania (the "District") as of and for the year ended December 31, 2010, and have issued our report thereon dated June 20, 2011. 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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

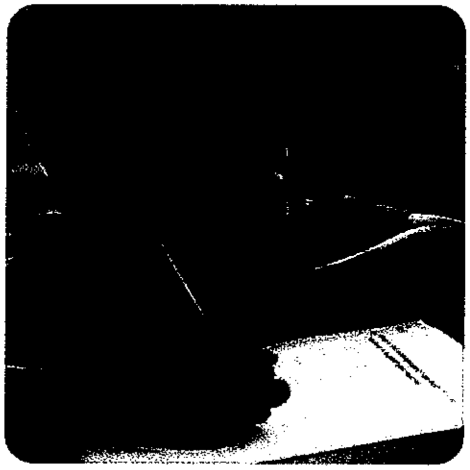
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 and 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*.

This report is intended solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies, state funding agency, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

June 20, 2011



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