

**NEW ISSUE - Full Book Entry**

**RATINGS:** *Standard & Poor's*: \_\_\_\_ (*Insured*)  
*Standard & Poor's*: \_\_\_\_ (*Underlying*)  
*Standard & Poor's*: \_\_\_\_ (*Enhanced*)  
*Moody's*: \_\_\_\_ (*Underlying*)  
*Moody's*: \_\_\_\_ (*Enhanced*)  
 (See "RATINGS" herein)

**CUSIP Service Bureau prefix:** 725277

*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.*

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

**\$10,000,000\***

**The School District of Pittsburgh  
 Allegheny County, Pennsylvania  
 General Obligation Bonds, Series C of 2014**

**Dated:** Date of Delivery

**Principal Due:** September 1,  
 as shown on inside cover

**Interest Due:** March 1 and September 1

**First Interest Payment:** March 1, 2015

The Bonds described herein are in the aggregate principal amount of \$10,000,000\* General Obligation Bonds, Series C of 2014 (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, 2015 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," herein).

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

Proceeds of the Bonds will be used for the construction of additions, alterations and/or renovations associated with capital projects, ground maintenance and mechanical system, including three (3) major elevator upgrades to existing facilities of the School District and paying the costs of issuing 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.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_.

**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 Weiss Burkardt Kramer, LLC of Pittsburgh, Pennsylvania, 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 December 11, 2014.

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

**Dated:** \_\_\_\_\_

\*Estimated, subject to change.

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.

**\$10,000,000\***  
**The School District of Pittsburgh**  
**Allegheny County, Pennsylvania**  
**General Obligation Bonds, Series C of 2014**

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

**Principal Due:** September 1, as shown below  
**First Interest Payment:** March 1, 2015

<u>Due September 1</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP<sup>(1)</sup></u>
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				

<sup>(1)</sup>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

---

<u>Member</u>	<u>Office</u>
Thomas Sumpter	President
William Isler	First Vice President
Carolyn Klug	Second Vice President
Mark Brentley, Sr.	Member
Cynthia Falls	Member
Sherry Hazuda	Member
Dr. Regina Holley	Member
Terry Kennedy	Member
Sylvia Wilson	Member

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## SUPERINTENDENT OF SCHOOLS AND BOARD SECRETARY

Dr. Linda S. Lane

## SCHOOL CONTROLLER

Michael E. Lamb

## ACTING DEPUTY SCHOOL CONTROLLER

Michael Senko

## SOLICITOR

Weiss Burkardt Kramer, LLC  
Pittsburgh, Pennsylvania

## CHIEF OPERATING OFFICER

Ronald J. Joseph

## EXECUTIVE DIRECTOR OF FINANCE AND FACILITIES MANAGEMENT

Pamela Capretta, CPA

## FINANCIAL SERVICES MANAGER

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

**\$10,000,000\***

## **The School District of Pittsburgh**

**Allegheny County, Pennsylvania**

### **General Obligation Bonds, Series C of 2014**

#### **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") in connection with the offering of its Bonds consisting of the \$10,000,000\* General Obligation Bonds, Series C of 2014 (the "Bonds"), dated as of the date of delivery. 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 October 22, 2014 (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**

Proceeds of the Bonds will be used for the construction of additions, alterations and/or renovations associated with capital projects, ground maintenance and mechanical system, including three (3) major elevator upgrades to existing facilities of the School District and paying the costs of issuing the Bonds.

#### **Sources and Uses of Bond Proceeds**

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

	<b>Total</b>
<b><u>Source of Funds</u></b>	
Bond Proceeds.....	
Net Original Issue Premium .....	
Total Source of Funds .....	
<b><u>Use of Funds</u></b>	
Construction Fund Deposit.....	
Costs of Issuance <sup>(1)</sup> .....	
Total Use of Funds .....	

<sup>(1)</sup>Includes legal, financial advisor, printing, rating, underwriter's discount, CUSIP, paying agent, municipal bond insurance, paying agent and miscellaneous costs.

\*Estimated, subject to change

## **THE BONDS**

### **Description**

The aggregate principal amount of the Bonds is \$10,000,000\*. 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 December 11, 2014, 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, 2015 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, 2015, in which event such Bond shall bear interest from December 11, 2014, 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, 2015, 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.

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\*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 Fund**

Sinking fund for the payment of debt service on the Bonds, designated “Sinking Fund, General Obligation Bonds, Series C of 2014” (the “Sinking Fund”), has been created in accordance with the Resolution and will be maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in 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 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 as authorized by the Debt Act and 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**

### **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.

### **Optional Redemption**

The Bonds stated to mature on or after September 1, 2020 shall be subject to redemption prior to maturity, at the option of the School District, as a whole, 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), on March 1, 2020, or on any date thereafter, 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.

### **Notice of Redemption**

Notice of any redemption shall be given by mailing a copy of the redemption notice not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption 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 any Bonds with respect to which no such failure or defect occurred.

On the date designated for redemption and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds and portions thereof so called for redemption shall cease to accrue and such Bonds and 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.

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

### **Manner of Redemption**

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bonds 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 the same series of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

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## 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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 representing 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 2014-15 membership included 25,504 students (Pre-K to 12) with 24,103 (K-12) attending 53 schools. The projected enrollment for 2015-16 is 24,592 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, as of January 2014, 3,498 students residing in the city and borough attend 26 charter schools, including 9 approved by the School District, 8 approved by other school districts, and 9 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 2013 totaled \$47,754,137.

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 2011 with terms of office expiring December 2015, while four Board members were elected in 2013 with terms of office expiring in December 2017. 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 <sup>(1)</sup>	Expiration Date of Term of Office
Thomas Sumpter	President	December, 2017
William Isler	First Vice President	December, 2015
Carolyn Klug	Second Vice President	December, 2017
Mark Brentley, Sr.	Member	December, 2015
Cynthia Falls	Member	December, 2017
Sherry Hazuda	Member	December, 2015
Dr. Regina Holley	Member	December, 2015
Terry Kennedy	Member	December, 2017
Sylvia Wilson	Member	December, 2017

<sup>(1)</sup> 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.

### Pittsburgh Public Schools 2013-14 Organization of Schools

<b>ELEMENTARY SCHOOLS</b>	
K-5 .....	22
K-8 .....	12
	<u>34</u>
<b>MIDDLE SCHOOLS</b>	
Grades 6-8 .....	7
	<u>7</u>
<b>SECONDARY SCHOOLS</b>	
Grades 6-12 .....	5
Grades 9-12 .....	4
	<u>9</u>
<b>SPECIAL EDUCATION CENTERS</b>	
Conroy, Oliver, Pioneer .....	3
<b>TOTAL ALL SCHOOLS</b> .....	<u><u>53</u></u>

### Pittsburgh Public Schools 2014-15 Comparison of Membership

<b>Educational Level</b>	<b>MEMBERSHIP September 24, 2013</b>	<b>MEMBERSHIP October 8, 2014</b>	<b>Increase/ Decrease</b>
Elementary Schools	11,815	11,562	(253)
Middle Schools	5,439	5,224	(215)
Secondary Schools	6,652	6,736	84
Special Schools	454	443	(11)
Clayton Academy	165	138	(27)
<b>Sub-Total - K-12</b>	<u>24,525</u>	<u>24,103</u>	<u>(422)</u>
Pre-K/Head-start	1,381	1,401	20
<b>System-wide Totals</b>	<u><u>25,906</u></u>	<u><u>25,504</u></u>	<u><u>(402)</u></u>

Source: Budget Report for the Fiscal Year Ended December 31, 2014.

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## **District Mission**

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.

## **District Beliefs**

- 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.

## **District Goals**

We have three primary goals at Pittsburgh Public Schools:

- To accelerate student achievement
- To eliminate racial disparities in achievement;
- Foster innovation; and
- Improve culture

While many factors contribute to accelerating student achievement, teachers are the most important school-based factor, which is why we are working hard to have an effective teacher in every classroom, every day.

As we tackle one of the District's longest-standing achievement issues – eliminating racial disparities – we are focused on staff training, a culturally relevant curriculum, and other measures in our Equity plan, Equity: Getting to All, which will help ALL of our students achieve excellence.

**Developing a student-focused culture recognizes** means making decisions that ensure our students will be able to take advantage of The Pittsburgh Promise. We are refocusing on milestones that are critical to a student's academic success: kindergarten readiness, ensuring third graders are reading on grade level, algebra readiness by high school and college and career ready.

## **Long Range Plan – Whole Child, Whole Community: Building a Bridge to the Pittsburgh Promise**

In December 2013, Pittsburgh Public Schools released the plan Whole Child, Whole Community which was created with feedback from our community to ensure we reach our vision that ALL children will graduate from a two-or four-year college or receive a workforce certification. The plan outlines several areas of focus to help the District address two critical issues - financial stability and academic performance.

1. Improve Fiscal Sustainability – Living Within our Budget
2. Investing in People
3. Investing in Student performance - Refocus on Academic Milestones
4. Partner with the Community in a New Way

To achieve our vision, the Superintendent and leadership team have been sharing the Whole Child, Whole Community Plan through multiple community conversations. To date, five community conversations have taken place at YouthPlaces and Hill House Association, Trinity AME Zion Church, Pittsburgh Area Jewish Committee and Squirrel Hill Urban Coalition & Community Relations Council of the Jewish Federation of Greater Pittsburgh, Christians Investing in Education and TeenBloc.

## 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, 2013.

This was the sixth 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, 2014.

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, 2013.

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, 2014.

## Major Initiatives

In December 2013, Pittsburgh Public Schools released the plan "Whole Child, Whole Community" which was created, with feedback from the community, to ensure that we reach our vision that all children will graduate from a 2 or 4 year college or receive a workforce certification.

Whole Child, Whole Community focuses on building a bridge to the Pittsburgh Promise. The plan outlines several areas of focus to help the District address two critical issues; financial stability and academic performance.

- Improve fiscal sustainability,
- Investing in people,
- Investing in student performance,
- Partner with the community in a new way.

The District has been sharing this plan with the community at various community conversation meetings and strongly urges the public for opinions and support.

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).

Because the quality of teaching is the number one school-based factor for improving student outcomes, the District has worked hard to adopt new tools that identify difference in teacher effectiveness and provide useful information to improve teaching in the Pittsburgh Public Schools (PPS).

In 2009, PPS and PFT leaders, and approximately 120 teachers and administrators, joined together to create our new observation and growth process, the Research-based Inclusive System of Evaluation (RISE). Through RISE, teachers now receive feedback about their practice from principals and teacher leaders, self-assess their performance, and have a common language to discuss their practice.

To complement RISE, the District has also developed lenses on teaching that capture teachers' contributions to student progress. PPS uses value-added measures, allowing schools, teams, and teachers to see how their efforts contribute to student learning and growth. The District uses students' feedback about their classroom experience through the Tripod student survey in these evaluations.

Now, many PPS teachers are using this comprehensive information about their performance to grow professionally and get better results for students. New information about teacher effectiveness is being used to promote effective teachers into leadership roles, reward and recognize teachers for their contributions to student growth, exit ineffective teachers who do not improve performance, and inform policy changes that seek to advance the teaching profession in a way that is aligned to our goals for students.

In 2013-14:

- Staff at three schools earned a Students and Teachers Achieving Results (STAR) Award. The STAR award is a school-level award to recognize all staff represented by the PFT in schools making extraordinary gains in student achievement. Pittsburgh Public Schools earn STAR status by being within the top 15% of Pennsylvania schools, rank-ordered for growth. The STAR award was first presented in 2012-13, when the District recognized 11 schools.
- Forty-three teachers, counselors and social workers who completed a full Promise-Readiness Corps (PRC) loop received a Promise-Readiness Corps Cohort Award. The PRC focuses on ensuring that 9<sup>th</sup> and 10<sup>th</sup> grade students enter the 11<sup>th</sup> grade on track to graduate. PRC members who obtain better than expected results in student academic achievement, attendance, and course credits earned are eligible for a PRC Cohort Award.
- 150 teacher leaders are serving in new roles that expand their leadership and prioritize their impact on high-needs students.
- All PPS teachers will be evaluated based 50% on teacher practice and 50% on student performance.

The **Empowering Effective Teachers** plan also calls for improving teaching and learning environments to ensure that teachers and students work in environments that support their ability to be highly effective. As part of this effort PPS schools are using information about student progress as well as staff, student and parent perceptions to prioritize and monitor improvements to school climate and culture.

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.

#### **Update on District Progress**

During the past year, the District has demonstrated its ongoing commitment to improve the academic performance of all students, across all levels of achievement. Evidence of the commitment to improving student learning includes the following:

- The overall percentage of students scoring Proficient or Advanced in the Grades 3-8 PSSA Mathematics and Reading had been increasing over time, but there were District declines in 2013. This decline, however, was not limited to Pittsburgh; student performance in Mathematics and Reading declined across the state. As of 2013, 57.7% of District students were proficient in Mathematics and 51.1% were proficient in Reading.
- In 2013, African-American students in the District showed declines at every grade level in both Mathematics and Reading. At the State level, African-American students also showed declines at every grade level in Mathematics, and in 5 out of 6 grade levels in Reading. In PSSA Reading, District proficiency for African-American students had the largest declines in Grade 7, and the smallest declines in Grade 3, which was similar to the state's results. In PSSA Mathematics, the declines in Grades 3 through 5 were smaller in the District than at the state level, but larger in Grades 6 to 8.
- As of the 2012-13 school year, Keystone Exams replaced Grade 11 PSSA as the high school accountability measure. The percentage of students scoring Proficient or Advanced was higher than the prior PSSA exams; for Keystone Algebra 1 it was 51.1% compared to 43.5% on the prior Mathematics assessment, while for Keystone Literature it was 63.5% compared to 56.7% on the prior Reading assessment.
- The percentage of seniors taking the SAT exam increased by 15% from 2009 to 2013.
- In 2013-14, 7 of 9 high schools showed increased student enrollment in AP courses. Student enrollment in AP courses increased by 9.1% from 2012-13 to 2013-14; for African-American students there was an 18.2% increase.
- More than 4,700 Promise Scholars have graduated from the District to date and enrolled in over 100 different colleges, universities, career and vocational training programs.

We are committed to supporting and growing our teachers and ensuring all of our students are on course to take full advantage of The Pittsburgh Promise.



## Actual Student Enrollments

Shown below are actual student enrollments in the School District. The actual enrollments for the current and previous school years are based on School District records.

### ACTUAL STUDENT ENROLLMENTS

School Year	K-5 <sup>(1)</sup>	6-8	9-12	Total <sup>(2)</sup>
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 <sup>(3)</sup>	17,373	4,073	9,451	30,897
2007-08 <sup>(3)</sup>	17,063	3,911	8,928	29,902
2008-09 <sup>(3)</sup>	14,192	6,004	8,240	28,436
2009-10 <sup>(3)</sup>	16,074	3,681	8,167	27,922
2010-11 <sup>(3)</sup>	13,960	5,660	7,512	27,132
2011-12 <sup>(3)</sup>	13,519	5,753	7,380	26,652
2012-13 <sup>(3)</sup>	11,906	5,466	9,091	26,463
2013-14 <sup>(3)</sup>	11,815	5,439	8,652	25,906
2014-15 <sup>(3)</sup>	11,562	5,224	8,718	25,504

<sup>(1)</sup> Head Start and Pre-Kindergarten enrollment is included in the K-5 total, beginning with 2005-06.

<sup>(2)</sup> Special education enrollment is included in the respective grade levels.

<sup>(3)</sup> Elementary Schools that are classified K-8 enrollment are included in the K-5 total, beginning with 2006-07.

### 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 30<sup>th</sup> 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 2013 budget relied upon appropriation of fund balance in the amount of \$9,860,880. However, the District closed with a \$24,779,202 positive net change. The District’s adopted 2014 budget relied upon appropriation of fund balance in the amount of \$14,389,309.

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 the 2014 Budget adopted December 2013, which projected a balanced budget of \$531,629,356 in revenue and expenditures and the 2014 Budget adopted December, 2013, which projected a balanced budget of \$532,293,823 in revenue and expenditures.

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

<b>ASSETS:</b>	<b>2009 Audited</b>	<b>2010 Audited</b>	<b>2011 Audited</b>	<b>2012 Audited</b>	<b>2013 Audited</b>
Cash and Money Market Investments .....	\$97,102,235	\$99,564,146	\$111,652,723	\$115,097,002	\$125,180,912
Taxes, including Interest, Penalties and Liens .....	40,611,998	43,659,081	43,747,506	52,971,236	52,528,841
Accrued Interest .....	275,503	0	95,122	54,870	21,610
Due from Other Funds .....	2,117,832	214,509	704,344	1,057,467	1,483,843
Due from Other Governments .....	2,447,016	4,493,258	5,791,799	7,005,308	14,461,531
State Subsidies Receivable .....	1,398,302	1,103,319	1,014,020	712,056	540,583
Prepaid Salaries .....	169,597	170,769	170,612	269,927	255,261
<b>Total Assets .....</b>	<b>\$144,122,483</b>	<b>\$149,205,082</b>	<b>\$163,176,126</b>	<b>\$177,167,866</b>	<b>\$194,472,581</b>
<b>LIABILITIES:</b>					
Accounts Payable .....	\$15,301,810	\$16,556,813	\$19,153,711	\$11,624,076	\$10,402,097
Retainage .....	0	651,376	0	446,051	0
Accrued Expense-Salaries and Benefits .....	775,956	7,303,456	7,236,477	7,675,008	7,095,191
Accrued Expense-Payroll Deductions .....	7,827,333	7,445,229	9,709,288	14,118,571	16,552,881
Due to Other Funds .....	4,158	0	69,417	125,812	388,991
Other Liabilities .....	215,071	232,699	74,749	434,034	307,919
Deferred Revenue .....	41,493,841	44,486,259	44,831,890	53,786,087	0
<b>Total Liabilities .....</b>	<b>\$72,601,776</b>	<b>\$76,675,832</b>	<b>\$81,075,532</b>	<b>\$88,209,639</b>	<b>\$34,747,079</b>
<b>DEFERRED INFLOWS OF RESOURCES**:</b>					
Unavailable revenue – property taxes .....	0	0	0	0	30,408,625
Advanced revenue – state property tax subsidy .....	0	0	0	0	15,579,449
<b>Total deferred inflows of resources .....</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$45,988,074</b>
<b>FUND EQUITY:</b>					
Non-spendable: Prepaid Insurance* .....	0	0	170,612	269,927	307,261
Reserved for Encumbrances .....	3,548,327	3,492,476	0	0	0
Committed to*:					
Stabilization - Capital Emergency .....	0	0	3,322,572	3,322,572	3,322,572
Retirement** .....	0	0	0	0	16,100,000
General Fund Contracts .....	0	0	3,610,536	3,230,875	2,773,701
Assigned to:					
Board-Approved subsequent years budget .....	0	0	21,714,792	9,860,880	14,389,309
Purchase Orders .....	0	0	733,665	610,744	507,800
Post-Employment** .....	0	0	0	0	3,200,000
Unreserved - Designated for General Fund Balance .....	0	10,872,219	0	0	0
Unreserved - Designated for General Fund .....	7,614,192	58,164,555	0	0	0
Unassigned .....	60,358,188	0	52,548,417	71,663,229	73,136,786
<b>Total Fund Equity .....</b>	<b>\$71,520,707</b>	<b>\$72,529,250</b>	<b>\$82,100,594</b>	<b>\$88,958,227</b>	<b>\$113,737,429</b>
<b>Total Liabilities and Fund Equity .....</b>	<b>\$144,122,483</b>	<b>\$149,205,082</b>	<b>\$163,176,126</b>	<b>\$177,167,866</b>	<b>\$148,484,508</b>

\*June 15, 2010, newly adopted accounting pronouncement went into effect – The GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* – the 2011 Audit was prepared with this new fund balance classifications.

\*\*GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* - the 2013 Audit was prepared with these new classifications.

Source: School District Annual Financial Reports.

## Revenue

The School District anticipates receiving \$518,794,476 in revenue in 2013. Taxes and Local Non-Tax sources increased as a share of total revenues in the past five years, from 52% in 2009 to 53% in 2013. Revenue from State sources decreased as a share of total revenue in the past five years, from 47% in 2009 to 45% in 2013. Other sources decreased from 48% to 39.5% 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 School District began to receive in 2008, with the actual reduction in tax payments began in 2009.

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

	<u>2009 Audited</u>	<u>2010 Audited</u>	<u>2011 Audited</u>	<u>2012 Audited</u>	<u>2013 Audited</u>
<b>REVENUES:</b>					
Taxes .....	\$264,790,747	\$265,298,968	\$267,878,251	\$268,716,062	\$276,487,862
Local Non-tax Revenue .....	2,525,043	2,638,625	1,714,947	11,415,902	3,912,986
State Grants and Subsidies .....	240,849,628	242,269,872	247,178,595	236,260,223	237,487,175
Other Sources .....	2,482,132	975,198	10,349,333	395,861	354,304
Investment income (loss) .....	0	0	0	0	552,149
<b>Total Revenues .....</b>	<b>\$510,647,550</b>	<b>\$511,182,663</b>	<b>\$527,121,126</b>	<b>\$516,788,048</b>	<b>\$518,794,476</b>
<b>EXPENDITURES:</b>					
Instruction					
Regular Programs					
Elementary/Secondary .....	\$192,824,138	\$193,051,624	\$204,008,898	\$211,115,074	\$202,146,928
Special Programs					
Elementary/Secondary .....	4,030,329	3,949,943	3,567,812	3,612,806	3,555,496
Vocational Education .....	7,436,020	6,382,739	5,361,622	4,137,668	3,890,590
Other Instruction Programs					
Elementary/Secondary .....	1,329,831	1,299,441	1,211,349	1,035,711	1,005,112
Pre-Kindergarten .....	461,210	555,287	543,337	638,063	856,654
Support Services					
Pupil Personnel .....	10,522,912	10,561,970	10,078,413	8,967,379	8,865,396
Instructional Staff .....	12,766,850	13,098,458	12,331,948	13,672,257	14,775,007
Administration .....	35,509,242	33,562,544	32,184,021	29,052,173	27,228,913
Pupil Health .....	3,693,840	4,142,744	5,426,649	5,336,082	5,671,637
Business .....	5,372,842	5,428,701	7,479,109	5,306,292	5,708,086
O & M of Plant Services .....	49,894,657	50,085,373	46,610,674	44,495,865	45,690,870
Student Transportation Services .....	30,339,648	30,243,185	32,198,121	30,745,398	31,260,504
Support Services – Central .....	7,473,213	8,449,696	6,939,392	5,837,352	6,234,946
Operation of Non-instructional Services					
Food Services .....	0	34,672	24,000	0	0
Student Activities .....	4,491,410	4,381,034	4,508,016	3,526,010	3,528,040
Community Services .....	8,951	11,475	5,566	7,678	15,896
Facilities Acquisition, Construction and Improvement Services .....	3,797,715	3,378,852	3,041,163	2,668,349	2,258,232
Other					
Debt Service (Principal & Interest) .....	58,514,376	58,521,101	59,092,999	56,931,767	56,361,946
Tax Refunds .....	4,044,175	4,305,196	3,940,450	2,648,609	3,291,694
Payments to charter schools .....	0	0	0	0	0
<b>Total Expenditures .....</b>	<b>\$432,511,359</b>	<b>\$431,444,035</b>	<b>\$438,553,539</b>	<b>\$429,734,533</b>	<b>\$422,345,947</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>\$78,136,191</b>	<b>\$79,738,628</b>	<b>\$88,567,587</b>	<b>\$87,053,515</b>	<b>\$96,448,529</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Other Capital Leases: CEP Loan .....	1,270,639	0	2,173,989	4,509,890	2,324,301
Sale of or Compensation for Capital Assets .....	2,924,648	51,619	634,240	774,188	10,732,942
Operating Transfers In .....	0	2,228,800	2,086,198	2,802,645	2,832,995
Operating Transfers Out in-special education .....	0	0	(68,185,333)	(63,353,619)	(54,351,864)
Operating Transfers Out .....	(82,477,279)	(81,010,504)	(19,037,533)	(24,928,986)	(33,207,701)
Total Other Financing Sources (Uses) .....	<b>(\$78,281,992)</b>	<b>(\$78,730,085)</b>	<b>(\$82,328,439)</b>	<b>(\$80,195,882)</b>	<b>(\$71,669,327)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES .....</b>	<b>(145,801)</b>	<b>1,008,542</b>	<b>6,239,148</b>	<b>6,857,633</b>	<b>24,779,202</b>
<b>BEGINNING FUND BALANCES, JANUARY 1 ..</b>	<b>71,666,508</b>	<b>71,520,708</b>	<b>75,861,446</b>	<b>82,100,594</b>	<b>88,958,227</b>
<b>ENDING FUND BALANCES DECEMBER 31 .....</b>	<b>\$71,520,707</b>	<b>\$72,529,250</b>	<b>\$82,100,594</b>	<b>\$88,958,227</b>	<b>\$113,737,429</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>The School District prepared its 2011 Audit in accordance with the GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* and as such has changed the presentation of two funds. The change resulted in the reduction of beginning Special Revenue Fund balance by \$3,621,026, with an increase to General Fund of \$3,332,196 and Capital Projects Fund of \$288,830.

Source: School District Annual Financial Reports.

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

	<b>2014 Budget<sup>(1)</sup></b>
<b>Revenues:</b>	
Local Sources .....	\$270,065,319
State Sources .....	239,831,781
Other Sources .....	4,842,947
<b>Total Current Revenues .....</b>	<b>\$514,740,047</b>
<b>Balance from Prior Year .....</b>	<b>\$14,389,309</b>
<b>Total All Revenues .....</b>	<b>\$529,129,356</b>
<b>Reserve for Prior Year Encumbrances .....</b>	<b>\$2,500,000</b>
<b>Total Expected Revenues .....</b>	<b>\$531,629,356</b>
<b>Expenditures:</b>	
Salaries .....	\$167,581,749
Employee Benefits .....	92,017,225
Purchased Prof. and Technical Services .....	77,210,604
Purchased Property Services .....	9,350,804
Other Purchased Services .....	104,896,099
Supplies .....	12,569,625
Property .....	4,750,747
Other Objects .....	24,837,293
Other Financing Uses .....	35,915,210
<b>Total Appropriations .....</b>	<b>\$529,129,356</b>
<b>Prior Year Encumbrances .....</b>	<b>\$2,500,000</b>
<b>Total Estimated Appropriations .....</b>	<b>\$531,629,356</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Budget, as adopted December 2013.

Source: School District Budget Report.

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## TAXING POWERS OF THE SCHOOL DISTRICT

### In General

*Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, 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.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index %</u>
2014-15	2.5%
2013-14	2.0
2012-13	2.0
2011-12	1.7
2010-11	3.5

Source: Pennsylvania Department of Education website.

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.

There can be no assurance; however, that approval will be given by the board of school directors to utilize a further referendum question to the voters in any future fiscal year or years.

### **The Bonds are not “Grandfathered” under the Taxpayer Relief Act**

The Bonds were not authorized before the effective date of the Taxpayer Relief Act, therefore, the Bonds are not “Grandfathered” and the School District cannot be granted an exception to the Taxpayer Relief Act referendum requirement on the basis of the debt service due and payable on the Bonds if a tax increase greater than the Index is needed. The School District believes that it will include sufficient tax millage in its 2014-15 budget to cover the full amount of the debt service on the Bonds without exceeding the 2014-15 Index.

**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:

<b><u>Total Budgeted Expenditures:</u></b>	<b><u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total budgeted Expenditures:</u></b>
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**

<b>Year</b>	<b>Real Estate (mills)</b>	<b>Real Estate Transfer (%)</b>	<b>Earned Income (%)<sup>(1)</sup></b>
2010.....	13.92	1.0	2.0
2011.....	13.92	1.0	2.0
2012.....	13.92	1.0	2.0
2013.....	9.65	1.0	2.0
2014.....	9.84	1.0	2.0

<sup>(1)</sup>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)**

	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
<i>School District</i> .....	13.92	13.92	13.92	9.65	9.84
Mount Oliver Borough.....	13.50	13.50	13.50	13.50	13.50
Pittsburgh City .....	10.80	10.80	10.80	7.56	7.56
Allegheny County .....	4.69	4.69	5.69	4.73	4.73

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”.

2010	Net levy 1.75%	(Reduction of 0.25% loss of Revenue - \$12.0 million)
2011	Net levy 1.75%	(Reduction of 0.25% loss of Revenue - \$12.0 million)
2012	Net levy 1.75%	(Reduction of 0.25% loss of Revenue - \$12.0 million)
2013	Net levy 1.75%	(Reduction of 0.25% loss of Revenue - \$12.0 million)
2014	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 2014 is 9.84 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
2009.....	\$13,431,633	\$13,431,633	100.00%
2010.....	13,293,425	13,293,425	100.00%
2011.....	13,532,658	13,532,658	100.00%
2012.....	13,711,454	13,711,454	100.00%
2013.....	20,304,695	20,304,695	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 <sup>(1)</sup>	Current Year Collections	% Collected of Adjusted Levy	Prior Years Taxes Collected	Total Collections	% Total Collections of Adjusted Levy	Uncollected Taxes Current Year Outstanding
2009	\$11,784.7	13.92	\$164,044,094	\$157,206,287	95.83%	\$6,098,285	\$163,304,572	99.55%	\$5,820,527
2010	11,787.9	13.92	164,088,430	155,802,011	94.95%	4,918,891	160,720,902	97.95%	6,879,861
2011	11,954.5	13.92	166,407,623	158,769,241	95.41%	3,976,029	162,745,270	97.80%	6,404,305
2012	12,217.6	13.92	170,069,937	159,318,698	93.68%	3,986,991	163,305,689	96.02%	5,593,979
2013	16,207.1	9.65	156,398,875	152,027,206	97.20%	---	152,027,206	97.20%	6,143,600

<sup>(1)</sup>Original levy plus/less adjustments and exonerations.

Source: School District of Pittsburgh Real Estate Tax Collection Records.

The ten largest real property taxpayers, together with 2014 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**

<b>Taxpayer</b>	<b>(1) Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
500 Grant St Associates/Mellon Bank	\$ 371,804,700	1	19.07%
PNC	281,631,500	2	14.45%
Holdings Acquisition Co. LP	248,136,300	3	12.73%
600 GS Prop. LP	233,211,300	4	11.96%
Buncher Company	207,568,000	5	10.65%
HRLP Fourth Avenue LLC	179,400,000	6	9.20%
Oxford Development	154,000,000	7	7.90%
IX Liberty Center Owner LP	123,500,000	8	6.34%
Liberty Avenue Holdings LLC <sup>(2)</sup>	79,000,000	9	4.05%
North Shore Developers <sup>(3)</sup>	71,209,000	10	3.65%
<b>Top 10 Total Assessed Value</b>	<b>\$1,949,460,800</b>		

<sup>(1)</sup> Allegheny County performed reassessments of all real property in 2012 for 2013 tax year.

<sup>(2)</sup> The City of Pittsburgh has appealed this Taxpayer's assessment for an increase in assessment based upon the sale of the property.

<sup>(3)</sup> The School District has appealed this Taxpayer's assessment for an increase in assessment(s) for (2) of the (3) properties owned by this Taxpayer.

Source: City of Pittsburgh, Department of Finance.

#### **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.

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## DEBT AND DEBT LIMITS

### Debt Statement

Table 9 which follows shows the debt of the School District as of October 15, 2014, including the issuance of the Bonds.

**TABLE 9**  
**THE SCHOOL DISTRICT OF PITTSBURGH**  
**DEBT STATEMENT**  
**(As of October 15, 2014)\***

<b>General Obligation Bonded Indebtedness:</b>	<b>Gross Outstanding</b>
Series C of 2014.....	\$ 10,000,000
Series B of 2014.....	26,670,000
Series A of 2014.....	10,070,000
Series B of 2012.....	4,140,000
Refunding Series A of 2012.....	60,880,000
Series of 2011.....	9,475,000
Series A of 2010.....	30,740,000
Series B of 2010.....	6,640,000
Series C of 2010.....	5,185,000
Series A of 2009.....	14,485,000
Series of 2007.....	27,930,000
Series B of 2006 (remaining portion).....	10,180,000
Series A of 2005 <sup>(2)</sup> .....	7,945,000
Refunding Series A of 2002.....	41,670,000
Refunding Series of 2002.....	3,270,000
<b>Total General Obligation Indebtedness.....</b>	<b>\$269,280,000</b>
<b>Other General Obligation Bonded Indebtedness:</b>	
General Obligation Note (SPSBA - QZAB), Series C of 2010.....	11,234,588
General Obligation Note (SPSBA - QSCB), Series B of 2010.....	7,698,353
Series 2006 Qualified Zone Academy Bonds.....	3,304,981
Series 2001 Qualified Zone Academy Bonds.....	1,214,580
<b>Total Other General Obligation Indebtedness.....</b>	<b>\$23,452,502</b>
<b>Taxable Bonds/Notes:</b>	
Taxable Series D of 2010 (QSCB - Direct Subsidy).....	\$14,400,000
Taxable Series B of 2009 (Build America Bonds – Direct Payment).....	42,535,000
<b>Total Taxable Bonds/Notes.....</b>	<b>\$56,935,000</b>
<b>Total Direct Indebtedness.....</b>	<b>\$349,667,502</b>

\*Includes the estimated Bonds offered through this Preliminary Official Statement.

<sup>(1)</sup>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".

<sup>(2)</sup>A portion of the 2005A Bonds (\$3,835,000) will be defeased leaving a remaining portion of \$4,110,000 on or after October 30, 2014 (settlement).

Table 10 presents the overlapping indebtedness and debt ratios of the School District. As of December 31, 2013, the principal of direct debt of the School District is \$389,270,723.

**TABLE 10**  
**THE SCHOOL DISTRICT OF PITTSBURGH**  
**STATEMENT OF DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS**  
**(As of December 31, 2013)**

<b>Jurisdiction</b>	<b>Gross Outstanding</b>	<b>% Applicable to School District</b>	<b>Amount Applicable to School District</b>
<b>DIRECT DEBT:</b>			
<b>School District of Pittsburgh</b>			
General Obligation Bonds and Notes (Tax-Exempt & Taxable) .....	\$355,194,561	100.00%	\$355,194,561
Other Bonds and Notes (QZAB) .....	20,285,294	100.00%	20,285,294
Premium & (Discount) .....	(10,392,525)	100.00%	(10,392,525)
Deferred Amounts .....	17,809,508	100.00%	17,809,508
Capital Leases.....	6,373,885	100.00%	6,373,885
<b>TOTAL DIRECT DEBT</b> .....	<b>\$389,270,723</b>		<b>\$389,270,723</b>
<b>OVERLAPPING DEBT</b>			
Allegheny County <sup>(2)</sup> .....	\$830,920	25.00%	\$207,730
City of Pittsburgh .....	565,181,000	100.00%	565,181,000
Auditorium Authority <sup>(1)</sup> .....	960,000	50.00%	480,000
Urban Redevelopment Authority <sup>(3)</sup> .....	42,830,000	55.00%	23,556,500
Parking Authority .....	79,887,000	100.00%	79,887,000
<b>TOTAL OVERLAPPING DEBT</b> .....	<b>\$689,688,920</b>		<b>\$669,312,230</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b> .....	<b>\$1,078,959,643</b>		<b>\$1,058,582,953</b>

<sup>(1)</sup>Contractual agreements.

<sup>(2)</sup>Percentage of the city's residential population of the county population.

<sup>(3)</sup>Percentage of the city liability per agreement.

Source: City of Pittsburgh, Department of Finance.

#### DEBT RATIOS

<b>DEBT RATIOS</b>	<b>Gross Before State Aid</b>	<b>Net After State Aid</b>
Direct Debt to Market Value (2014).....	1.98%	1.72%
Direct and Overlapping Debt to Market Value (2014) .....	11.32%	6.62%
Direct Debt to Assessed Valuation (2014).....	1.98%	1.72%
Direct and Overlapping Debt to Assessed Valuation (2014) .....	11.32%	6.62%
Direct Debt Per Capita (2014) .....	\$ 1,199.28	\$ 1,040.20
Direct and Overlapping Debt Per Capita .....	\$ 6,864.94	\$ 4,012.69
Assessed Valuation of Real Estate.....	\$ 18,756,998,000	<sup>(1)</sup>
Market Value of Real Estate.....	\$ 18,756,998,000	
Ratio of Assessed Valuation to Market Value .....	100.00%	
2014 Market Value Aid Ratio.....	0.4936	
Capital Expenditure Reimbursement Factor .....	0.5000	
Population.....	309,359	
Class of School District .....	1A	

<sup>(1)</sup>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 2011.....	\$ 524,895,761
Total Revenues for 2012.....	514,109,330
Total Revenues for 2013.....	516,815,941
<b>Total</b> .....	<u>\$1,555,821,039</u>
Annual Arithmetic Average (Borrowing Base) .....	\$ 518,607,013

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:

<b>Net Nonelectoral Debt And Lease Rental Debt</b>	<b>Legal Limit</b>	<b>Net Debt Outstanding*</b>	<b>Remaining Borrowing Capacity</b>
225% of Borrowing Base .....	\$1,166,865,779	\$389,270,723	\$777,595,056

\*As of December 31, 2013. 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\***

Year	Existing Debt Service	2014 Bonds			Total Requirements
		Principal	Interest	Debt Service	
2014	\$ 52,824,153				
2015	53,192,374				
2016	50,240,045				
2017	48,442,354				
2018	44,891,444				
2019	39,723,174				
2020	37,592,229				
2021	35,206,087				
2022	31,397,009				
2023	27,168,580				
2024	23,856,015				
2025	20,994,011				
2026	17,734,909				
2027	12,556,148				
2028	11,237,056				
2029	8,346,588				
2030	436,800				
<b>Total</b>	<b>\$515,838,975</b>				

\* 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 2014 State Aid Received .....	\$239,831,781
Budgeted 2014 Debt Service Requirements .....	52,824,153
Maximum Future Debt Service Requirements after Issuance of Bonds.....	
Coverage of budgeted 2014 Debt Service Requirements.....	4.54 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 2015, the School District anticipates that it will issue approximately \$15 - \$19 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 3,774 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 the secretary-clerical employees. 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 June 30, 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 minimis requirement for part-time employees regarding participation in the program.

The PSERS Board of Paying Agents has set the fiscal year 2014-15 employer retirement contribution rate at 21.40 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.

<b>School Year</b>	<b>Annual Retirement Contribution</b>
2013	\$39,946,888
2012	29,471,891
2011	21,796,105
2010	16,264,074
2009	13,875,329
2008	10,198,712

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](http://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, 2013 is \$188,852,166. The total annual required contribution is \$18,100,936.

## **LITIGATION**

There are certain legal actions pending or threatened against the School District, which have arisen in the ordinary course of the School District's business. In the opinion of the School District's management and legal counsel, any adverse decisions will not have a material adverse effect on the School District's current business, financial position or operations. 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 said 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.

*The Bonds are not designated as a "qualified tax-exempt obligation".*

#### **Original Issue Discount**

The Bonds that mature on September 1 of the years \_\_\_\_\_ 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, 2014, on or before **August 1** 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 date specified above.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, 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.

### Continuing Disclosure Filing History

The School District's filing history of its annual financial and operating information during the past five (5) years is outlined in the table below.

Fiscal Year Ending	Filing Deadline <sup>[1]</sup>	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>
12/31/2009	6/29/2010	6/30/2010	EP402016	6/30/2010 <sup>[3]</sup>	EP402016	6/29/2010	EP401890
12/31/2010	6/29/2011	6/29/2011	ER422511	6/29/2011 <sup>[3]</sup>	ER422511	6/29/2011	ER422504
12/31/2011	6/28/2012	7/2/2012	ER509716	7/2/2012 <sup>[3]</sup>	ER509716	6/29/2012	ER509255
12/31/2012	6/29/2013	6/27/2013	EA462293	6/27/2013 <sup>[3]</sup>	EA462293	6/27/2013	EA462301
12/31/2013	6/29/2014	6/27/2014	EA513950	6/27/2014	EA514686	6/27/2014	EA513941

#### Notes

<sup>[1]</sup> For these purposes, assumes the School District's previous filing deadline of 180 days before the amendment to change the filing date to August 1<sup>st</sup>. The amendment to the filing deadline is to commence with fiscal year ending December 31, 2014.

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

<sup>[3]</sup> A summary of the next year's budget is contained with the District's Comprehensive Annual Financial Report

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

For fiscal year ending December 31, 2009, the School District filed its annual financial information on June 30, 2010 and its operating data on June 29, 2010.

For fiscal year ending December 31, 2010, the School District filed its annual financial information and operating data on June 29, 2011.

For fiscal year ending December 31, 2011, the School District filed its annual financial information on July 2, 2012 and its operating data on June 29, 2012.

For fiscal year ending December 31, 2012, the School District filed its annual financial information and operating data on June 27, 2013.

For fiscal year ending December 31, 2013, the School District filed its annual financial information and operating data on June 27, 2014.

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

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

### Pennsylvania Act 150 School District Intercept Program Enhanced Rating Downgrade

Certain bond issues of the School District received an enhanced rating downgrade from "Aa3" to "A1" from Moody's Investors Service on July 17, 2012 as a result of the downgrade of Pennsylvania Act 150 School District Intercept Program; however, a Notice of Material Event was not posted to EMMA by the School District until October 29, 2014.

## **Moody's Global Rating Scale Recalibration**

Certain bond issues of the School District received rating changes from Moody's Investors Service on April 23, 2010 as a result of the Global Rating Scale Recalibration by Moody's Investors Service. For informational purposes, the School District filed a summary of these rating changes relating to the Global Ratings Scale Recalibration on June 29, 2010. This information was widely disseminated at the time of the rating change and was publically available from other public information sources.

## **Future Procedures and Compliance**

The School District will continue to adhere to procedures that were put in place to provide timely ongoing disclosure of annual financial information and notice of material events affecting its securities, including retention of a disclosure agent, however, the School District has amended its existing Continuing Disclosure Agreements and Certificates to reflect an August 1 reporting date.

## **RATINGS**

Standard & Poor's Ratings Group which is expected to assign its municipal bond rating of "\_\_\_\_\_" to this issue of Bonds, has done so with the understanding that upon delivery of the Bonds, the municipal bond insurance policy will be issued by \_\_\_\_\_. Moody's Investors Service, Inc. and Standard and Poor's Ratings Group have assigned its underlying municipal bond rating of "\_\_\_\_\_" and "\_\_\_\_\_", respectively, to the Bonds. Additionally, Moody's Investors Service, Inc. and Standard and Poor's Ratings Group have assigned its enhanced rating of "\_\_\_\_\_" and "\_\_\_\_\_" to the Bonds, based upon the additional security provided by the Commonwealth of Pennsylvania's Act 150 School District Intercept Program. 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 Underwriters have 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 \$97,361.00 plus a net original issue premium 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 Weiss Burkardt Kramer, LLC of Pittsburgh, Pennsylvania, 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/ Thomas Sumpter  
President, Board of School Directors

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**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 nation’s 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<sup>1</sup>

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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<sup>1</sup> 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 PITTSBURGH  
NUMBER AND VALUE OF BUILDING PERMITS, 2001-2010**

<b><u>Year</u></b>	<b><u>Number of Permits Issued</u></b>	<b><u>Dollar Value (In thousands)</u></b>
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**

<b>Area</b>	<b>2000</b>	<b>2010</b>	<b>Compound Average Annual Percentage Change 2000-2010</b>
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%

Source: U.S. Census Bureau, Census 2000 & 2010 Redistricting Data (Public Law 94-171) Summary File.

**TABLE A-2**  
**AGE COMPOSITION**

	<b>0-17 Years</b>	<b>18-64 Years</b>	<b>65+ Years</b>	<b>Persons Per Household</b>
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.

**TABLE A-3**  
**DISTRIBUTION OF EMPLOYMENT BY INDUSTRY**  
**Pittsburgh Metropolitan Statistical Area**  
**(Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland Counties)**  
**NONFARM JOBS**  
**(April 2014)**

	Industry Employment				Net Change From:	
	April 2014	March 2014	February 2014	April 2013	March 2014	April 2013
<b>ESTABLISHMENT DATA</b>						
<b>TOTAL NONFARM</b> .....	<b>1,163,800</b>	1,141,500	1,135,300	1,158,200	22,300	5,600
<b>TOTAL PRIVATE</b> .....	<b>1,043,300</b>	1,020,500	1,014,800	1,035,200	22,800	8,100
<b>GOODS-PRODUCING</b> .....	<b>153,000</b>	145,000	143,200	152,100	8,000	900
<b>Mining and Logging</b> .....	<b>11,000</b>	10,800	10,700	10,600	200	400
<b>Construction</b> .....	<b>55,200</b>	47,400	46,100	52,200	7,800	3,000
Specialty trade contractors .....	<b>30,700</b>	26,400	26,800	30,300	4,300	400
<b>Manufacturing</b> .....	<b>86,800</b>	86,800	86,400	89,300	0	-2,500
Durable Goods .....	<b>63,700</b>	63,800	63,500	65,800	-100	-2,100
Primary metal mfg.....	<b>12,600</b>	12,600	12,600	13,100	0	-500
Iron and steel mills and ferroalloy mfg. ....	<b>6,800</b>	6,800	6,800	7,000	0	-200
Non-Durable Goods .....	<b>23,100</b>	23,000	22,900	23,500	100	-400
<b>SERVICE-PROVIDING</b> .....	<b>1,010,800</b>	996,500	992,100	1,006,100	14,300	4,700
<b>PRIVATE SERVICE-PROVIDING</b> .....	<b>890,300</b>	875,500	871,600	883,100	14,800	7,200
<b>Trade, Transportation, and Utilities</b> .....	<b>212,500</b>	211,100	210,700	212,700	1,400	-200
Wholesale Trade .....	<b>45,700</b>	45,600	45,400	45,200	100	500
Retail Trade.....	<b>124,300</b>	123,400	122,500	124,300	900	0
Building material and supplies dealers.....	<b>8,500</b>	8,000	7,700	8,100	500	400
Food and beverage stores .....	<b>24,800</b>	24,900	24,800	25,100	-100	-300
Clothing and clothing accessories stores .....	<b>10,700</b>	10,800	10,800	11,300	-100	-600
General merchandise stores.....	<b>23,000</b>	23,000	23,100	23,300	0	-300
Department stores.....	<b>10,600</b>	10,600	10,800	11,000	0	-400
Transportation, Warehousing, and Utilities.....	<b>42,500</b>	42,100	42,800	43,200	400	-700
Utilities.....	<b>5,500</b>	5,400	5,400	5,600	100	-100
Transportation and Warehousing .....	<b>37,000</b>	36,700	37,400	37,600	300	-600
Trucking, couriers & messengers, and warehousing ..	<b>20,400</b>	20,300	20,200	20,600	100	-200
<b>Information</b> .....	<b>18,300</b>	18,300	18,300	18,100	0	200
<b>Financial Activities</b> .....	<b>72,000</b>	71,000	70,400	71,200	1,000	800
Finance and insurance .....	<b>57,800</b>	58,000	57,700	57,900	-200	-100
Credit intermediation and related activities.....	<b>28,500</b>	28,400	28,400	29,000	100	-500
Depository credit intermediation .....	<b>24,800</b>	24,800	24,800	25,100	0	-300
Insurance carriers and related activities.....	<b>23,100</b>	23,000	23,000	22,600	100	500
Data benchmarked to March 2013 ***Data changes of 100 may be due to rounding***						

Source: Pennsylvania State Employment Service.

**TABLE A-3**  
**DISTRIBUTION OF EMPLOYMENT BY INDUSTRY CONTINUED**  
**Pittsburgh Metropolitan Statistical Area**  
**(Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland Counties)**  
**NONFARM JOBS**  
**(April 2014)**

	Industry Employment				Net Change From:	
	April 2014	March 2014	February 2014	April 2013	March 2014	April 2013
<b>ESTABLISHMENT DATA</b>						
<b>Professional and Business Services</b> .....	<b>176,300</b>	172,800	171,400	175,500	3,500	800
Professional and technical services .....	<b>78,900</b>	77,800	78,000	77,600	1,100	1,300
Architectural and engineering services.....	<b>18,700</b>	18,500	18,300	18,600	200	100
Scientific research and development services .....	<b>6,300</b>	6,300	6,300	6,300	0	0
Management of companies and enterprises.....	<b>40,100</b>	39,600	39,600	39,600	500	500
Administrative and waste services .....	<b>57,300</b>	55,400	53,800	58,400	1,900	-1,100
Administrative and support services.....	<b>53,200</b>	51,400	49,700	54,800	1,800	-1,600
Employment services .....	<b>17,600</b>	17,100	16,700	17,300	500	300
<b>Education and Health Services</b> .....	<b>241,700</b>	242,200	242,900	243,100	-500	-1,400
Educational services.....	<b>54,400</b>	54,200	54,300	55,100	200	-700
Colleges and universities.....	<b>40,700</b>	40,500	40,500	41,300	200	-600
Health care and social assistance.....	<b>187,300</b>	188,000	188,600	188,000	-700	-700
Ambulatory health care services .....	<b>65,400</b>	66,600	67,100	65,400	-1,200	0
Offices of physicians .....	<b>25,200</b>	25,200	25,300	25,200	0	0
Hospitals .....	<b>54,400</b>	54,500	54,600	55,700	-100	-1,300
General medical and surgical hospitals .....	<b>49,000</b>	49,200	49,300	50,500	-200	-1,500
Nursing and residential care facilities .....	<b>37,000</b>	36,500	36,500	36,600	500	400
Social assistance.....	<b>30,500</b>	30,400	30,400	30,300	100	200
<b>Leisure and Hospitality</b> .....	<b>117,400</b>	109,300	107,400	111,800	8,100	5,600
Accommodation and food services .....	<b>95,000</b>	90,800	89,500	92,700	4,200	2,300
Food services and drinking places.....	<b>86,100</b>	82,100	81,100	84,400	4,000	1,700
Full-service restaurants.....	<b>41,700</b>	40,900	40,700	42,900	800	-1,200
Limited-service eating places .....	<b>31,000</b>	29,900	29,100	30,100	1,100	900
<b>Other Services</b> .....	<b>52,100</b>	50,800	50,500	50,700	1,300	1,400
<b>Government</b> .....	<b>120,500</b>	121,000	120,500	123,000	-500	-2,500
Federal Government.....	<b>17,900</b>	17,400	17,400	17,800	500	100
State Government.....	<b>15,800</b>	15,800	15,800	15,900	0	-100
Local Government.....	<b>86,800</b>	87,800	87,300	89,300	-1,000	-2,500
Local government educational services.....	<b>52,900</b>	53,400	52,700	54,400	-500	-1,500
Local government excluding educational services	<b>33,900</b>	34,400	34,600	34,900	-500	-1,000

Data benchmarked to March 2013

\*\*\*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)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014<sup>(1)</sup></u>	<b>Compound Average Annual % Rate</b>
<b><u>Allegheny County</u></b>							
Civilian Labor Force (000) .....	640.1	642.5	648.2	659.9	657.8	638.7	0.55%
Employment (000) .....	597.1	594.2	602.6	614.1	615.3	594.2	0.60%
Unemployment (000) .....	43.0	48.3	45.7	45.8	42.5	44.5	-0.23%
Unemployment Rate .....	6.7%	7.5%	7.0%	6.9%	6.5%	7.0%	
<b><u>Pennsylvania</u></b>							
Civilian Labor Force (000) .....	6,406.0	6,392.0	6,397.0	6,466.0	6,460.0	6,443.0	0.17%
Employment (000) .....	5,898.0	5,851.0	5,885.0	5,954.0	5,982.0	6,075.0	0.28%
Unemployment (000) .....	509.0	541.0	512.0	513.0	478.0	368.0	-1.25%
Unemployment Rate .....	7.9%	8.5%	8.0%	7.9%	7.4%	5.7%	

<sup>(1)</sup>As of April 2014.

Source: Pennsylvania State Employment Service.

The larger employers in the School District are as follows:

<b>Name</b>	<b>Approximate Employment</b>
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:

<b>NAME</b>	<b>PRODUCT/SERVICE</b>
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\***

	<b><u>2000</u></b>	<b><u>2009</u></b>	<b>Compound Average Percent Change <u>2000-2009</u></b>
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)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Allegheny County .....	\$ 18,692	\$ 20,359	\$ 20,350	\$ 19,788	\$ 20,073
Pennsylvania.....	174,483,292	188,193,104	188,149,727	187,412,600	199,975,257

Source: The Nielsen Company.

## Educational Institutions

Major colleges and universities located in the area include:

		<u>Undergraduate</u>		<u>Graduate</u>		<u>Total</u>
		<u>FT</u>	<u>PT</u>	<u>FT</u>	<u>PT</u>	
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 26<sup>th</sup> in the United States in passenger volume.

The following airlines serve Pittsburgh International Airport:

<u>Major International Carriers</u>	<u>Commuter Carriers</u>
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](http://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**  
**“Draft” 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 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 C OF 2014  
Dated December \_\_\_, 2014 - Final Maturity September 1, 2034

### OPINION OF CO - BOND COUNSEL

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

December \_\_\_, 2014

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 C of 2014 (the "Bonds"), issued in fully registered form, denominated in \$5,000.00 or any integral multiple thereof, dated and bearing interest from December \_\_\_, 2014. The Bonds will mature on various annual dates ending September 1, 2034. The Bonds are subject to optional redemption on or after March 1, 2020.

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.



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**APPENDIX C**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

# ***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, 2013**



**Prepared by the  
Finance Division**

**Pamela R. Capretta, CPA**  
*Executive Director of Finance and Facilities Management*



# **SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA**

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## **INTRODUCTORY SECTION**

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June 25, 2014

Mr. Thomas Sumpter, President  
Board of Public Education  
School District of Pittsburgh  
341 S. Bellefield Avenue  
Pittsburgh, Pennsylvania 15213

Dear President Sumpter, 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, 2013, 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, 2013, 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, 2013, 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 Federal 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 is 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 2010 census population of the two municipalities served totaled 309,107, covering a land area of 55.3 square miles.

The District's official 2013-14 membership included 25,906 students (Pre-K to 12) attending 54 schools. The projected enrollment for 2014-15 is 24,592 students (Pre-K to 12). The average age of the District's buildings is 76 years. The District offers programs for general education, special education, vocational education, and early childhood education.

In addition, 3,498 pupils residing in the city and boroughs attended 26 charter schools, including 8 approved by the District, 1 approved by the Commonwealth of Pennsylvania, 8 approved by other districts, and 9 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 2013 totaled \$47,754,137.

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 2011 with terms of office expiring in December 2015, while five Board members were elected in 2013 with terms of office expiring in December 2017. 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 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 for current real estate taxes. Jordan Tax Collection Services collect delinquent real estate taxes and earned income taxes.

The District's budget, governance, management, and taxing authority is 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, including 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.

We have four primary goals at Pittsburgh Public Schools:

- To accelerate student achievement
- To eliminate racial disparities in achievement
- Foster innovation; and
- Improve culture.

### **Strategic Plan**

In 2011, The Pennsylvania Department of Education (PDE) implemented a new comprehensive planning process that has taken the place of strategic planning. This new process was rolled out across the Commonwealth of Pennsylvania in phases. The Pittsburgh Public Schools is a Phase 3 District which means that our Comprehensive Plan will not be due until November 30, 2014.

Pittsburgh Public Schools, like all school districts in the Commonwealth of Pennsylvania (State), must respond to requirements of The Pennsylvania Public School Code, which includes academic standards, graduation requirements, and governance responsibilities. 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, guidance, health services, and social services

## **Major Initiatives**

In December 2013, Pittsburgh Public Schools released the plan “Whole Child, Whole Community” which was created, with feedback from the community, to ensure that we reach our vision that all children will graduate from a 2 or 4 year college or receive a workforce certification.

Whole Child, Whole Community focuses on building a bridge to the Pittsburgh Promise. The plan outlines several areas of focus to help the District address two critical issues; financial stability and academic performance.

- Improve fiscal sustainability,
- Investing in people,
- Investing in student performance,
- Partner with the community in a new way.

The District has been sharing this plan with the community at various community conversation meetings and strongly urges the public for opinions and support.

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).

Because the quality of teaching is the number one school-based factor for improving student outcomes, the District has worked hard to adopt new tools that identify difference in teacher effectiveness and provide useful information to improve teaching in the Pittsburgh Public Schools (PPS).

In 2009, PPS and PFT leaders, and approximately 120 teachers and administrators, joined together to create our new observation and growth process, the Research-based Inclusive System of Evaluation (RISE). Through RISE, teachers now receive feedback about their practice from principals and teacher leaders, self-assess their performance, and have a common language to discuss their practice.

To complement RISE, the District has also developed lenses on teaching that capture teachers’ contributions to student progress. PPS uses value-added measures, allowing schools, teams, and teachers to see how their efforts contribute to student learning and growth. The District uses students’ feedback about their classroom experience through the Tripod student survey in these evaluations.

Now, many PPS teachers are using this comprehensive information about their performance to grow professionally and get better results for students. New information about teacher effectiveness is being used to promote effective teachers into leadership roles, reward and recognize teachers for their contributions to student growth, exit ineffective teachers who do not improve performance, and inform policy changes that seek to advance the teaching profession in a way that is aligned to our goals for students.

In 2013-14:

- Staff at three schools earned a Students and Teachers Achieving Results (STAR) Award. The STAR award is a school-level award to recognize all staff represented by the PFT in schools making extraordinary gains in student achievement. Pittsburgh Public Schools earn STAR status by being within the top 15% of Pennsylvania schools, rank-ordered for growth. The STAR award was first presented in 2012-13, when the District recognized 11 schools.
- Forty-three teachers, counselors and social workers who completed a full Promise-Readiness Corps (PRC) loop received a Promise-Readiness Corps Cohort Award. The PRC focuses on ensuring that 9<sup>th</sup> and 10<sup>th</sup> grade students enter the 11<sup>th</sup> grade on track to graduate. PRC members who obtain better

than expected results in student academic achievement, attendance, and course credits earned are eligible for a PRC Cohort Award.

- 150 teacher leaders are serving in new roles that expand their leadership and prioritize their impact on high-needs students.
- All PPS teachers will be evaluated based 50% on teacher practice and 50% on student performance.

The **Empowering Effective Teachers** plan also calls for improving teaching and learning environments to ensure that teachers and students work in environments that support their ability to be highly effective. As part of this effort PPS schools are using information about student progress as well as staff, student and parent perceptions to prioritize and monitor improvements to school climate and culture.

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.

### **Update on District Progress**

During the past year, the District has demonstrated its ongoing commitment to improve the academic performance of all students, across all levels of achievement. Evidence of the commitment to improving student learning includes the following:

- The overall percentage of students scoring Proficient or Advanced in the Grades 3-8 PSSA Mathematics and Reading had been increasing over time, but there were District declines in 2013. This decline, however, was not limited to Pittsburgh; student performance in Mathematics and Reading declined across the state. As of 2013, 57.7% of District students were proficient in Mathematics and 51.1% were proficient in Reading.
- In 2013, African-American students in the District showed declines at every grade level in both Mathematics and Reading. At the State level, African-American students also showed declines at every grade level in Mathematics, and in 5 out of 6 grade levels in Reading. In PSSA Reading, District proficiency for African-American students had the largest declines in Grade 7, and the smallest declines in Grade 3, which was similar to the state's results. In PSSA Mathematics, the declines in Grades 3 through 5 were smaller in the District than at the state level, but larger in Grades 6 to 8.
- As of the 2012-13 school year, Keystone Exams replaced Grade 11 PSSA as the high school accountability measure. The percentage of students scoring Proficient or Advanced was higher than the prior PSSA exams; for Keystone Algebra I it was 51.1% compared to 43.5% on the prior Mathematics assessment, while for Keystone Literature it was 63.5% compared to 56.7% on the prior Reading assessment.
- The percentage of seniors taking the SAT exam increased by 15% from 2009 to 2013.
- In 2013-14, 7 of 9 high schools showed increased student enrollment in AP courses. Student enrollment in AP courses increased by 9.1% from 2012-13 to 2013-14; for African-American students there was an 18.2% increase.
- More than 4,700 Promise Scholars have graduated from the District to date and enrolled in over 100 different colleges, universities, career and vocational training programs.

## Job Situation<sup>1</sup>

The Pittsburgh market area will have a tough time regaining its economic momentum in 2014. Led by outright declines in manufacturing employment, the market area's jobs count ended 2013 slightly down from its 2012 year-end levels. Pittsburgh's total employment remains near all-time highs, but the rapid pace of expansion seen in the immediate aftermath of the recession has evaporated. It will take accelerated business investment at the aggregate national level, creating demand for Pittsburgh-produced goods and services, for the market area's businesses to shift back into hiring mode in any significant way this year.

Pittsburgh fell in line with the Pennsylvania state average in terms of labor force growth-or rather, labor force declines-in 2013. As a result, its unemployment rate will likely decline less rapidly in the coming year (Chart 1) as last year's labor market retreat gives way to job seekers, who will initially be counted as unemployed, reentering the labor force.

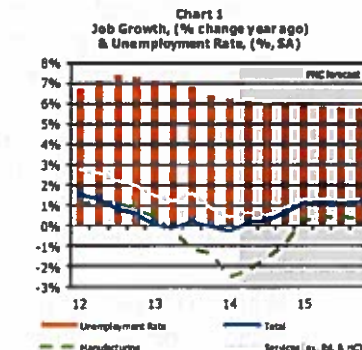


Chart sources: Bureau of Labor Statistics, The PNC Financial Services Group

## Income

Income growth should at least return to a moderately positive growth pace in 2014 after faltering on flat labor market conditions in 2013 (Chart 2). New consumer activity has actually been a bright spot for Pittsburgh over the past year, as leisure & hospitality hiring exceeded the state average for most of 2013. This result reflects the market area's strong early-recovery pace, in which incomes and home values were quickly rebuilt and consumers were afforded confidence to spend back into the local economy.

On the longer-term radar is income growth potential from natural gas drilling in the region. Low prices and excess supplies have delayed Marcellus Shale natural gas extraction. Once prices rebalance, new hiring should boost income growth in Pittsburgh.

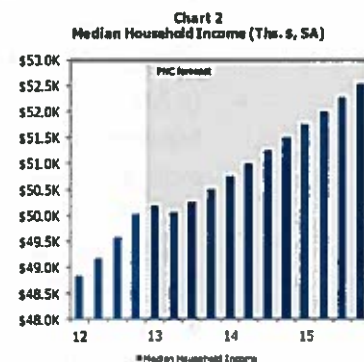


Chart sources: Bureau of Census, Moody's Analytics, The PNC Financial Services Group

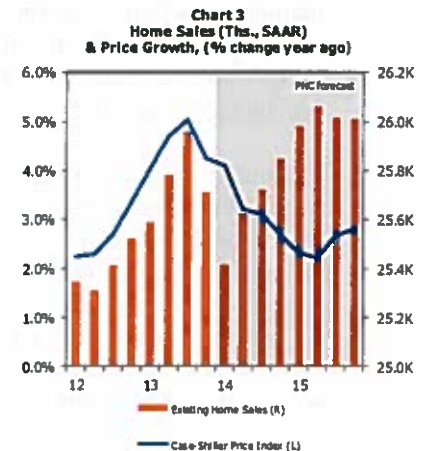
<sup>1</sup> Issued by the Economics Division, PNC Financial Services Group, 2nd Quarter 2014.



## Housing

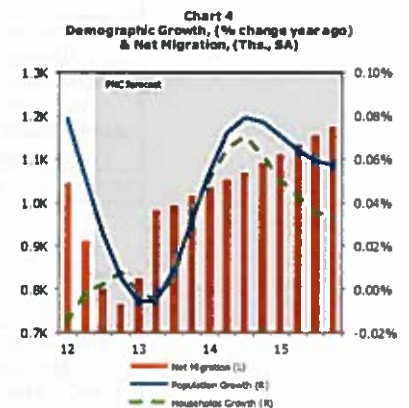
Pittsburgh's housing market will settle into a stable, relatively slow growth pace in 2014 for the near term. Home price growth peaked in early 2013 (Chart 3) and should decelerate throughout this year as mortgage interest rates begin to move higher and constrain demand. The market area home values fully recovered from the recession by early 2011, so the shift to slower price appreciation poses little threat to household balance sheets or consumer spending potential.

New residential permitting activity began to lag year-over-year growth paces exhibited by the national and Pennsylvania state averages in the second half of 2013. But, again, the caveat is the Pittsburgh's residential construction industry recovered more quickly than those broader regional averages, so the slowdown is indicative of market balance rather than being a cause for growth concerns. Pittsburgh's new single-family permit issuance stands at about 75% of pre-bubble activity, compared to the U.S. and state at 50% of that goal.



## Demographics

Pittsburgh's long-time trend of population declines appears to be in the early stages of a turnaround (Chart 4). Job opportunities remain relatively scarce across most of the nation's economy, meaning fewer opportunities drawing workers out of the market area. With little housing market weakness and stability in its job market, Pittsburgh is well positioned to attract and retain young workers going forward. Reliable education, healthcare and financial industry employers are firmly entrenched and will support workforce development for the foreseeable future. And Pittsburgh is well positioned to benefit from gas drilling activity in the Marcellus Shale formation over the longer term. Skilled workers already experienced in this industry will find Pittsburgh low living costs attractive, and migration trends are likely to see a boost as a result.



## Outlook Summary

Pittsburgh's economic recovery has come back down to earth after outpacing the national average for the first two years of the recovery (Chart 5). Residents of the market area who found jobs during the market area's early recovery from recession have kept consumer spending healthy thanks to solid housing markets and a stable income environment. This trend supported retail and service industry employment gains even as the broader job market slowed in 2013. It will take a resumption of high-paying manufacturing and transportation job growth in order for Pittsburgh to take another step forward in local business expansion. Accelerating national growth through the second half of 2014 and into next year offers that potential boost to Pittsburgh's economy. Demand for locally produced goods and services – especially for the market area's manufacturing sector - should spring from a broader national audience as capital investment goes to work. Such spending was largely absent during the market area's initial recovery spurt.

Pittsburgh's cadre of large, highly regarded universities and hospitals support both healthy and stable income trends, and a steady employment base. As it is home to a large student population, Pittsburgh has a ready stream of skilled labor available as it continues to develop its technology, finance and research industry opportunities over time. Looking toward the longer term, the influence of Marcellus Shale natural gas drilling operations and ongoing expansion of high-tech employers such as Westinghouse provide the basis for Pittsburgh to reach a growth pace significantly greater than that seen over the past few decades. Already, demographic trends appear to be reversing from a steady net outflow of migrants. Highly affordable living costs add further weight to the idea that Pittsburgh may be just at the start of a stronger economic future.

	U.S.			Pittsburgh		
	2013	2014F	2015F	2013	2014F	2015F
Employment Growth, (% change)	1.7	1.7	1.5	0.0	0.2	1.2
Unemployment Rate, (%)	7.4	6.4	5.9	6.8	6.1	5.8
Median Household Income, (Ths. \$)	52.4	53.8	55.1	50.2	51.1	52.1
House Prices**, (% change)	10.6	6.3	3.6	4.5	3.3	2.5
Single-Family Permits* (% change)	15.9	12.9	6.1	11.5	19.3	4.5
Multifamily Permits* (% change)	25.3	19.0	3.5	85.4	-57.3	136.5

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

	U.S.		Pittsburgh	
	2005-2010†	2010-2015†	2005-2010†	2010-2015†
Employment Growth, (% change)	-0.1	1.6	-0.2	0.8
Unemployment Rate, (%)	5.8	7.7	5.4	6.8
Median Household Income, (Ths. \$)	48.7	52.2	44.0	49.5
House Prices**, (% change)	-2.9	3.7	1.5	2.8
Single-Family Permits* (% change)	-22.7	9.6	-13.5	3.6
Multifamily Permits* (% change)	-20.2	27.2	-23.1	36.4

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

## LONG-RUN EMPLOYMENT TRENDS

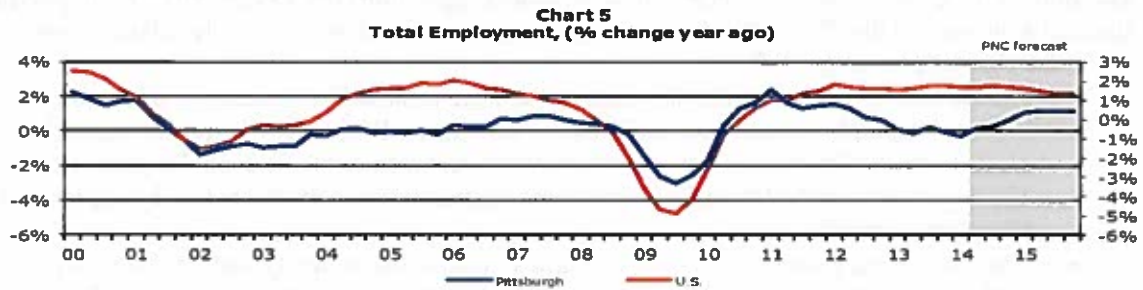


Chart sources: Bureau of Labor Statistics; The PNC Financial Services Group

## LONG-RUN DEMOGRAPHIC TRENDS

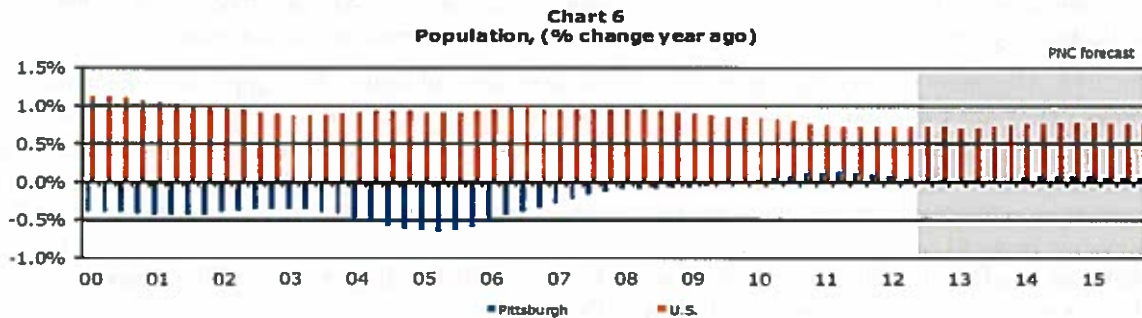


Chart sources: Bureau of Census; Moody's Analytics; The PNC Financial Services Group

## LONG-RUN HOUSE-PRICE TRENDS

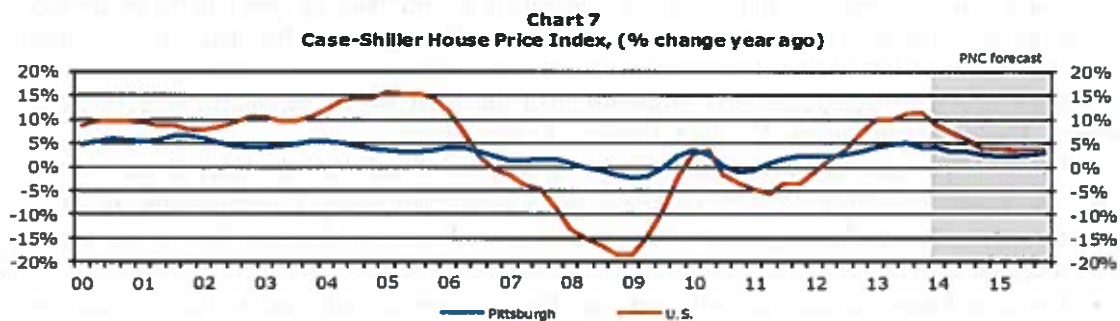


Chart source: National Association of Realtors; Fiserv, Inc.; The PNC Financial Services Group

Visit <http://www.pnc.com/economicreports> to view the full listing of economic reports published by PNC's economists.

Disclaimer: The material presented is of a general nature and does not constitute the provision of investment or economic advice to any person, or a recommendation to buy or sell any security or adopt any investment strategy. Opinions and forecasts expressed herein are subject to change without notice. Relevant information was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy. You should seek the advice of an investment professional to tailor a financial plan to your particular needs.

## **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 affects 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 lost revenue by the elimination of the Personal Property Tax.
- This legislation has had the effect of reducing District revenue from this loss 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.

In 2012, the District transitioned a statewide consolidated earned income tax collection system that was created by Act 32 of 2008. This act created a Tax Collection District (TCD) comprised of the City of Pittsburgh, the School District of Pittsburgh, and the Borough of Mt. Oliver. The taxes for all three municipalities within the TCD are collected by a single tax collector. As a result of the consolidated collections system, the District has experienced an increase in earned income tax revenue.

In 2013, Allegheny County implemented countywide reassessed values. To comply with the anti-windfall provision of Act 1 of 2006, the District lowered its millage from 13.92 mills to 9.65 mills as a result of increased assessed values. During the course of the property assessment appeals, Real Estate Revenue was negatively affected, commercial property assessments have been reduced substantially upon appeal, and numerous individual taxpayers have had their property assessments reduced. This resulted in 2013 Real Estate Revenue being \$12.4 million less than in 2012. In order to offset the unanticipated reduction in Real Estate Revenue, the Board of Directors of the School District of Pittsburgh approved a millage increase up to the Act 1 index of 2%. The 2014 millage rate is 9.84 mills.

## **Short and 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 District faces a projected structural deficit for 2015 and 2016, 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.
- Uncertainty regarding effect of pending property assessment appeals on real estate tax revenue.
- Uncertain Federal funding due to Sequestration as well as uncertain State funding due to weak State revenue.
- Key cost drivers include increasing net costs from Charter Schools, underutilized classrooms, increasing costs – retirement, utilities, transportation, health care, and salaries.
- The impact of the General Assembly's action, in 2006, to eliminate \$20 million of the District's future annual revenues.
- Underutilized facilities create resource inequities and diseconomies of scale.
- Decisions made now through 2016 are critical to the District's financial stability.
- No desire to raise taxes beyond statutory limits.

In closing, the District has three primary goals towards obtaining and Building a Sustainable District:

- To accelerate student achievement
- To eliminate racial disparities in achievement
- Foster innovation; and
- Improve culture

#### **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 CAFR for the fiscal year ended December 31, 2012.

This was the sixth 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, 2013.

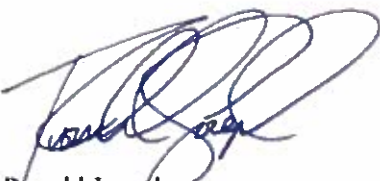
The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended December 31, 2012.

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, 2013.

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,



Ronald Joseph  
Chief Operations Officer  
and Assistant Secretary




Pamela R. Capretta, CPA  
Executive Director of Finance and Facilities Management  
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, 2013.

Respectfully submitted,

  
Michael E. Lamb  
School Controller

  
Richard Romano  
Deputy School Controller



1800-1850: The Age of Jackson and the Age of Reform

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# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

**School District of Pittsburgh**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended December 31, 2012*

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading "Ron McCulley", written over a horizontal line.

Ron McCulley, CPPB, RSBO  
President

A handwritten signature in black ink, reading "John D. Musso", written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director



**School District of Pittsburgh**  
**List of Elected and Appointed Officials**  
**June 2014**

**Elected Officials**

**Board of Directors**

Mark Brentley  
Cynthia Falls  
Sherry Hazuda  
Dr. Regina Holley  
William Isler  
Terry Kennedy  
Carolyn Klug  
Thomas Sumpter  
Sylvia Wilson

Member  
Member  
Member  
Member  
First Vice President  
Member  
Second Vice President  
President  
Member

**School Controller's Office**

Michael E. Lamb  
Richard Romano

School Controller  
Deputy School Controller

**Appointed Officials**

**Superintendent's Office**

Linda S. Lane

Superintendent and Secretary

**Finance and Operations Office**

Ronald J. Joseph  
Pamela R. Capretta, CPA

Patricia Forsythe, CPA  
Laura Cosharek

Chief Operations Officer and Assistant Secretary  
Executive Director of Finance and Facilities Management and Assistant Secretary  
Accounting Supervisor  
Senior Accountant

**School Performance Office**

Constance Sims

Chief of School Performance

**Academic Office**

Jerri Lippert

Chief Academic Officer

**Information and Technology Office**

Mark Campbell

Chief Information Officer

**Human Resource Office**

Jody Spolar

Chief Human Resource Officer

**Law Office**

Ira Weiss

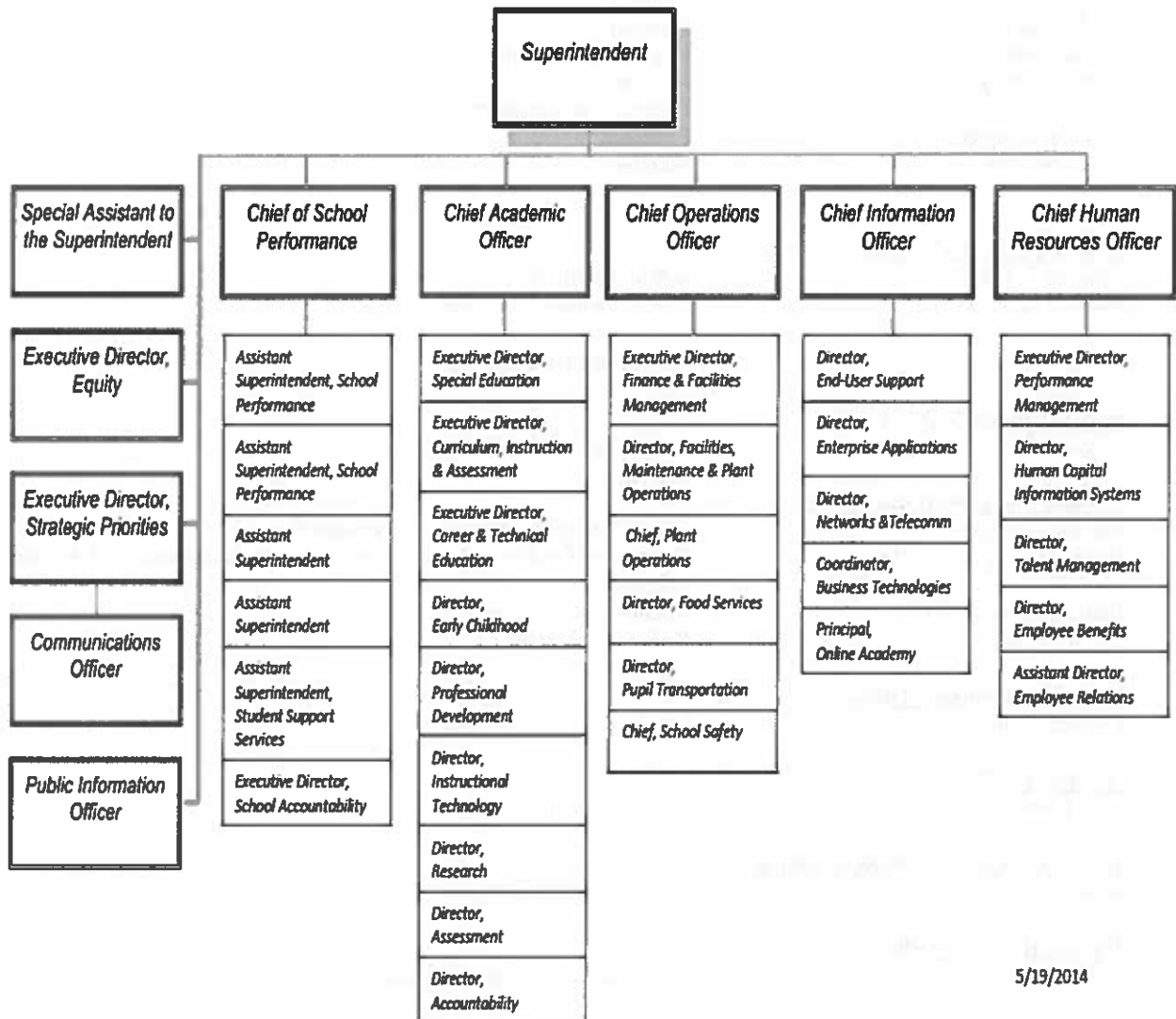
Solicitor and Assistant Secretary

**School Treasurer's Office**

Margaret L. Lanier

School Treasurer

# School District of Pittsburgh Organizational Chart June 2014



5/19/2014

## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Pittsburgh, Pennsylvania (the "District"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis-of-Matter**

As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–17 and schedule of funding progress for the retiree health plan on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and budget comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the budget comparison schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages i–xvii and statistical tables on pages 78–105 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

*Deloitte & Touche LLP*

June 25, 2014

## 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, 2013. 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

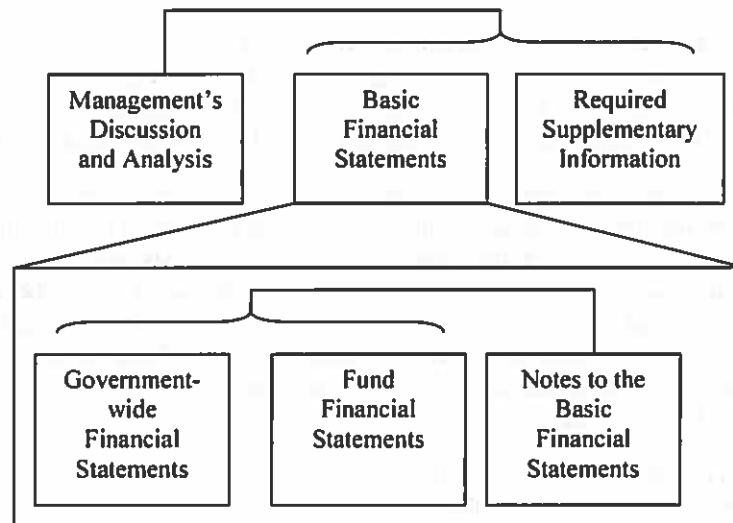
- The assets of the District's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$234,114,386 (net position). Of this amount, \$130,122,671 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- Total net position of the District's governmental activities increased by \$32,278,568, or 15.99%, while net position of business-type activities decreased by \$888,545 or 7.75%.
- The District implemented the Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. This statement requires retroactive restatement for all periods presented. As such, a prior-period amendment decreasing net position by \$2,379,990 resulted from recognizing issuance costs as an expense in the period incurred. Deferred revenue previously classified as a liability has been reclassified as a deferred inflow on the balance sheet.
- The unassigned fund balance of the general fund as of December 31, 2013, was \$73,136,786, or 14.34%, of total general fund expenditures and other financing uses. The assigned and unassigned general fund balance represents 17.24% of budgeted general fund expenditures and other financing uses for fiscal year 2014.

### 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 position 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 position are one indicator of whether its financial health is improving or deteriorating. The government-wide financial statements can be found on pages 18 and 19 of this report.

- The statement of net position presents information on all of the District's assets and liabilities. The difference between the two is reported as net position.
- The statement of activities presents information showing how the government's net position changed during the year. Changes in net position 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 20 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. 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, capital projects fund, debt service 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 presented in the combining statements. The food service operations for the District are presented as an enterprise fund. 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 fiduciary fund includes agency funds and private purpose trust funds. The private purpose trust fund accounts for assets held by the District in a trustee capacity. Agency funds 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 and 30 of this report. Statements of changes in assets and liabilities can be found on page 77.

## 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 31 through 64 of this report.

### THE SCHOOL DISTRICT OF PITTSBURGH AS A WHOLE

The District has positive total net position in the amount of \$244,691,185. The District's combined net position for governmental activities and business-type activities increased by \$31,390,023 during fiscal year 2013. The following factors contributed to the increase:

- The District's noncurrent liabilities decreased by \$34,546,739, due to the District's efforts to reduce debt service expenditures and capital project expenditures. Such cost savings included a cash refunding of \$6,080,000 in principal and no issuance of new bonds in 2013.
- Capital assets decreased by \$24,639,631, as a result of declining enrollment which contributes to school closures and less investment in capital improvements. The District sold four school buildings which resulted in a decrease of \$10,828,100 in capital assets.

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

**TABLE 1 — NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012 As Amended See Notes	2013	2012	2013	2012 As Amended See Notes
Current assets	\$ 248,334,906	\$ 249,453,848	\$ 3,546,440	\$ 3,919,962	\$ 251,881,346	\$ 253,373,810
Capital assets	462,370,214	486,582,968	8,511,569	8,938,446	470,881,783	495,521,414
Other noncurrent assets	9,193,933	9,097,495			9,193,933	9,097,495
<b>Total assets</b>	<b>719,899,053</b>	<b>745,134,311</b>	<b>12,058,009</b>	<b>12,858,408</b>	<b>731,957,062</b>	<b>757,992,719</b>
<b>Total deferred outflows of resources</b>	<b>10,392,525</b>	<b>11,888,641</b>			<b>10,392,525</b>	<b>11,888,641</b>
<b>Total Assets and deferred outflows of resources</b>	<b>730,291,578</b>	<b>757,022,952</b>	<b>12,058,009</b>	<b>12,858,408</b>	<b>742,349,587</b>	<b>769,881,360</b>
Current liabilities	95,619,466	120,055,805	1,047,585	986,303	96,667,051	121,042,108
Noncurrent liabilities	400,557,726	435,131,329	433,625	406,761	400,991,351	435,538,090
<b>Total liabilities</b>	<b>496,177,192</b>	<b>555,187,134</b>	<b>1,481,210</b>	<b>1,393,064</b>	<b>497,658,402</b>	<b>556,580,198</b>
<b>Net position:</b>						
Net investment in capital assets	81,325,299	82,888,604	8,511,569	8,938,446	89,836,868	91,827,050
Restricted	22,666,416	32,325,095			22,666,416	32,325,095
Unrestricted	130,122,671	86,622,119	2,065,230	2,526,898	132,187,901	89,149,017
<b>Total net position</b>	<b>\$ 234,114,386</b>	<b>\$ 201,835,818</b>	<b>\$ 10,576,799</b>	<b>\$ 11,465,344</b>	<b>\$ 244,691,185</b>	<b>\$ 213,301,162</b>

The District's net investment in capital assets of \$81,325,299 as of December 31, 2013, 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.

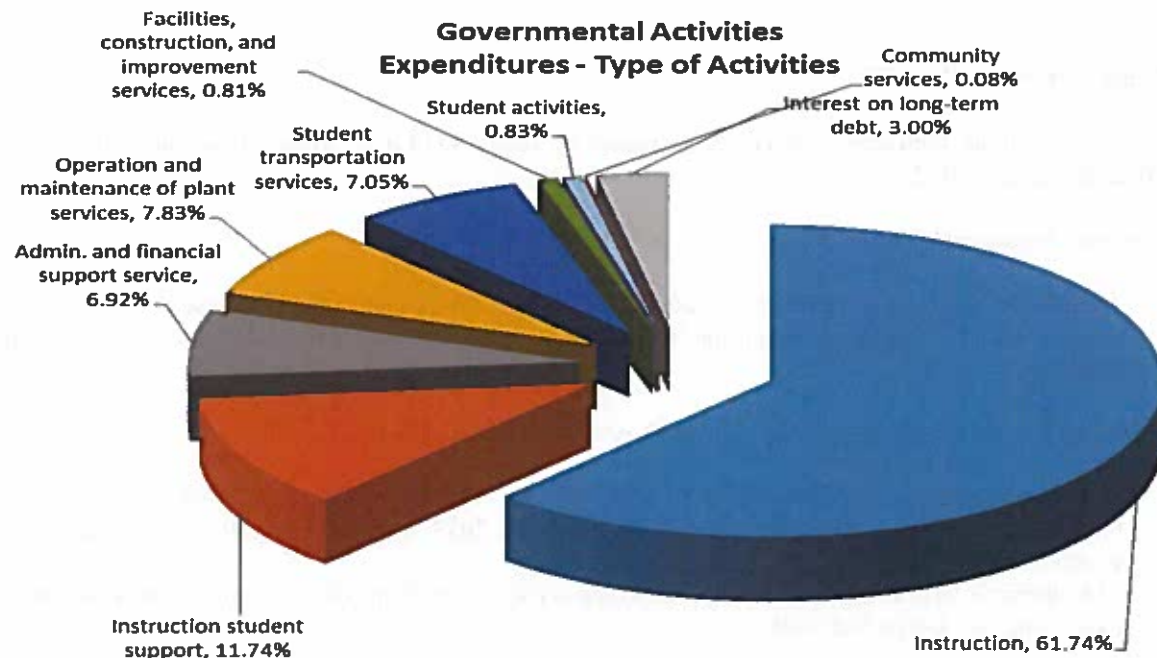
**TABLE 2 — CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012 As Amended See Notes</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012 As Amended See Notes</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 3,930,445	\$ 3,815,824	\$ 1,561,222	\$ 2,131,414	\$ 5,491,667	\$ 5,947,238
Operating grants and contributions	101,244,617	77,057,566	14,018,783	13,183,351	115,263,400	90,240,917
Capital grants and state subsidies						
<b>General revenues:</b>						
Property taxes and other taxes	273,709,305	275,148,521			273,709,305	275,148,521
Investment income	599,483	4,036,901	71	93	599,554	4,036,994
Federal and state grants and subsidies	222,617,705	249,703,582			222,617,705	249,703,582
Miscellaneous income	11,331,261	13,954,913			11,331,261	13,954,913
<b>Total revenues</b>	<b>613,432,816</b>	<b>623,717,307</b>	<b>15,580,076</b>	<b>15,314,858</b>	<b>629,012,892</b>	<b>639,032,165</b>
<b>Expenses:</b>						
Instruction	358,810,259	380,972,744			358,810,259	380,972,744
Instruction student support	68,253,479	70,870,488			68,253,479	70,870,488
Administrative and financial support services	40,144,112	34,942,606			40,144,112	34,942,606
Operation maintenance services of plant services	45,513,462	44,339,221			45,513,462	44,339,221
Student transportation	40,969,897	40,395,225			40,969,897	40,395,225
Student activities	4,796,054	4,863,727			4,796,054	4,863,727
Community services	453,191	488,147			453,191	488,147
Food services			16,468,871	15,786,992	16,468,871	15,786,992
Facilities	4,726,749	3,548,719			4,726,749	3,548,719
Interest on long-term debt	17,422,337	25,019,027			17,422,337	25,019,027
Amortization of bond issuance costs	64,458				64,458	
<b>Total expenses</b>	<b>581,153,998</b>	<b>605,439,904</b>	<b>16,468,871</b>	<b>15,786,992</b>	<b>597,622,869</b>	<b>621,226,896</b>
<b>Increase in net position before transfers</b>	<b>32,278,818</b>	<b>18,277,403</b>	<b>(888,795)</b>	<b>(472,134)</b>	<b>31,390,023</b>	<b>17,805,269</b>
<b>Transfers</b>	<b>(250)</b>	<b>(295,462)</b>	<b>250</b>	<b>295,462</b>		
<b>Change in net position</b>	<b>32,278,568</b>	<b>17,981,941</b>	<b>(888,545)</b>	<b>(176,672)</b>	<b>31,390,023</b>	<b>17,805,269</b>
<b>Net position — January 1</b>	<b>201,835,818</b>	<b>183,853,877</b>	<b>11,465,344</b>	<b>11,642,016</b>	<b>213,301,162</b>	<b>195,495,893</b>
<b>Net position — December 31</b>	<b>\$ 234,114,386</b>	<b>\$ 201,835,818</b>	<b>\$ 10,576,799</b>	<b>\$ 11,465,344</b>	<b>\$ 244,691,185</b>	<b>\$ 213,301,162</b>

Unrestricted net position, or the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, was \$130,122,671 as of December 31, 2013.

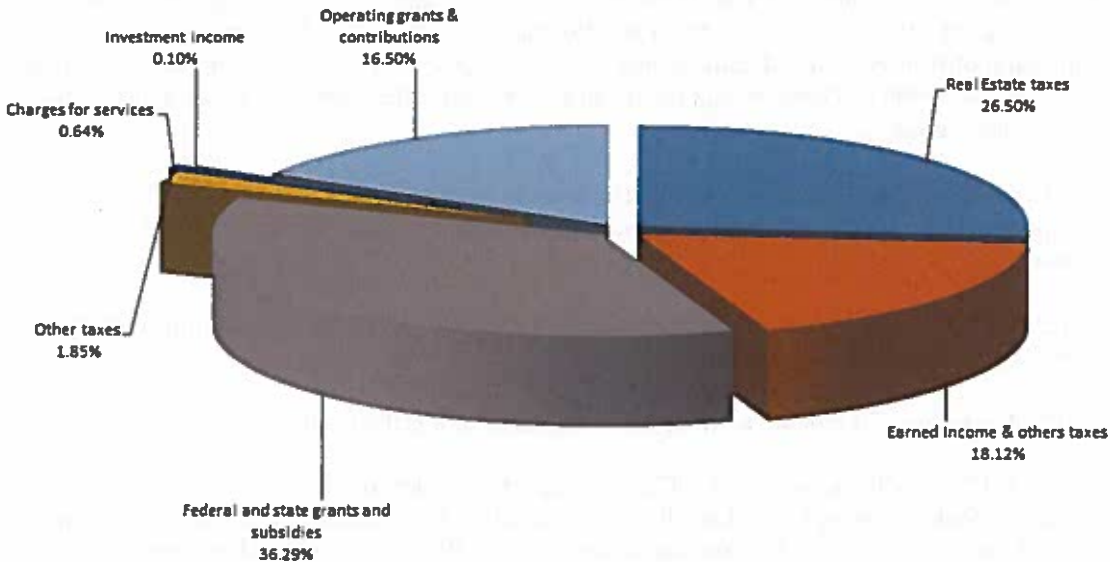
**Governmental Activities** — Net position for governmental activities increased by \$32,278,568, as compared to an increase of \$17,981,941 in the prior fiscal year. Factors contributing to the changes:

- Compensated absences continued to decrease this year by \$1,606,586. A change in sick day entitlement from 15 days to 12 days for new hires contributed to the decrease. Also, the District uses more contract employees, who are only entitled to Paid Time Off (PTO) days.
- The \$27,085,877 decrease in federal and state subsidies reflects the following circumstances: a \$13,783,374 decrease in Title I and Title II programs due to late approval of the program for the 2013-2014 school year; the PA School based ACCESS Program saw a \$2,278,117 decrease as a result of the Commonwealth of Pennsylvania adopting a cost based reimbursement model; and on behalf contributions from the Commonwealth of Pennsylvania for social security subsidies decreased by \$1,830,383 due to decreases in salary costs.
- Functional expenditure improvements include decreases in instruction of \$22,162,485 and instruction student support of \$2,617,009. All are direct results of the declining enrollment and school consolidations.
- 2013 governmental-wide expenditures decreased by \$24,285,906 or 4.01%, areas of improvement include interest on long term and instructional support.
- The \$7,596,690 decrease in functional interest on long-term debt is the result of several factors:
  - The 2012 refunding provided \$1,497,265 of cash flow relief in 2013.
  - New capital borrowings have been limited since 2010. The District did not issue new bonds in 2011 and 2013. Only \$5,000,000 was issued in 2012. With a level slope debt curve this added limited new principal to 2013 and 2014 debt service schedule payments.



Taxes, investment income, and local sources composed 47.21% of revenues for the District's governmental activities as a whole.

### Governmental Activities Revenues by Sources

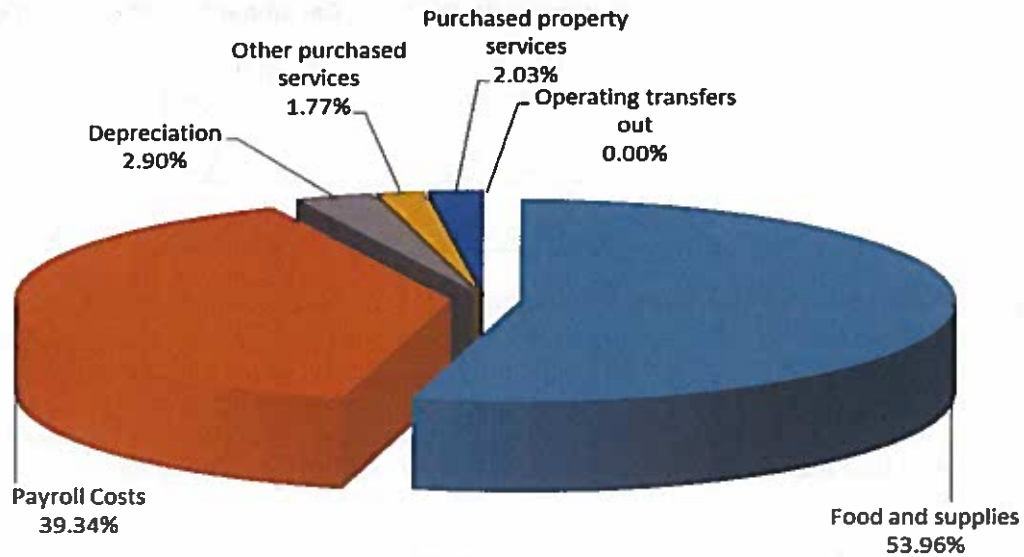


### BUSINESS-TYPE ACTIVITIES

The net position of our food service activities decreased by \$888,545 in fiscal year 2013, compared to the \$176,672 decrease in 2012.

- Revenues increased by \$265,218, or 1.73%, to \$15,580,076 for 2013.
  - The District recognized a decrease of 26.75% in charges for service due to decrease in food provided to the Summer Dreamers Program for 2013 summer and the closing of the Administration Building cafeteria.
- Operating expenditures increased by \$681,879, or 4.31%, to \$16,468,871 for 2013.
  - The costs of food and supplies increased by \$273,562, or 3.18%, over the 2012 costs.
  - Food service expenses for the year ended December 31, 2013, included \$477,002 for depreciation, which is a decrease of \$17,997, or 3.63%, over 2012.
  - The District's largest expenses for business-type activities, as displayed in the following chart, are food, supplies, and payroll costs.

### Enterprise Funds - 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, unassigned 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 unassigned governmental funds reported an increase in fund balance of \$1,473,557. The combined ending fund balance of total governmental funds was \$133,263,781. Of this total amount, \$73,136,786 constitutes fund balance which is available for spending at the government's discretion. Assigned balances of \$28,378,775 represent intentions of the District to use funds for specific purpose, such as \$14,389,309 to support the 2013 budget shortfall. Committed funds of \$23,046,811 include \$2,773,701 for general funds contracts and \$3,322,572 for Capital Emergency funding. The District has \$7,992,023 in restricted capital projects imposed by debt covenants and \$402,125 restricted for scholarships.

The fund balance and the total change in fund balance by fund type as of December 31, 2013 and 2012 are as follows:

	<b>Fund Balance December 31, 2013</b>	<b>Fund Balance December 31, 2012</b>	<b>Increase (Decrease)</b>
General fund	\$ 113,737,429	\$ 88,958,227	\$ 24,779,202
Capital projects	14,308,575	24,257,688	(9,949,113)
Special revenue			-
Other governmental	<u>5,217,777</u>	<u>515,083</u>	<u>4,702,694</u>
	<u>\$ 133,263,781</u>	<u>\$113,730,998</u>	<u>\$ 19,532,783</u>

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 total fund balance to total fund expenditures. The total fund balance of the general fund as of December 31, 2013, was \$113,737,429, or 22.3%, of total general fund expenditures and other financing uses. The unassigned and assigned fund balance of the general fund as of December 31, 2013, was \$91,233,895, or 17.89%, of total general fund expenditures and other financing uses. The unassigned and assigned general fund balance represents 17.24% of budgeted general fund expenditures and other financing uses for 2014.

The fund balance of the District's general fund increased by \$24,779,202. Key factors in this increase were:

- The special education contribution of \$54,351,864 was \$9,001,755, or 14.21%, lower than that of 2012.
- The District continues to see positive trends in general fund salary expenditures. 2013 expenditures were \$8,479,947 or 4.76% lower than their 2012 counterpart.
- Benefit expenditures saw a percentage increase of 4.78%, which can be traced to the increase in the retirement rate increase of 12.36% to 16.93%.
- Overall Local Tax Revenues of \$276.8 million remained relatively constant with a .01% increase:
  - Earned Income Tax collections saw a \$9.3 million or 9.2% increase over 2012 collections. The District has benefited from the new state-wide Tax Collection Committee format. We will continue to work with Jordan Tax Services to better estimate this new trend and adjust budget projections accordingly.
  - Real Estate Transfer Tax in 2013 was \$10.9 million. Transfer tax had not previously been above \$9.1 million in any year.

The net decrease of \$9,949,113 in the capital projects fund balance is due to:

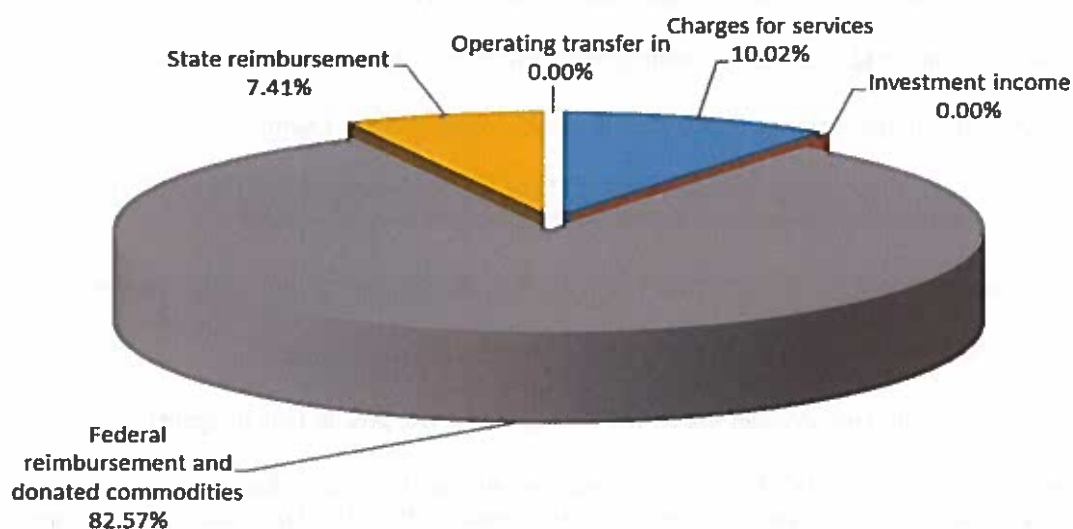
- \$14,150,324 of expenditures and transfers out, which exceeds revenues and transfers in of \$4,201,211.
- The District issued no new general obligation bond in 2013, as the District intentionally continues to spend down prior-year's remaining bond proceeds.
- The General fund transferred \$4,000,000 to the Capital Improvement project in 2013.

**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, 2013, federal and state reimbursement and donated commodities composed approximately 82.57% 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 position increased by \$1,402,451 during 2013. Funds with significant changes were as follows:

- Change in net position before transfers for the workers' compensation fund was a decrease of \$567,934. Benefit claims decreased by \$920,036 or 27.43% over 2012 claims. Claims management data reported claims of 318 in 2013 compared to 346 in 2012.
- The General fund transferred \$1,000,000 to cover the workers compensation fund 2013 short fall. Additionally, another \$1,000,000 was transferred to the general liability fund to cover the 2013 claims and judgments, and to fund anticipated claims in early 2014.
- Operating revenues decreased \$113,598 or 4.62% from 2012. To improve revenues for 2014, the District increased the percentage of payroll fund assessment from .9% to 1.01%.

- Net position decreased in the self-insurance health care fund by \$234,088. The net asset balance is \$19,351,187 and the estimated liability for incurred but not paid claims is \$2,944,506, out of total liabilities of \$3,788,060.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the 2013 year, there was a \$3,841,620 increase in appropriations between the original and final amended budget. The increase was primarily a result of the carryover of encumbrances from the period ended December 31, 2013. 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:

- \$4,000,000 transferred to cover the Capital funding of Reserve Fund.
- \$1,000,000 transferred to cover the funding of the General Liability Self-Insurance Fund.
- \$1,000,000 transferred to cover increase in Workers' Compensation Liability.

On the District's budgetary basis, actual results of 2013 for the General Fund were \$35,200,199 better than budgeted. See Note 2 for additional information on the District's budgetary basis.

Actual revenues were \$6,821,330 more than budgeted. Key factors contributing to this increase include:

- The Real Estate tax revenues are \$9,500,162, or 5.78%, less than budgeted.
- The Earned Income Tax revenues are \$14,078,732, or 14.56%, greater than budgeted.
- Investment income was \$197,851 less than budgeted attributable to low short-term interest rates during the year as the result of actions taken by the Federal Reserve Board and the continuing economic downturn.
- Basic instructional subsidies are \$1,992,751 or 1.31%, greater than budgeted.
- Within subsidies for State paid benefits, payments for social security benefits came in \$524,133, or 7.74%, less than budgeted and retirement benefits came in \$1,445,963 or 9.12% less than budgeted.

Actual expenditures were \$100,048,197 less than budgeted, but when the final budget for expenditures is compared with actual expenditures and other financing uses, the variance is only \$12,489,415. Key factors include:

- Instructional expenditures for regular elementary/secondary programs were \$13,812,015 less than budgeted, indicative of reduced school based staffing levels adjusted for declining enrollments at the start of the 2013-2014 school year. Also, charter school payments were lower than anticipated.
- The District's real estate refunds were \$508,306 or 13.38% less than the budgeted amount of \$3,800,000.
- Instructional expenditures for special elementary/secondary programs were \$65,395,503 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 in the income statement. Once this transfer is taken into consideration, the variance is \$11,043,639 higher than budgeted.

- The District's budgeted contingency, originally adopted at \$3,996,488, ended the year with a \$7,610,388 balance. This increase was necessary to cover various operating transfers. The District does not record any expenditure to the contingency function.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** — The capital assets principally include school buildings, equipment, and machinery used to maintain and service those buildings. As of December 31, 2013, the District's capital assets, net of depreciation, for its governmental and business-type activities amounted to \$462,370,214 and \$8,511,569, respectively, or a total of \$470,881,783, net of depreciation.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 25,368,607	\$ 25,389,449	\$ 43,878	\$ 43,878	\$ 25,412,485	\$ 25,433,327
Land improvements	8,736,435	8,769,069			8,736,435	8,769,069
Buildings	412,879,341	434,668,196	8,152,922	8,194,743	421,032,263	442,862,939
Machinery and equipment	13,177,336	14,290,567	314,769	699,825	13,492,105	14,990,392
Computer software	2,208,495	3,465,687			2,208,495	3,465,687
Total	<u>\$462,370,214</u>	<u>\$486,582,968</u>	<u>\$ 8,511,569</u>	<u>\$ 8,938,446</u>	<u>\$470,881,783</u>	<u>\$495,521,414</u>

**Long-Term Debt** — At the end of 2013, the District had bonded debt outstanding of \$375,479,855, including \$42,535,000 in taxable bonds, which have a 35% federal subsidy for debt service payments. The Qualified Zone Academy Bonds (QZAB) outstanding in the amount of \$4,519,561 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 \$20,285,294, with a net rate of 0.895%. The Qualified School Construction Bonds in the amount of \$16,960,000 carries a net interest rate of 1.36%.

In 2013, the District did not issue any General Obligation Bonds. The District sold two buildings in 2013, which required defeasance of debt with a remaining principal of \$6,080,000.

### SCHOOL DISTRICT OF PITTSBURGH'S OUTSTANDING DEBT

	Governmental Activities	
	2013	2012
General obligation and revenue bonds:		
General obligation bonds	\$291,180,000	\$329,825,000
Qualified Zone Academy Bonds	4,519,561	5,959,529
Taxable - Build America Bonds	42,535,000	42,535,000
Qualified School Construction Bonds	16,960,000	18,020,000
State Public School Board Authority Notes	20,285,294	21,637,647
Total	<u>\$375,479,855</u>	<u>\$417,977,176</u>

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%–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.

#### **NEXT YEAR'S BUDGET**

In December 2013, the Board of Directors adopted a 2014 general fund budget of \$529,129,356, excluding estimated encumbrance carryovers of \$3,281,502. The 2014 budget balanced revenues and expenditures using \$14,389,309 of the assigned general fund balance as of December 31, 2013. The assigned and unassigned general fund balance of \$91,233,895 as of December 31, 2013, satisfies the Board's fund balance policy requirement of 5%–15% of operating expenses budgeted for 2014.

The District's real estate billable millage is calculated annually in accordance with PA Act, which includes limits on the amount real estate tax revenue can increase due to the reassessment process. Allegheny County reassessed property for the 2013 tax year. The millage rate for 2014 is 9.84, a 2% increase from 9.65 for 2013.

The Board of Directors also approved a 2014 capital program in the amount of \$16,803,280 to be funded from the issuance of general obligation debt, which will be issued in December 2014.

#### **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, Executive Director of Finance and Facilities Management, School District of Pittsburgh, 341 S. Bellefield Avenue, Pittsburgh, PA 15213.

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## STATEMENT OF NET POSITION AS OF DECEMBER 31, 2013

ASSETS	Governmental Activities	Primary Government Business-Type Activities	Total	LIABILITIES AND NET POSITION	Governmental Activities	Primary Government Business-Type Activities	Total
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES:</b>			
Cash	\$ 88,509,955	\$ 3,725	\$ 88,513,680	Accounts payable	\$ 19,803,448	\$ 773,867	\$ 20,577,315
Cash with fiscal agents	100,000		100,000	Payroll withholdings	16,552,888		16,552,888
Investments	88,841,680		88,841,680	Accrued salaries payable	1,956,742	197,980	2,154,722
Accrued interest	29,518		29,518	Interest payable	6,151,037		6,151,037
Taxes receivables — net				Unearned revenue	2,479,669		2,479,669
Earned income taxes	20,362,258		20,362,258	Other liabilities	847,331	75,738	847,331
Real estate taxes	32,166,585		32,166,585	Current portion of noncurrent liabilities	47,828,351		47,904,089
Due from other governments	14,461,531	3,719,610	18,181,141				
Internal balances — due to/from	1,462,439	(1,462,439)		Total current liabilities	95,619,466	1,047,585	96,667,051
Inventories		801,814	801,814	<b>NONCURRENT LIABILITIES</b>			
Other receivables and prepaid expenses	2,400,940	483,730	2,884,670		400,557,726	433,625	400,991,351
Total current assets	248,334,906	3,546,440	251,881,346	Total liabilities	496,177,192	1,481,210	497,658,402
<b>NONCURRENT ASSETS:</b>				<b>DEFERRED INFLOWS OF RESOURCES</b>			
Restricted — cash	262,758		262,758	<b>NET POSITION:</b>			
Restricted — investments	8,095,083		8,095,083	Net investment in capital assets	81,325,299	8,511,569	89,836,868
Issuance Prepaid Insurance	836,092		836,092				
Capital assets not being depreciated:				Restricted net position:			
Land	25,368,607		25,368,607	Capital projects	14,308,575		14,308,575
Capital assets net of accumulated depreciation:				Workers' compensation	8,357,841		8,357,841
Land improvements	8,736,435	43,878	8,780,313				
Buildings and improvements	412,879,341	8,152,922	421,032,263	Total restricted net position	22,666,416	-	22,666,416
Furniture, fixtures, machinery, and equipment	13,177,336	314,769	13,492,105				
Other capital assets — intangible assets	2,208,495		2,208,495	Unrestricted	130,122,671	2,065,230	132,187,901
Total capital assets — net of accumulated depreciation	462,370,214	8,511,569	470,881,783	Total net position	234,114,386	10,576,799	244,691,185
Total noncurrent assets	471,564,147	8,511,569	480,075,716				
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
	10,392,525		10,392,525				
<b>TOTAL</b>	<b>\$ 730,291,578</b>	<b>\$ 12,058,009</b>	<b>\$ 742,349,587</b>	<b>TOTAL</b>	<b>\$ 730,291,578</b>	<b>\$ 12,058,009</b>	<b>\$ 742,349,587</b>

See notes to financial statements.

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
Instruction	\$ 358,810,259	\$ 75,528,265	-	\$(279,351,549)	\$ -	\$(279,351,549)
Instruction student support	68,253,479	3,116,479		(65,137,000)		(65,137,000)
Administrative and financial support service	40,208,570	16,053,285		(24,155,285)		(24,155,285)
Operation and maintenance of plant services	45,513,462	35,224		(45,478,238)		(45,478,238)
Student transportation services	40,969,897	5,354,546		(35,615,351)		(35,615,351)
Facilities, construction, and improvement services	4,726,749	724,860		(4,001,889)		(4,001,889)
Student activities	4,796,054	431,958		(4,364,096)		(4,364,096)
Community services	453,191			(453,191)		(453,191)
Interest on long-term debt	17,422,337			(17,422,337)		(17,422,337)
Total governmental activities	581,153,998	101,244,617	-	(475,978,936)		(475,978,936)
Business-type activities — food service	16,468,871	14,018,783		(888,866)		(888,866)
Total business-type activities	16,468,871	14,018,783	-	(888,866)		(888,866)
Total primary government	\$5,491,667	\$115,263,400	\$ -	(475,978,936)	(888,866)	(476,867,802)
<b>General revenues:</b>						
Taxes:						
Real estate				162,571,466		162,571,466
Earned income				110,783,535		110,783,535
Others				354,304		354,304
Federal and state grants and subsidies not restricted to specific programs				222,617,705		222,617,705
Gain on the sale of Capital Assets				203,919		203,919
Investment income				599,483	71	599,554
Miscellaneous income				11,127,342		11,127,342
Transfers				(250)	250	
Total general revenues and transfers				508,257,504	321	508,257,825
<b>CHANGE IN NET POSITION</b>				32,278,568	(888,545)	31,390,023
NET POSITION — January 1, 2013 (As Amended)				201,835,818	11,465,344	213,301,162
NET POSITION — December 31, 2013				\$ 234,114,386	\$10,576,799	\$ 244,691,185

See notes to financial statements.

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## BALANCE SHEET

### GOVERNMENTAL FUNDS

AS OF DECEMBER 31, 2013

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
ASSETS					
Cash	\$ 52,291,906	\$ 7,329,796	\$ 5,996,443	\$ 5,219,422	\$ 70,837,567
Cash with fiscal agent	100,000				100,000
Investments	72,789,006	7,429,263	150,000		80,368,269
Accrued interest	21,610		299		21,909
Taxes receivable — net	52,528,841				52,528,841
Due from other funds	1,483,843	152,189	236,802		1,872,834
Due from other governments	14,461,531				14,461,531
Other receivables	540,583	50	1,378,376	500	1,919,509
Prepaid items and contractual deposits	255,261	5,947			261,208
<b>TOTAL</b>	<b>\$ 194,472,581</b>	<b>\$ 14,917,245</b>	<b>\$ 7,761,920</b>	<b>\$ 5,219,922</b>	<b>\$ 222,371,668</b>
<b>LIABILITIES AND FUND BALANCES</b>					
LIABILITIES					
Accounts payable and accrued	\$ 10,402,097	\$ 608,663	\$ 4,626,343	\$ 2,145	\$ 15,639,248
Retainage					
Due to other funds	388,991				388,991
Accrued salaries payable	7,095,191		116,495		7,211,686
Payroll withholdings payable	16,552,881	7			16,552,888
Unearned revenue			2,479,669		2,479,669
Prepayment and deposits	307,919		539,413		847,332
<b>Total liabilities</b>	<b>\$ 34,747,079</b>	<b>\$ 608,670</b>	<b>\$ 7,761,920</b>	<b>\$ 2,145</b>	<b>\$ 43,119,814</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	30,408,625				30,408,625
Advanced revenue - state property tax subsidy	15,579,449				15,579,449
<b>Total deferred inflows of resources</b>	<b>\$ 45,988,074</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,988,074</b>
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid insurance and contractual deposits	\$ 307,261	\$ -	\$ -	\$ -	\$ 307,261
Restricted for					
Scholarships				402,125	402,125
Capital projects contracts		7,992,023			7,992,023
Committed to					
Stabilization — capital emergency	3,322,572				3,322,572
Retirement	16,100,000				16,100,000
General fund contracts	2,773,701				2,773,701
Capital Projects Contracts		850,538			850,538
Assigned to					
Board-approved subsequent years budget	14,389,309				14,389,309
Debt service				4,712,629	4,712,629
Special revenue funds				103,023	103,023
Capital projects		5,466,014			5,466,014
Purchase orders	507,800				507,800
Post-Employment	3,200,000				3,200,000
Unassigned	73,136,786				73,136,786
<b>Total fund balances</b>	<b>\$ 113,737,429</b>	<b>\$ 14,308,575</b>	<b>\$ -</b>	<b>\$ 5,217,777</b>	<b>\$ 133,263,781</b>
<b>AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE</b>					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					462,370,214
Current assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds					45,988,074
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 position					22,175,387
Certain liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds					(429,683,070)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>					<b>\$ 234,114,386</b>

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, 2013

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Real estate	\$ 165,704,327	\$ -	\$ -	\$ -	\$ 165,704,327
Earned income	110,783,535				110,783,535
Other	354,304				354,304
Local nontax revenue	3,912,986	154,553	11,662,422		15,729,961
Federal and state grants and subsidies	237,487,175		93,659,818		331,146,993
Investment income	552,149	46,658	611	65	599,483
Total revenues	518,794,476	201,211	105,322,851	65	624,318,603
<b>EXPENDITURES</b>					
Current — instruction:					
Regular programs	202,146,928		13,170,622		215,317,550
Special programs	3,555,496		88,821,985		92,377,481
Vocational education programs	3,890,590		455,921		4,346,511
Other instructional programs	1,005,112		3,820,395		4,825,507
Pre-Kindergarten	856,654		17,989,851		18,846,505
Non public schools			1,718,784		1,718,784
Support services:					
Pupil personnel	8,865,396		6,115,857		14,981,253
Instructional staff	14,775,007		11,673,724		26,448,731
Administration	27,228,913		6,091,954	67,269	33,388,136
Pupil health	5,671,637		3,312,553		8,984,190
Business	5,708,086	25,639	169,309		5,903,034
Operation and maintenance of plant services	45,690,870	30,086	7,828		45,728,784
Student transportation services	31,260,504		9,712,656		40,973,160
Support services — central	6,234,946		9,361,546		15,596,492
Operations of noninstructional services:					
Student activities	3,528,040		1,201,297		4,729,337
Community services	15,896		435,519		451,415
Facilities acquisition, construction, and improvement services	2,258,232	13,322,109			15,580,341
Debt service:					
Principal	36,417,321			6,080,000	42,497,321
Interest	19,944,625			597,504	20,542,129
Bond issuance costs				64,458	64,458
Tax refunds	3,291,694				3,291,694
Total expenditures	422,345,947	13,377,834	174,059,801	6,809,231	616,592,813
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 96,448,529	\$ (13,176,623)	\$ (68,736,950)	\$ (6,809,166)	\$ 7,725,790
<b>OTHER FINANCING SOURCES (USES):</b>					
Capital Leases	2,324,301				2,324,301
Sale of, or compensation for, capital assets	10,732,942		750,000		11,482,942
Transfers (out) in-special education	(54,351,864)		54,351,864		
Transfers in	2,832,212	4,000,000	16,467,298	11,511,860	34,811,370
Transfers out	(33,206,918)	(772,490)	(2,832,212)		(36,811,620)
Total other financing (uses) sources	(71,669,327)	3,227,510	68,736,950	11,511,860	11,806,993
CHANGE IN FUND BALANCES	24,779,202	(9,949,113)	-	4,702,694	19,532,783
FUND BALANCES — January 1, 2013	88,958,227	24,257,688		515,083	113,730,998
FUND BALANCES — December 31, 2013	\$ 113,737,429	\$ 14,308,575	\$ -	\$ 5,217,777	\$ 133,263,781

See notes to financial statements.



## 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, 2013

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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):	\$ 19,532,783
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 depreciation exceeded capital outlays in the current period.	(12,933,730)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(11,279,024)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	45,988,074
Revenues that were recognized as current financial resources that would have been accrued in prior periods in the statement of activities.	(53,786,088)
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.	42,709,474
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.	633,657
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>1,413,422</u>
Change in net position of governmental activities (Page 19)	<u>\$ 32,278,568</u>

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, 2013

	Budgeted Amounts		Budgetary	Variance
	Original	Final	Actual	Final Budget
			Amounts	Positive
				(Negative)
<b>REVENUES:</b>				
Taxes:				
Real estate	\$ 164,300,000	\$ 164,300,000	\$ 154,799,838	\$ (9,500,162)
Earned income	96,704,803	96,704,803	110,783,535	14,078,732
Real estate transfers tax	7,000,000	7,000,000	10,904,489	3,904,489
Public utility realty tax	360,221	360,221	351,339	(8,882)
Mercantile			2,965	2,965
Investment income	750,000	750,000	552,149	(197,851)
In lieu of taxes	85,000	85,000	197,504	112,504
State revenues received from intermediate source — other revenue from local sources and refund of prior years' expenditures	3,201,797	3,201,797	3,715,482	513,685
State grants and subsidies:				
Basic instructional subsidies	152,601,623	152,601,623	154,594,374	1,992,751
Subsidies for specific education programs	27,969,151	27,969,151	27,896,097	(73,054)
Subsidies for noneducational programs	31,965,282	31,965,282	31,253,305	(711,977)
Subsidies for state-paid benefits	22,623,570	22,623,570	20,653,473	(1,970,097)
Federal grants	4,411,699	4,411,699	3,089,926	(1,321,773)
Total revenues	<u>\$ 511,973,146</u>	<u>\$ 511,973,146</u>	<u>\$ 518,794,476</u>	<u>\$ 6,821,330</u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs — elementary/secondary	\$ 217,765,711	\$ 216,484,174	\$ 202,672,159	\$ 13,812,015
Special programs — elementary/secondary	70,113,636	68,950,999	3,555,496	65,395,503
Vocational education programs	5,166,609	4,455,744	3,985,124	470,620
Other instructional programs — elementary/secondary	1,642,120	1,225,081	1,005,112	219,969
Pre-Kindergarten	950,000	950,000	856,654	93,346
Support services:				
Pupil personnel	8,657,073	9,260,477	8,966,397	294,080
Instructional staff	13,608,573	14,457,149	15,065,247	(608,098)
Administration	28,835,789	29,893,769	27,996,254	1,897,515
Pupil health	5,252,704	6,483,721	6,337,607	146,114
Business	6,441,336	6,681,219	5,775,259	905,960
Operation and maintenance of plant services	50,200,406	51,135,527	46,183,562	4,951,965
Student transportation services	33,315,786	33,036,690	31,379,700	1,656,990
Support services — central	7,466,985	7,817,637	6,277,614	1,540,023
Operations of noninstructional services:				
Student activities	4,838,881	4,310,091	3,593,496	716,595
Community services	40,000	40,000	15,896	24,104
Capital outlay — facilities acquisition, construction, and improvement services	2,311,823	2,652,874	2,258,232	394,642
Debt service:				
Principal	36,417,321	36,417,321	36,417,321	
Interest	20,012,785	20,012,785	19,944,625	68,160
Tax refunds	4,800,000	3,800,000	3,291,694	508,306
Contingencies	3,996,488	7,610,388		7,610,388
Total expenditures	<u>\$ 521,834,026</u>	<u>\$ 525,675,646</u>	<u>\$ 425,577,449</u>	<u>\$ 100,098,197</u>

(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, 2013

	Budgeted Amounts		Budgetary	Variance
	Original	Final	Actual	Final Budget
			Amounts	Positive
				(Negative)
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	<u>\$ (9,860,880)</u>	<u>\$ (13,702,499)</u>	<u>\$ 93,167,027</u>	<u>\$106,869,526</u>
OTHER FINANCING SOURCES (USES):				
Sale of, or compensation for, capital assets			10,732,942	10,732,942
Capital leases			2,324,301	2,324,301
Transfers in			2,832,212	2,832,212
Transfers out			<u>(87,558,782)</u>	<u>(87,558,782)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(71,669,327)</u>	<u>(71,669,327)</u>
CHANGE IN FUND BALANCE	(9,860,880)	(13,702,499)	21,497,700	35,200,199
FUND BALANCE — January 1, 2013	<u>88,958,227</u>	<u>88,958,227</u>	<u>88,958,227</u>	<u>-</u>
FUND BALANCE — December 31, 2013	<u>\$ 79,097,347</u>	<u>\$ 75,255,728</u>	<u>\$ 110,455,927</u>	<u>\$ 35,200,199</u>
See notes to financial statements				(Concluded)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS AS OF DECEMBER 31, 2013

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 3,725	\$17,672,388
Investments		8,473,411
Interest receivable		7,609
Due from other governments	3,719,610	
Inventories	801,814	
Other receivables	483,730	220,223
Total current assets	5,008,879	26,373,631
<b>NONCURRENT ASSETS:</b>		
Restricted cash	-	262,758
Restricted investments	-	8,095,083
Capital assets:		
Land	43,878	
Buildings	13,595,257	
Machinery and equipment	5,850,444	
Less accumulated depreciation	(10,978,010)	
Total capital assets (net of accumulated depreciation)	8,511,569	-
Total noncurrent assets	8,511,569	8,357,841
<b>TOTAL</b>	<b>\$ 13,520,448</b>	<b>\$34,731,472</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 773,867	\$ 4,164,200
Due to other funds	1,483,843	
Accrued salaries	197,980	12,642
Current portion of compensated absences	75,738	
Current portion of workers' compensation reserve		2,200,000
Total current liabilities	2,531,428	6,376,842
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences	433,625	
Workers' compensation reserve		6,157,841
Total noncurrent liabilities	433,625	6,157,841
<b>TOTAL</b>	<b>\$ 2,965,053</b>	<b>\$12,534,683</b>
<b>NET POSITION:</b>		
Investment in capital assets	\$ 8,511,569	\$ -
Unrestricted	2,043,826	22,196,789
Total	10,555,395	22,196,789
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	21,404	
<b>TOTAL NET POSITION OF BUSINESS-TYPE ACTIVITIES (Page 19)</b>	<b>\$ 10,576,799</b>	<b>\$22,196,789</b>

See notes to financial statements.

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
<b>OPERATING REVENUES:</b>		
Contributions	\$ -	\$ 63,764,274
Charges for services	1,561,222	
Total operating revenues	1,561,222	63,764,274
<b>OPERATING EXPENSES:</b>		
Food service operations:		
Food and supplies	8,876,167	
Payroll costs	6,479,297	
Purchased property services	333,607	
Other purchased services	291,828	
Depreciation	477,002	
Support services — administration		222,440
Support services — central:		
Employee salaries, benefits, insurance, and supplies		567,240
Benefit payments		63,270,979
Claims and judgments		334,333
Total operating expenses	16,457,901	64,394,992
<b>OPERATING LOSS</b>	<b>(14,896,679)</b>	<b>(630,718)</b>
<b>NONOPERATING REVENUES:</b>		
Federal reimbursements and donated commodities	12,864,054	
State reimbursements	1,154,729	
Investment earnings	71	33,169
Total nonoperating revenues	14,018,854	33,169
<b>LOSS BEFORE TRANSFERS</b>	<b>(877,825)</b>	<b>(597,549)</b>
<b>TRANSFERS IN</b>	<b>250</b>	<b>2,000,000</b>
<b>CHANGE IN NET POSITION</b>	<b>(877,575)</b>	<b>1,402,451</b>
<b>NET POSITION — January 1, 2013</b>	<b>11,432,970</b>	<b>20,794,338</b>
<b>NET POSITION — December 31, 2013</b>	<b>\$ 10,555,395</b>	<b>\$ 22,196,789</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (877,575)</b>	
<b>ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS</b>	<b>(10,970)</b>	
<b>CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (Page 18)</b>	<b>\$ (888,545)</b>	

See notes to financial statements.

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Contributions	\$ -	\$ 63,764,274
Receipts from customers and users	1,661,878	
Payments to suppliers	(8,616,128)	(275,306)
Payments to claimants		(64,281,594)
Payments to employees	(6,412,040)	(574,015)
Net cash used in operating activities	(13,366,290)	(1,366,641)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Federal and state reimbursements	12,989,718	
Transfers from other funds		2,000,000
Advances from other funds	426,376	
Net cash provided by noncapital financing activities	13,416,094	2,000,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	(50,125)	
Transfers from other funds	250	
Net cash used in capital and related financing activities	(49,875)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	71	29,299
Purchase of investments		(6,170,000)
Sale of investments		2,287,825
Net cash provided by investing activities	71	(3,852,876)
<b>DECREASE IN CASH</b>		<b>(3,219,517)</b>
<b>CASH — January 1, 2013 (including \$1,987,444 for the internal service funds included in restricted assets)</b>	<b>3,725</b>	<b>21,154,663</b>
<b>CASH — December 31, 2013 (including \$262,758 for the internal service funds included in restricted assets)</b>	<b>\$ 3,725</b>	<b>\$ 17,935,146</b>

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	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	\$ (14,896,679)	\$ (630,718)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Donated commodities	843,192	
Depreciation	477,002	
Changes in assets and liabilities:		
Decrease in inventory	21,393	
Decrease in other receivables	100,656	6,917
Increase (decrease) in accounts payable	20,889	(1,026,499)
Increase (decrease) in accrued salaries	34,489	(6,775)
Increase in compensated absences	5,904	
Increase in other current liabilities	26,864	
Increase in the workers' compensation reserve		290,434
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (13,366,290)</u>	<u>\$ (1,366,641)</u>
NONCASH FINANCING TRANSACTION — Donated commodities	<u>\$ 843,192</u>	
See notes to financial statements.		(Concluded)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS AS OF DECEMBER 31, 2013

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	Escheated Property Private-Purpose Trust	Agency Funds
<b>ASSETS:</b>		
Cash	\$ 132,422	\$ 767,444
Total assets	<u>132,422</u>	<u>767,444</u>
<b>LIABILITIES:</b>		
Accounts payable	<u>12,687</u>	<u>767,444</u>
Total liabilities	<u>\$ 12,687</u>	<u>\$ 767,444</u>
<b>NET POSITION:</b>		
Net position held in trust for escheated property	<u>\$ 119,735</u>	<u>\$ -</u>

See notes to financial statements.



# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS AS OF DECEMBER 31, 2013

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	Escheated Property Private-Purpose Trust
ADDITIONS:	
Contributions	
District Funds	\$ 9,037
Private Contributions	<u>25,000</u>
TOTAL ADDITIONS	<u>34,037</u>
DEDUCTIONS:	
Refunds Payees	25,000
Transfers to State	<u>92,132</u>
TOTAL DEDUCTIONS	<u>117,132</u>
CHANGE IN NET POSITION	<u>(83,095)</u>
NET POSITION — BEGINNING	<u>202,830</u>
NET POSITION— ENDING	<u>\$ 119,735</u>

See notes to financial statements.

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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### 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" or "State"). 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 2013, the District received \$27,494,836 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 Financial Statements* — The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The government-wide financial statements 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 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 that are restricted or committed to expenditures for specified purposes (other than major capital projects and debt services). 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 that are restricted, committed or assigned, 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 Fund 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 in 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 Fund 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 and the accrual basis of accounting. This means that all assets and liabilities, whether current or noncurrent, associated with their activities are included in the statement of net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. 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.

The Fiduciary Funds are used to account for assets held by the School District in a trustee capacity for student activities. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary Funds use the accrual method of accounting.

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 position 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 19.91% of outstanding property taxes at December 31, 2013.

The Treasurer has dual responsibility for collection of taxes for the City of Pittsburgh and the District. The Treasurer of the City of Pittsburgh bills and collects all property taxes based on assessed valuations provided by Allegheny County. Jordan Tax Service collects prior-year real estate and earned income taxes. For the year ended December 31, 2013, the District paid \$2,364,225 to the City of Pittsburgh and Jordan Tax Service for collection of these taxes.

The statutory dates applicable to property taxes are as follows:

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

Real estate taxes are billed in January. The gross amount is due on 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 Board resolutions of December 21, 1977, and June 25, 1980.

The school tax rate in 2013 was 9.84 mills (\$1 per \$1,000 assessed valuation) on an assessed value of \$20.3 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. **Prepays** — 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:

<b>Assets</b>	<b>Years</b>
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 Inflows, Deferred Outflows and Unearned Revenues** — In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Accordingly, *advanced and unavailable revenue*, is reported only in the governmental funds balance sheet.

Deferred inflows represent receivables, which will be collected and included in revenues of future fiscal years. In the General Fund, deferred inflows-unavailable 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 2013, the District deferred revenue of \$15,579,449 for the receipt of State gaming revenue to be used for 2014 Homestead reductions for property taxes are recorded as deferred inflows-advanced revenue.

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. Unearned revenues represent funds received in advance of being earned.

- 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%–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, 2013, is based on whether the employee is qualified to receive retirement pay or resignation pay at December 31, 2013.

In addition, employees in certain administrative positions earn terminal vacation days. They may accumulate these days as a onetime 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 2014. 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, *Postemployment 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, 2013, has been reported in the statement of net position. See Note 6g for additional disclosures.

- xi. **Termination Benefits** — As it relates to nonincentive plans, the District makes severance payments directly to 403(b) plans for current retirements of school administrators and Pittsburgh Federation of Teachers (PFT)-covered employees. The District used a discount rate of 2.5% to calculate the discounted present value of the expected future benefit payments of \$204,830. For 2013, termination benefits for employees that elected retirement during the year was \$572,595. The cumulative discounted present value of this liability is \$730,415 as of December 31, 2013.
- 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 position. Bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in current period.

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

- xiii. **Fund Balance** — In the fund financial statements, governmental funds report fund balance in categories based on the level of constraint placed upon the funds. The School District of Pittsburgh is a quasi-municipal corporation and a school district of the first class A within the Commonwealth of Pennsylvania. It was created by the General Assembly of the Commonwealth of Pennsylvania in 1911 and was organized exclusively for educational purposes. The Public School Code of 1949, as amended (24 P.S. §1-101, et seq.) is the statute from which the School District of Pittsburgh and its governing board, The Board of Public Education of The School District of Pittsburgh, derives its authority. The levels are as follows:

- **Nonspendable** — This category represents funds that are not in spendable form and includes such items as prepaid insurance and inventory. As of December 31, 2013, the District has nonspendable fund balance related to prepaid insurance.
- **Restricted** — This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. At December 31, 2013, the District had restrictions for scholarships and legally restricted construction funds via debt covenants as described in the governmental fund balance sheet.
- **Committed** — This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board of Public Education. Such commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Board resolution. The School District currently has a stabilization fund for one-time capital project or emergency operational expenditures. The Board has committed funds for future retirement benefits.
- **Assigned** — This category represents intentions of the District to use the funds for specific purposes as determined by the Board of Public Education. The assignment

cannot exceed the available spendable unassigned fund balance in any particular fund. Assigned fund balances as of December 31, 2013, are described in the governmental fund balance sheet.

- **Unassigned** — This category includes the residual classification for the District's General Fund and includes all spendable amounts not contained in other classifications.

The District's fund balance policy for the General Fund provides for a minimum Unassigned Fund balance of 5% of the General Fund annual operating expenditures. After the completion of the annual audit, if the unassigned fund balance exceeds fifteen percent (15%) of the General Fund's current-year budget expenditures, the excess shall be specifically designated for one or more of the following: subsequent years expenditure increases; subsequent years revenue reductions; transfers to the Capital Projects Reserve Fund. The District's fund balance policy also outlines conditions for the use of unassigned fund balance.

The District does not have a formal policy for its use of unrestricted fund balance amounts; however, in practice, the District uses funds in the order of the most restrictive to the least restrictive.

- xiv. **Net Position** — The government-wide and proprietary fund financial statements are required to report three components of net position:
  - **Net Investment in Capital Assets** — This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
  - **Restricted** — This component of net position consists of constraints placed on net position use through external restrictions. The amounts reported as restricted net position at December 31, 2013, represent funds for Workers' Compensation liability and capital projects' future expenditures.
  - **Unrestricted** — This component of net position consists of net position that does not meet the definition of "restricted" or "in capital assets."
- 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, 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 change could materially affect the amounts reported in the statements.

- xviii. Newly Adopted Accounting Pronouncements — The GASB has issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for periods beginning after December 15, 2012. 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. An 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 prepared the 2013 financial statements in accordance with GASB Statement No. 60. There was no effect on the financial statement as a result of the adoption of GASB Statement No. 60.

The GASB has issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*, effective for periods beginning after June 15, 2012. The objective of this statement is to improve financial reporting for a governmental financial report entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34 were amended to better meet user need and to address reporting entity issues that have arisen since the issuance of these statements. There was no effect on the financial statements as a result of the adoption of GASB Statement No. 61.

The GASB has issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, and requires that debt issuance costs be recorded as an expenditure in the period incurred. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The District has prepared the 2013 financial statements in accordance with this statement and as such has changed the recording of debt issuance costs as an expense in the period incurred. The difference resulting from current and advance refunding relates to future periods and therefore has been presented as “deferred outflows”. Deferred revenues are presented as a “deferred inflow” and termed as “advanced revenues and unavailable revenues” (See also note 5).

The GASB has issued GASB Statement No. 66, *Technical Corrections — 2012 — an amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2011. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund-type classification on the nature of the activity to be reported, as required in GASB Statement No. 54 and GASB Statement No. 34,

*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.* The District has prepared the 2013 financial statements in accordance with GASB Statement No. 66. There was no effect on the financial statement as a result of the adoption of GASB Statement No. 66.

- xix. **Recent Accounting Pronouncements** — The GASB has issued GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, effective for periods beginning after December 15, 2013. The objective of this statement is to improve financial reporting for state and local governmental pension plans. The scope of this statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts. The District has not yet determined the effect that the adoption of GASB Statement No. 67 may have on its financial statements.

The GASB has issued GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans—an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014. The objective of this statement is to improve financial reporting for state and local governmental pension plans. This statement revises existing standards of financial reporting for most pension plans by establishing standards for measuring and recognizing liabilities, deferred outflow of resources, and deferred inflows of resources, and expenditures. The District has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

The GASB has issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operation*, effective for periods beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The District has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

The GASB has issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for periods beginning after June 15, 2013. The objective of this statement is to provide financial reporting guidance for state and local government that offer nonexchange financial guarantees. This statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. The District has not yet determined the effect that the adoption of GASB Statement No. 70 may have on its financial statements.

## 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, 2013	\$ 113,737,429
Deduct outstanding:	
Committed contracts	(2,773,701)
Assigned purchase orders	<u>(507,800)</u>
Budgetary basis — fund balance — December 31, 2013	<u>\$ 110,455,928</u>

## 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 position. The governmental fund balance sheet includes reconciliation between *fund balance — total governmental funds* and *net position — governmental activities* as reported in the government-wide statement of net position. 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 \$429,683,070 difference are as follows:

Bonds payable	\$ 355,194,561
Compensated absences	10,852,719
Notes payable	20,285,294
Add premium on issuance (to be amortized as interest expense)	17,875,601
Less discount on issuance (to be amortized as interest expense)	(66,094)
Less deferred charge on refunding	(10,392,525)
Less deferred charge for insurance costs (to be amortized over life of debt)	(836,092)
Accrued interest payable	6,151,037
Obligations under leases	6,373,885
Termination benefits	730,415
Net OPEB obligation	<u>23,514,269</u>
Net adjustment to reduce fund balance — total governmental funds to arrive at net assets — governmental activities	<u>\$ 429,683,070</u>

- 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 position 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 \$12,933,730 difference are as follows:

Capital outlays	\$ 15,612,673
Depreciation expense and changes in accumulated depreciation	<u>(28,546,403)</u>
Net adjustment to decrease net changes in fund balances — total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (12,933,730)</u>

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 position.” The detail of this \$11,279,024 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, <i>Reporting Capital Assets</i> . Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	<u>\$ 11,279,024</u>
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the changes in fund balances. In the statement of net position, 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 position. 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 \$42,709,474 difference are as follows:

Net proceeds/financing received — issuance of general obligation bonds payable, debt refunding, and capital leases	\$ (2,324,301)
Repayment — to bondholders and lessors	<u>45,033,775</u>
Net adjustments to increase net changes in fund balances — total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 42,709,474</u>

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 \$633,657 difference are as follows:

Accrued expenses	\$ (526,720)
Amortization of premium	2,855,403
Amortization of bond discount and issuance costs	<u>(1,695,026)</u>
Net adjustments to increase net changes in fund balances — total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 633,657</u>

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

The proprietary fund statement of net position includes reconciliation between *net position — total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of net position. 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 \$21,404 are as follows:

Internal payable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — prior years	\$ 32,374
Internal receivable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — current year	<u>(10,970)</u>
Net adjustment to decrease net position — total enterprise funds to arrive at net position — business-type position activities	<u>\$ 21,404</u>

#### 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 that 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 2013. There were no supplemental budget appropriations in 2013.

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 committed or assignment 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 encumber that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, capital projects, and certain special revenue. Encumbrance includes committed and assigned fund balance.

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

## 5. ACCOUNTING CHANGES

- Changes in Accounting Principles** — In accordance with GASB Statement No. 65, which was effective for periods beginning after December 31, 2012, the District has changed the recording of debt issuance costs. Debt issuance costs are now recorded as an expenditure in the period incurred. The debt issuance cost asset was removed resulting in a prior period amendment to unrestricted net position for a decrease of \$2,379,990. This accounting change affected the government-wide financial statements only.

## 6. FUND INFORMATION

- Deposits and Investments** — The District reports deposits and investments in accordance with GASB Codification Section 150, *Investments*. GASB Codification Section 150 requires that investments be reported at fair value rather than cost. The District's investments are reported at fair value at December 31, 2013.



A summary of deposits and investments with financial institutions at December 31, 2013, is as follows:

**Deposits and Investments**

General Fund	\$ 125,080,912
Capital Projects Funds	14,759,059
Special Revenue Funds	6,146,443
Nonmajor Governmental Funds	5,219,422
Food Service Funds	3,725
Internal Service Funds	34,503,640
Private Purpose Trusts	132,422
Fiduciary Funds	767,444

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, 2013, \$134,131,948 of the District's \$156,855,495 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	<u>\$ 134,131,948</u>
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As of December 31, 2013, the District had the following investments:

Unrestricted Investments	Maturity Date	Fair Value
Money market funds		
PA School District Liquid Asset Fund (PSDLAF)	n/a	\$ 78,823
PA Local Government Investment Trust — Class (PLGIT)	n/a	2,627,658
PLGIT — ARM	60 days or less	3,049,225
PA INVEST	60 days or less	20,548,720
Federated Government Obligations Fund	36 days average	240,804
PNC Government Money Market Fund	60 days or less	337,648
Nonnegotiable certificates of deposit		
PLGIT — 13%	05/06/14	1,000,000
PLGIT — 13%	06/24/14	2,000,000
PSDLAF — 10%	02/25/14	30,000,000
PSDLAF — 10%	02/25/14	8,000,000
Various - Each Certificate Under \$250,000 — 30% — 1.09%	01/09/14-08/07/15	18,032,000
Repurchase agreement	January 1, 2014	2,926,802
Total unrestricted investments		<u>\$ 88,841,680</u>
Restricted Investments		
Nonnegotiable certificates of deposit		
Various — Each Certificate Under \$250,000 — 30% to 65%	01/02/14-12/29/14	\$ 3,415,000
PSDLAF — 10%	02/25/14	4,000,000
Money market funds		
PA Local Government Investment Trust (PLGIT) Fund		579,627
PA School Liquid Asset Fund (PSDLAF)		100,456
Total restricted investments		<u>\$ 8,095,083</u>

Restricted cash as of December 31, 2013, in the amount of \$262,758, 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, 2013, 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

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, 2013, the repurchase agreement was 3% 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 position 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, 2013, 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	Other Governmental Funds	Capital Project Funds	Special Revenue Fund	Food Service	Internal Service Funds	Total
Receivables — taxes:							
Real estate	\$40,164,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$40,164,495
Earned income	20,362,258						20,362,258
Due from other governments:							
Commonwealth of Pennsylvania	12,817,073				208,413		13,025,486
City of Pittsburgh	1,644,458						1,644,458
Federal					3,511,197		3,511,197
Other receivables	540,583	500	5,997	1,378,376	483,730	220,223	2,629,409
Interest	21,610			299		7,609	29,518
Gross receivables	75,550,477	500	5,997	1,378,675	4,203,340	227,832	81,366,821
Less allowance for uncollectibles	7,997,911						7,997,911
Net receivables	<u>\$67,552,566</u>	<u>\$ 500</u>	<u>\$5,997</u>	<u>\$1,378,675</u>	<u>\$4,203,340</u>	<u>\$227,832</u>	<u>\$73,368,910</u>

The District's governmental funds report deferred inflows of resources-unavailable in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also record unearned revenue recognition in connection with resources that have been received, but not yet earned.

As of December 31, 2013, the various components of deferred inflows and unearned revenue reported in the governmental funds are as follows:

	Deferred Inflows Advanced	Deferred Inflows Unavailable	Unearned Revenues
State property tax relief (General Fund)	\$ 15,579,449	\$ -	\$ -
Delinquent property taxes receivable (General Fund)		30,408,625	
Grant drawdowns prior to meeting all eligibility requirements (Special Revenue Funds)			2,479,669
Total deferred/unearned revenue for governmental funds	<u>\$ 15,579,449</u>	<u>\$ 30,408,625</u>	<u>\$ 2,479,669</u>

- c. **Interfund Receivables, Payables, and Transfers** — The composition of interfund balances as of December 31, 2013, are as follows:

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

	Interfund Receivables	Interfund Payables
Special Revenue fund	\$ 236,802	\$ -
Capital Project fund	152,189	
General fund	1,483,843	388,991
Food service fund		1,483,843
Total	<u>\$ 1,872,834</u>	<u>\$ 1,872,834</u>

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	Capital Projects	Special Revenue Fund	Other Governmental Funds	Food Service Fund	Internal Service Fund	Total
Transfers — out							
General fund	\$ -	\$ 4,000,000	\$ 70,819,162	\$ 10,739,620	\$ -	\$ 2,000,000	\$87,558,782
Capital projects funds				772,240	250		772,490
Special revenue funds	<u>2,832,212</u>						<u>2,832,212</u>
Total transfers — in	<u>\$ 2,832,212</u>	<u>\$ 4,000,000</u>	<u>\$ 70,819,162</u>	<u>\$ 11,511,860</u>	<u>\$ 250</u>	<u>\$ 2,000,000</u>	<u>\$91,163,484</u>

Transfers are used to 1) fund the District special education program that 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) General Fund transfers to fund Internal Service Funds: unemployment compensation, self-insurance health, and general liability claims.

d. **Capital Assets** — Capital asset activities for the year ended December 31, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets — not being depreciated — land	\$ 25,389,449	\$ -	\$ (20,842)	\$ 25,368,607
Total capital assets — not being depreciated	<u>25,389,449</u>	<u></u>	<u>(20,842)</u>	<u>25,368,607</u>
Capital assets — being depreciated				
Land improvements	13,300,113	700,288	(85,618)	13,914,783
Buildings	426,158,037		(12,433,924)	413,724,113
Building improvements	309,096,638	10,392,398	(107,582)	319,381,454
Computer software	5,066,149			5,066,149
Furniture, fixtures, machinery, and equipment	<u>75,376,745</u>	<u>4,519,987</u>	<u>(1,060,266)</u>	<u>78,836,466</u>
Total capital assets — being depreciated	<u>828,997,682</u>	<u>15,612,673</u>	<u>(13,687,390)</u>	<u>830,922,965</u>
Total at historical cost	<u>854,387,131</u>	<u>15,612,673</u>	<u>(13,708,232)</u>	<u>856,291,572</u>
Less accumulated depreciation for:				
Land improvements	(4,531,044)	(666,869)	19,565	(5,178,348)
Buildings	(229,642,508)	(8,738,760)	1,335,018	(237,046,250)
Building improvements	(70,943,971)	(12,260,947)	24,942	(83,179,976)
Computer software	(1,600,462)	(1,257,192)		(2,857,654)
Furniture, fixtures, machinery, and equipment	<u>(61,086,178)</u>	<u>(5,622,635)</u>	<u>1,049,683</u>	<u>(65,659,130)</u>
Total accumulated depreciation	<u>(367,804,163)</u>	<u>(28,546,403)</u>	<u>2,429,208</u>	<u>(393,921,358)</u>
Total capital assets — being depreciated — net	<u>461,193,519</u>	<u>(12,933,730)</u>	<u>(11,258,182)</u>	<u>437,001,607</u>
Governmental activities capital assets — net	<u>\$ 486,582,968</u>	<u>\$ (12,933,730)</u>	<u>\$ (11,279,024)</u>	<u>\$ 462,370,214</u>

	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	13,595,009	250		13,595,259
Furniture, fixtures, machinery, and equipment	5,801,993	49,875	(1,424)	5,850,444
Total capital assets — being depreciated	19,397,002	50,125	(1,424)	19,445,703
Total at historical cost	19,440,880	50,125	(1,424)	19,489,581
Less accumulated depreciation for:				
Buildings	(5,400,266)	(42,071)		(5,442,337)
Furniture, fixtures, machinery, and equipment	(5,102,168)	(434,931)	1,424	(5,535,675)
Total accumulated depreciation	(10,502,434)	(477,002)	1,424	(10,978,012)
Total capital assets — being depreciated — net	8,894,568	(426,877)		8,467,691
Business-type activities capital assets — net	\$ 8,938,446	\$(426,877)	\$ -	\$ 8,511,569

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

Expenditures — Instruction	\$ 21,988,511
Expenditures — Instruction student support	5,486,703
Expenditures — Administrative and financial support service	282,876
Operation and maintenance of plant services	423,336
Student activities	75,398
Community services	49,360
Facilities, construction and improvement services	240,219
	<u>\$ 28,546,403</u>

In accordance with impairment guidance under GASB Codification Section 1400, *Reporting Capital Assets*, a net impairment loss of \$30,340 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
McCleary	\$ (22,755)	\$ (7,585)	\$ (30,340)
Total	\$ (22,755)	\$ (7,585)	\$ (30,340)

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 Middle Knoxville	\$ 2,140,030	July 1, 2006	May reopen as classroom space
Elementary/Middle	2,843,792	July 1, 2006	May reopen as classroom space
Roger's CAPA Middle	377,804	July 1, 2009	May reopen as classroom space
Belmar Elementary	3,091,230	July 1, 2011	May reopen as classroom space
Fort Pitt Elementary	3,502,447	July 1, 2012	May reopen as classroom space
Murray Elementary	3,703,261	July 1, 2012	May reopen as classroom space
Northview Elementary	2,987,278	July 1, 2012	May reopen as classroom space
Schaeffer Elementary	491,075	July 1, 2012	May reopen as classroom space
Sheraden Elementary	673,176	July 1, 2012	May reopen as classroom space
Stevens Elementary	1,536,648	July 1, 2012	May reopen as classroom space
McNaugher Spec. Ed. Ctr.	1,182,558	July 1, 2012	May reopen as classroom space
	<u>\$ 22,529,299</u>		

The carrying amount of impaired capital assets that are idle at year-end, regardless of whether the impairment is considered permanent or temporary, is \$24,212,991.

**Construction Commitments** — As of December 31, 2013, the District had no committed construction projects.

The District has no pollution remediation liability under GASB Codification Section P40, *Pollution Redemption Obligations*, as of December 31, 2013.

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, 2013.

The District maintains certain collections of inexhaustible assets for which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures, and literature that are generally held for exhibition, education, research, and public service. These collections are not normally disposed of for financial gain nor encumbered in any means. However, in 2013 the District did auction off Henri LeSidaner painting, "Le Soleil Dans Les Vitres." Proceeds of \$775,000 from the May Sotheby's New York auction will be used to restore the District's Western Pennsylvania collection.

#### e. Long-Term Debt

**General Obligation Bonds** — In 2013, the District did not issue General Obligation Bonds. The original amount of current outstanding general obligation bonds and notes issued in prior years was \$687,560,000. 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.

*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 Refunding* — In 2012, the District issued refunding Series A of 2012 issue. The face amount of \$71,130,000 provided for the purchase of U.S. Government State and Local Government Series securities that were placed into escrow amounting to \$80,059,491. 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 position. The reacquisition price exceeded the net carrying amount of the old debt for refunding by \$6,909,491. 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, Series B of 2002, Series B of 2003, Series B of 2004, and Series B of 2005 Bond issue, the District decided that it was economically beneficial to advance refund certain maturities of those issues. The maturities affected total \$73,150,000 in principal and include the following: Series of 2002 B — September 1, 2012–September 1, 2014, Series 2003 A — September 1, 2013–September 1, 2014, Series 2003 B — September 1, 2014–September 1, 2020, Series 2004 B — September 1, 2016–September 1, 2024, and Series 2005 B — September 1, 2018–September 1, 2021. The refunding was accomplished by issuing the General Obligation Bonds Series A of 2012 and calling the remaining maturities for the above-listed issues. 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 regulations on tax-exempt refinancing. The resulting difference in debt service is a positive savings of \$2,944,467. The present value economic gain on the transaction is \$3,011,321.

*QZAB* — On December 15, 2000, the District issued 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, 2013. The District will make 10 equal payments of \$782,285 into a sinking fund and an 11th payment of \$747,295 for the 2001 QZAB Bonds. This sinking fund will pay interest to the District.

*Defeased Bonds* — On January 17, 2013, the District sold the Reizenstein Middle School building and land. The remaining principal on outstanding bonds related to this property were defeased in the amount of \$3,405,000 on April 1, 2013.

On August 12, 2013, the District sold the Schenley High School building and land. The remaining principal on outstanding bonds related to this property were defeased in the amount of \$2,675,000 on October 25, 2013.

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 \$58,303,713 are outstanding at December 31, 2013.

*Legal Debt Margin* — The District is subject to legal debt margin. This amount was \$771,415,174 for 2013.

*Board Actions in Anticipation of Future Debt Offerings* — At the December 2013 Board of Directors meeting, the Board authorized the arrangement for capital borrowing of \$14,053,280 for 2014.

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

Balance — January 1, 2013	\$417,977,176
Less debt repayments or refundings:	
1/1/13—12/31/13 payments of principal bonds	(36,417,321)
Schenley cash defeasance	(2,675,000)
Reizenstein cash defeasance	<u>(3,405,000)</u>
Balance — December 31, 2013	<u>\$375,479,855</u>

General obligation bonds and notes payable at December 31, 2013, are summarized as follows:

Bonds	Original Interest Rates	Original Maturity Range	Issued	Amount Outstanding	Due within One Year
2002 Refunding bonds	3.00-5.38	2002-2016	\$ 51,505,000	\$ 5,075,000	\$ 1,805,000
2002A Refunding bonds	2.00-5.50	2002-2018	78,830,000	54,450,000	12,780,000
2004 GOB	3.00-5.00	2004-2024	45,735,000	4,400,000	2,070,000
2004 Refunding	2.00-5.00	2004-2014	39,885,000	2,060,000	2,060,000
2005 A Refunding	2.15-5.00	2005-2018	20,175,000	7,995,000	50,000
2005 Series B	2.95-5.00	2005-2025	38,105,000	8,900,000	285,000
2006 Series B	3.75-5.00	2006-2026	53,335,000	38,905,000	2,295,000
2007 GOB	4.00-4.25	2007-2027	40,235,000	29,545,000	1,615,000
2009 A Refunding Bonds	3.00-5.00	2009-2019	28,570,000	17,240,000	2,755,000
2010 Refunding Series A	0.6-5.00	2010-2022	30,975,000	30,740,000	-
2010 Refunding Series B	0.6-5.00	2010-2018	6,660,000	6,645,000	5,000
2010 GOB Series C	0.6-4.00	2010-2030	6,000,000	5,440,000	255,000
2011 Refunding	1.00-3.00	2011-2023	9,995,000	9,475,000	-
2012 Refunding	2.00-5.00	2012-2024	71,130,000	65,735,000	4,855,000
2012 Series B	2.00-4.00	2012-2022	5,000,000	4,575,000	435,000
Total			<u>526,135,000</u>	<u>291,180,000</u>	<u>31,265,000</u>
2001 QZAB	0	2001-2015	10,952,000	1,214,580	617,285
2006 QZAB	1.38	2006-2022	5,608,000	3,304,981	347,413
2009 Build American Funds*	5.002-6.042	2009-2029	42,535,000	42,535,000	-
2010 QSCB Series D*	6.85	2010-2029	19,520,000	16,960,000	1,060,000
Total			<u>78,615,000</u>	<u>64,014,561</u>	<u>2,024,698</u>
Notes					
2010 QSCB SPSBA Series A*	6.50	2010-2028	9,578,000	8,248,235	549,882
2010 QZAB SPSBA Series B*	6.50	2010-2028	13,972,000	12,037,059	802,471
Total			<u>23,550,000</u>	<u>20,285,294</u>	<u>1,352,353</u>
Total outstanding principal			<u>\$ 628,300,000</u>	375,479,855	<u>\$ 34,642,051</u>
Add interest payable in future years				<u>144,951,859</u>	
Total				<u>\$ 520,431,714</u>	

\* Issue does have a Federal Tax Credit subsidy

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

<b>Years Ending December 31</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 34,642,051	\$ 18,336,902
2015	36,481,855	16,953,539
2016	35,519,420	15,418,122
2017	35,359,348	13,785,153
2018	32,889,343	12,246,948
2019-2023	128,716,074	43,593,013
2024-2028	64,591,764	22,905,195
2029-2030	<u>7,280,000</u>	<u>1,712,987</u>
<b>Total</b>	<b><u>\$375,479,855</u></b>	<b><u>\$ 144,951,859</u></b>

*Changes in long-term liabilities:*

	<b>Beginning</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending</b>	<b>Due within One Year</b>
Governmental activities					
Bonds and notes payable:					
General obligation bonds	\$ 329,825,000	\$ -	\$ (38,645,000)	\$ 291,180,000	\$ 31,265,000
QZABs	23,979,529	-	(2,499,968)	21,479,561	2,024,698
Notes payable	21,637,647	-	(1,352,353)	20,285,294	1,352,353
Taxable	<u>42,535,000</u>	<u>-</u>	<u>-</u>	<u>42,535,000</u>	<u>-</u>
Total before premium/discount	417,977,176	-	(42,497,321)	375,479,855	34,642,051
Add (less) deferred amounts:					
Premium on issuance	20,731,005	-	(2,855,403)	17,875,602	2,855,403
Discount on issuance	<u>(71,008)</u>	<u>-</u>	<u>4,914</u>	<u>(66,094)</u>	<u>-</u>
Total general obligation bonds and notes payable	438,637,173		(45,347,810)	393,289,363	37,497,454
Compensated absences	17,726,891	5,720,008	(7,326,594)	16,120,305	5,418,530
Postemployment benefits	20,457,852	21,157,353	(18,100,936)	23,514,269	-
Termination benefits	428,695	572,595	(270,875)	730,415	528,519
Workers' compensation reserve	8,067,407	2,433,255	(2,142,821)	8,357,841	2,200,000
Capital leases	<u>6,557,544</u>	<u>2,324,301</u>	<u>(2,507,960)</u>	<u>6,373,885</u>	<u>2,183,848</u>
Governmental activities long-term liabilities	<u>\$491,875,562</u>	<u>\$ 32,207,512</u>	<u>\$ (75,696,996)</u>	<u>\$448,386,078</u>	<u>\$47,828,351</u>
Business-type activities compensated absences	<u>\$ 476,595</u>	<u>\$ 92,632</u>	<u>\$ (59,864)</u>	<u>\$ 509,363</u>	<u>\$ 75,738</u>

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	<u>\$8,357,841</u>
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- 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. Two new leases were entered during 2013.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>
Asset:	
Machinery and equipment	\$ 10,975,443
Less accumulated depreciation	<u>5,061,845</u>
Total	<u>\$ 5,913,598</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, are as follows:

<b>Years Ending December 31</b>	<b>Governmental Activities</b>
2014	\$ 2,304,463
2015	2,088,425
2016	1,717,261
2017	<u>484,857</u>
Total minimum lease payments	6,595,006
Less amount representing interest	<u>221,121</u>
Present value of minimum lease payments	<u>\$6,373,885</u>

## 7. 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 Internal Service Funds at December 31, 2013, are as follows:

Workers' compensation	\$ 10,058,057
Comprehensive general liability	1,478,156
Self-insurance health care	15,563,127

In accordance with GASB Statement No. 54, the District's Fire Damage Fund, a stabilization agreement, is reported in the General Fund as committed fund balance in the amount of \$3,322,572.

Not included in the table above for the workers' compensation fund is the long-term portion of the claims reserve, which was \$6,157,841 as of December 31, 2013.

The funds for unemployment and workers' compensation are funded based on a percentage of gross payrolls, which was 0.6% 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 2013 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, 2013.

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 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 December 31, 2013, which utilized a discount rate of 4.5%. The Reserve was reviewed through December 31, 2013, 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 \$8,357,841 at December 31, 2013. The expense is based on a percentage of gross payrolls for the year. The contribution rate is .9% of gross payroll at December 31, 2013.

Changes in the Reserve claims liability in fiscal 2013 and 2012 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2013	\$8,067,407	\$2,433,255	\$(2,142,821)	\$ 8,357,841
2012	7,401,511	3,353,291	(2,687,395)	8,067,407

**c. Subsequent Events:**

On March 26, 2014, the Board authorized the Administration to accept the \$475,000 offer from Hazelwood Initiative to purchase the Burgwin School building and land. This settlement took place on May 19, 2014.

On March 26, 2014, the Board authorized the Administration to accept the \$65,000 offer from Schenley Heights Community Development Program to purchase the Madison School building and land. This settlement is scheduled for July 2014.

On November 26, 2013, the Board authorized the Administration to accept the \$275,000 offer from Urban Redevelopment Authority to purchase the Morningside School building and Land. This settlement took place on June 6, 2014.

**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](http://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%. For school employees who become new members of PSERS on or after July 1, 2011, there are two membership classes: Class T-E and Class T-F. New members automatically become Class T-E members, but have a onetime opportunity to elect Class T-F

membership. PSERS will mail information and an election ballot to your home address. To elect Class T-F, you must return the ballot within 45 days of the date of notification. The contribution rate for Class T-E members is 7.5% (base) with “shared risk” provision that could cause the total contribution levels to fluctuate between 7.5% and 9.5%. The contribution rate for Class T-F member is 10.30% (base rate) with “shared risk” provision that could cause the total contribution levels to fluctuate between 10.30% and 12.30%. With a “shared risk” program, you benefit when investments of the fund perform well and share some of the risk when investments underperform. The employee contribution rate may not go below the base rate of 7.5% for Class T-E and 10.30% for Class T-F members. The employer contribution rate was 6.18% for the period January 1, 2013, through June 30, 2013, and was 8.47% for the period from July 1, 2013, through December 31, 2013. The District’s contributions to PSERS for the years ended December 31, 2013, 2012, and 2011, were \$33,460,521, \$27,272,026, and \$19,546,095, 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 makes state pension, social security, and Medicare contributions on behalf of the District. The Commonwealth contribution rate as a percentage of creditable earnings was 3.825% for social security and Medicare for calendar year 2013. The employer pension rate was 8.375% for the year ended December 31, 2013. The District recognized \$20,653,474 in the General Fund for pension, social security, and Medicare contributions that the Commonwealth of Pennsylvania reimbursed to the District in 2013.

**e. Contingent Liabilities and Commitments:**

- 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.

- iii. **Encumbrance Commitments** — The School District has signed various contracts related to various funds that began during the fiscal year 2013, but were not completed as of December 31, 2013. Also, the District has issued purchase order commitments for various funds as follows.

Restricted— Bond Fund			
Contracts and unspent proceeds	\$ -	\$4,845,888	\$4,845,888
Committed — contracts	2,773,701	850,538	3,624,239
Assigned — purchase orders	507,800		507,800
Total	<u>\$3,281,501</u>	<u>\$5,696,426</u>	<u>\$8,977,927</u>

- 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 570 paraprofessionals and approximately 23 technical-clerical employees. Collective bargaining agreements (CBAs) with these units also expire June 30, 2015. The five-year CBAs representing the custodial employees expire December 31, 2015. The CBA with building and trade employees expires January 15, 2016. Secretarial Clerical agreement is from January 1, 2011, through June 30, 2015.
- 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 toward 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 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 \$2,322,431 toward the plan in 2013. For the fiscal year 2013, the District contributed \$15,044,519 toward actual claims paid for eligible retired plan members and their dependents. The District contributions are paid from the Self-Insurance Health Care Fund.



- iii. *Annual OPEB Cost and Net OPEB Obligation* — The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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	\$ 18,411,786
Interest on net OPEB obligation	697,360
Adjustment to annual required contribution	<u>(1,008,210)</u>
Annual OPEB cost	18,100,936
Contributions made	<u>15,044,519</u>
Increase in net OPEB obligation	3,056,417
Net OPEB obligation — beginning of year	<u>20,457,852</u>
Net OPEB obligation — end of year	<u>\$ 23,514,269</u>

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
December 31, 2013	\$ 18,100,936	71.2 %	\$ 23,514,269
December 31, 2012	16,549,807	80.7	20,457,852
December 31, 2011	16,586,641	87.5	17,257,774

- iv. *Funded Status and Funding Progress* — As of November 1, 2013, the actuarial accrued liability for benefits was \$188,852,166, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$232,032,889 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 81%. 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 ARCs 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	- %	24.0 %
55–59	10.0	24.0
60–64	12.0 male/15.0 female	25.0
65–69	20.0	20.0
70+	100.0	100.0

- vii. *Marital Status* — Fifty percent of active participants are assumed to have a covered spouse at retirement. The husband is assumed to be the same age as the wife.

- viii. *Mortality* — Life expectancies were based on the Uninsured Pensioners 1994 Mortality Table (UP-94), projected to 2004 using scale AA, 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 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 costs were developed from combined 2007, 2008, and the 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 4.0% was used.

- xi. *Participation* — Ninety percent of all eligible employees, regardless of current participation status in the group medical plan, are assumed to elect coverage at retirement, if not Medicare eligible at the time of retirement.

Forty-five percent of those employees who retire under a disability are assumed to be non-Medicare eligible and to elect coverage at retirement.

One hundred percent of inactive members currently not participating in the medical plan are assumed not to participate in future years except that 100% of inactive members under 65 not currently participating in the under 65 benefits but identified as eligible for the post-65 reimbursement are assumed to participate in the post-65 benefit.

Future retirees are assumed to elect single coverage or husband and wife coverage in accordance with the marital status assumption above.

- xii. *Aging Factors* — Aging, or morbidity, reflects the assumption that expected medical claims for an individual will increase annually as the result of the individual's increasing age. Assumptions for the current and previous valuation are shown below:

Age	Factor
12–20	0.5 %
21–30	2.0
31–40	3.0
41–60	4.0
61–70	3.0
71–80	2.0
81–90	1.0
91 and older	0.5

Assumptions used on input variables for the SOA Long-Run Health Care Trends Resource Model (March 2012):

	<u>2016–2025</u>	<u>2016–2025</u>	<u>2016–2025</u>
Rate of inflation (GDP deflator)	2.3%	2.4%	2.4%
Rate of growth in real income/GDP per capita	1.7%	1.7%	1.7%
Income multiplier for health spending	1.4%	1.4%	1.2%
Extra trend due to technology and other factors	1.1%	0.8%	0.8%
Health share of GDP resistance point		25.0%	
Year for limiting cost growth to GDP growth		2025	

Excise tax on high cost plans rate of inflation beginning in 2018 is 2.7%, with 1% additional increase to determine thresholds for 2019, as specified by law.

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. **Restrictions** — Restrictions represent funds that have been legally segregated for a specific future use by the Board at December 31, 2013, and include:

*Restricted 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  
AS OF DECEMBER 31, 2013**

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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, 2013

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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	\$ -	\$ 164,046,000	\$ 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
November 1, 2011		169,535,800	169,535,800	0.00	250,697,358	61.60
November 1, 2013		188,852,166	188,852,166	0.00	232,032,889	81.00

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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, 2013

	Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
100 Personnel services — salaries	\$ 171,072,721	\$ 168,971,214	\$	\$ 2,101,507
200 Personnel services — employee benefits	85,364,098	79,632,856		5,731,242
300 Purchased professional and technical services	75,957,813	64,647,995	1,652,448	9,657,370
400 Purchased property services	9,950,161	8,755,208	407,274	787,679
500 Other purchased services	98,462,367	93,124,987	400,792	4,936,588
600 Supplies	12,538,777	10,718,526	332,720	1,487,531
700 Property	5,791,294	5,110,196	488,267	192,831
800 Other objects	24,031,231	23,380,426		650,805
900 Other financing uses	42,507,184	53,239,803		(10,732,619)
<b>Budgetary basis</b>	<b>\$ 525,675,646</b>	<b>\$ 507,581,211</b>	<b>\$ 3,281,501</b>	<b>\$ 14,812,934</b>
Transfer for Special Education budgeted as expenditures		(54,351,864)		
Transfer for Special Revenue Fund Indirect Costs budgeted as expenditures		(16,467,298)		
Transfer for Other Governmental Funds, Capital Projects, and Internal Service Fund not budgeted		(16,740,403)		
Capital Leases not budgeted		<u>2,324,301</u>		
<b>GAAP expenditures</b>		<b>\$ 422,345,947</b>		

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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, 2013

		Special Revenue Funds		
	Debt Service Fund	Special Trust Fund	Westinghouse Scholarship	Total
<b>ASSETS</b>				
Cash	\$ 4,714,274	\$ 103,023	\$ 402,125	\$ 5,219,422
Other Receivables	<u>500</u>	<u>          </u>	<u>          </u>	<u>500</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,714,774</u>	<u>\$ 103,023</u>	<u>\$ 402,125</u>	<u>\$ 5,219,922</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ <u>2,145</u>	<u>          </u>	<u>          </u>	\$ <u>2,145</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 2,145</u>	<u>\$           </u>	<u>\$           </u>	<u>\$ 2,145</u>
<b>FUND BALANCE:</b>				
Restricted for — scholarships	\$	\$	\$ 402,125	\$ 402,125
Assigned to:				
Debt service fund	4,712,629			4,712,629
Special revenue funds	<u>          </u>	<u>103,023</u>	<u>          </u>	<u>103,023</u>
<b>TOTAL FUND BALANCE</b>	<u>\$ 4,712,629</u>	<u>\$ 103,023</u>	<u>\$ 402,125</u>	<u>\$ 5,217,777</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u>\$ 4,714,774</u>	<u>\$ 103,023</u>	<u>\$ 402,125</u>	<u>\$ 5,219,922</u>

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	Debt Service Fund	Special Revenue Funds Special Trust Fund	Westinghouse Scholarship	Total
<b>REVENUES</b>				
Taxes — investment income	\$	\$	\$ 65	\$ 65
Total revenues			65	65
<b>EXPENDITURES</b>				
Support Services				
Administration	57,269	10,000		67,269
Debt service				
Principal	6,080,000			6,080,000
Interest	597,504			597,504
Bond issuance costs	64,458			64,458
Total expenditures	6,799,231	10,000		6,809,231
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(6,799,231)	(10,000)	65	(6,809,166)
<b>OTHER FINANCING SOURCES AND USES</b>				
Operating transfers in	11,511,860			11,511,860
Total other financing sources and uses	11,511,860			11,511,860
CHANGES IN FUND BALANCES	4,712,629	(10,000)	65	4,702,694
FUND BALANCES — January 1, 2013		113,023	402,060	515,083
FUND BALANCES — December 31, 2013	\$ 4,712,629	\$103,023	\$402,125	\$ 5,217,777



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## **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 POSITION INTERNAL SERVICE FUNDS AS OF DECEMBER 31, 2013

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	\$ 4,086,400	\$ 1,381,084	\$ 1,500,389	\$ 50,266	\$ 10,654,249	\$ 17,672,388
Investments					8,473,411	8,473,411
Interest receivable	4,305				3,304	7,609
Other receivables					220,223	220,223
Total current assets	<u>4,090,705</u>	<u>1,381,084</u>	<u>1,500,389</u>	<u>50,266</u>	<u>19,351,187</u>	<u>26,373,631</u>
<b>NONCURRENT ASSETS</b>						
Restricted cash	262,758					262,758
Restricted investments	8,095,083					8,095,083
Total noncurrent assets	<u>8,357,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,357,841</u>
<b>TOTAL</b>	<u><b>\$12,448,546</b></u>	<u><b>\$1,381,084</b></u>	<u><b>\$1,500,389</b></u>	<u><b>\$50,266</b></u>	<u><b>\$19,351,187</b></u>	<u><b>\$34,731,472</b></u>
<b>LIABILITIES AND NET POSITION</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 177,847	\$ 169,155	\$ 22,233	\$ 6,905	\$ 3,788,060	\$ 4,164,200
Accrued salaries	12,642					12,642
Current portion of workers' compensation reserve	2,200,000					2,200,000
Total current liabilities	<u>2,390,489</u>	<u>169,155</u>	<u>22,233</u>	<u>6,905</u>	<u>3,788,060</u>	<u>6,376,842</u>
<b>NONCURRENT LIABILITIES</b>						
Workers' compensation reserve	6,157,841					6,157,841
Total noncurrent liabilities	<u>6,157,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,157,841</u>
<b>TOTAL</b>	<u><b>\$ 8,548,330</b></u>	<u><b>\$ 169,155</b></u>	<u><b>\$ 22,233</b></u>	<u><b>\$ 6,905</b></u>	<u><b>\$ 3,788,060</b></u>	<u><b>\$12,534,683</b></u>
<b>NET POSITION — Unrestricted</b>	<u><b>\$ 3,900,216</b></u>	<u><b>\$1,211,929</b></u>	<u><b>\$1,478,156</b></u>	<u><b>\$43,361</b></u>	<u><b>\$15,563,127</b></u>	<u><b>\$22,196,789</b></u>
Total net position	<u>3,900,216</u>	<u>1,211,929</u>	<u>1,478,156</u>	<u>43,361</u>	<u>15,563,127</u>	<u>22,196,789</u>
<b>TOTAL</b>	<u><b>\$12,448,546</b></u>	<u><b>\$1,381,084</b></u>	<u><b>\$1,500,389</b></u>	<u><b>\$50,266</b></u>	<u><b>\$19,351,187</b></u>	<u><b>\$34,731,472</b></u>

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
OPERATING REVENUES — Contributions	\$ 2,341,475	\$ 1,558,957	\$	\$ 15,425	\$ 59,848,417	\$ 63,764,274
Total operating revenues	<u>2,341,475</u>	<u>1,558,957</u>		<u>15,425</u>	<u>59,848,417</u>	<u>63,764,274</u>
OPERATING EXPENSES:						
Support services — administration			222,440			222,440
Support services — central:						
Operation of office — salaries and benefits, supplies, etc.	495,119	16,624	3,601	51,896	60,096,709	567,240
Benefit payments	2,433,255	741,015				63,270,979
Claims and judgments			334,333			334,333
Total operating expenses	<u>2,928,374</u>	<u>757,639</u>	<u>560,374</u>	<u>51,896</u>	<u>60,096,709</u>	<u>64,394,992</u>
OPERATING (LOSS) INCOME	(586,899)	801,318	(560,374)	(36,471)	(248,292)	(630,718)
NONOPERATING REVENUES — Investment earnings	<u>18,965</u>				<u>14,204</u>	<u>33,169</u>
(LOSS) INCOME BEFORE TRANSFERS	(567,934)	801,318	(560,374)	(36,471)	(234,088)	(597,549)
INTRAFUND TRANSFERS IN	<u>1,000,000</u>		<u>1,000,000</u>			<u>2,000,000</u>
CHANGE IN NET POSITION	432,066	801,318	439,626	(36,471)	(234,088)	1,402,451
NET POSITION — January 1, 2013	<u>3,468,150</u>	<u>410,611</u>	<u>1,038,530</u>	<u>79,832</u>	<u>15,797,215</u>	<u>20,794,338</u>
NET POSITION — December 31, 2013	<u>\$ 3,900,216</u>	<u>\$ 1,211,929</u>	<u>\$ 1,478,156</u>	<u>\$ 43,361</u>	<u>\$ 15,563,127</u>	<u>\$ 22,196,789</u>

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Contributions	\$ 2,341,475	\$ 1,558,957	\$	\$ 15,425	\$ 59,848,417	\$ 63,764,274
Payments to suppliers	(2,142,399)	(1,304,405)	(275,306)		(275,306)	(275,306)
Payments to claimants	(501,894)	(16,624)	(334,333)	(51,896)	(60,500,457)	(64,281,594)
Payments to employees			(3,601)			(574,015)
Net cash (used in) provided by operating activities	(302,818)	237,928	(613,240)	(36,471)	(652,040)	(1,366,641)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Transfers to/from other funds	1,000,000	-	1,000,000	-	-	2,000,000
Net cash provided by noncapital financing activities	1,000,000		1,000,000			2,000,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	16,043				13,256	29,299
Purchase of investments	(3,194,000)				(2,976,000)	(6,170,000)
Sale of investments	1,314,685				973,140	2,287,825
Net cash provided by investing activities	(1,863,272)				(1,989,604)	(3,852,876)
(DECREASE) INCREASE IN CASH	(1,166,090)	237,928	386,760	(36,471)	(2,641,644)	(3,219,517)
CASH — January 1, 2013 (including \$1,987,444 for the internal service funds included in restricted assets)	5,515,248	1,143,156	1,113,629	86,737	13,295,893	21,154,663
CASH — December 31, 2013 (including \$262,758 for the internal service funds included in restricted assets)	\$ 4,349,158	\$ 1,381,084	\$ 1,500,389	\$ 50,266	\$ 10,654,249	\$ 17,935,146
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>						
Operating (loss) income	\$ (586,899)	\$ 801,318	\$ (560,374)	\$ (36,471)	\$ (248,292)	\$ (630,718)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:						
Changes in assets and liabilities:						
Decrease (increase) in other receivables	25,614				(18,697)	6,917
Decrease in accounts payable	(25,192)	(563,390)	(52,866)		(385,051)	(1,026,499)
Decrease in accrued salaries	(6,775)					(6,775)
Increase in the workers' compensation reserve	290,434					290,434
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (302,818)	\$ 237,928	\$ (613,240)	\$ (36,471)	\$ (652,040)	\$ (1,366,641)

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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, 2013

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STUDENT ACTIVITIES FUNDS	Balance at December 31, 2012	Additions	Deductions	Balance at December 31, 2013
<b>ASSETS</b>				
CASH	<u>\$ 795,828</u>	<u>\$ 1,643,612</u>	<u>\$ 1,671,996</u>	<u>\$ 767,444</u>
<b>LIABILITIES</b>				
ACCOUNTS PAYABLE	<u>\$ 795,828</u>	<u>\$ 1,643,612</u>	<u>\$ 1,671,996</u>	<u>\$ 767,444</u>

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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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	
<i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	79–83
<b>Revenue Capacity</b>	
<i>These schedules contain information to help the reader assess the District's most significant local revenue source — the property tax.</i>	84–89
<b>Debt Capacity</b>	
<i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	90–93
<b>Demographic and Economic Information</b>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	94–95
<b>Operating Information</b>	
<i>These schedules contain student, employee, and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the government provides and the activities it performs.</i>	96–105

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# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## NET POSITION BY COMPONENT LAST TEN FISCAL YEARS (Accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013
<b>GOVERNMENTAL ACTIVITIES:</b>										
Net investment in capital assets	\$27,583,051	\$ 33,620,289	\$ 11,510,006	\$ 7,109,093	\$ 24,410,706	\$ 22,263,955	\$ 14,027,441	\$ 77,248,874	\$ 82,888,604	\$ 81,325,299
<b>RESTRICTED:</b>										
Capital projects	38,808,227	23,190,338	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857	26,741,390	24,257,688	14,308,575
Workers' compensation	15,620,647	14,214,481	12,927,190	10,739,563	9,432,849	9,360,939	8,694,871	7,401,511	8,067,407	8,357,841
Unrestricted	5,079,922	18,813,101	66,838,899	75,027,227	90,939,469	92,143,099	92,711,757	75,411,613	86,622,119	130,122,671
<b>TOTAL GOVERNMENTAL ACTIVITIES NET POSITION</b>	<b>\$87,091,847</b>	<b>\$ 89,838,209</b>	<b>\$117,189,860</b>	<b>\$124,097,494</b>	<b>\$153,680,947</b>	<b>\$152,953,778</b>	<b>\$163,643,926</b>	<b>\$186,803,388</b>	<b>\$201,835,818</b>	<b>\$234,114,386</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>										
Investment in capital assets	\$11,725,389	\$ 11,326,759	\$ 10,638,946	\$ 10,140,217	\$ 9,880,588	\$ 9,632,120	\$ 9,444,693	\$ 9,132,366	\$ 8,938,446	\$ 8,511,569
Unrestricted	392,496	(596,452)	1,609,760	3,195,007	2,494,152	1,891,348	2,476,226	2,509,650	2,526,898	2,065,230
<b>TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS</b>	<b>\$12,117,885</b>	<b>\$ 10,730,307</b>	<b>\$ 12,248,706</b>	<b>\$ 13,335,224</b>	<b>\$ 12,374,740</b>	<b>\$ 11,523,468</b>	<b>\$ 11,920,919</b>	<b>\$ 11,642,016</b>	<b>\$ 11,465,344</b>	<b>\$ 10,576,799</b>
<b>PRIMARY GOVERNMENT:</b>										
Net investment in capital assets	\$39,308,440	\$ 44,947,048	\$ 22,148,952	\$ 17,249,309	\$ 34,291,294	\$ 42,066,213	\$ 23,472,134	\$ 86,381,240	\$ 91,827,050	\$ 89,836,868
<b>RESTRICTED:</b>										
Capital projects	38,808,227	23,190,338	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857	26,741,390	24,257,688	14,308,575
Workers' compensation	15,620,647	14,214,481	12,927,190	10,739,563	9,432,849	9,360,939	8,694,871	7,401,511	8,067,407	8,357,841
Unrestricted	5,472,418	18,216,649	68,448,659	78,222,235	93,433,621	83,864,309	95,187,983	77,921,263	89,149,017	132,187,901
<b>TOTAL PRIMARY GOVERNMENT NET POSITION</b>	<b>\$99,209,732</b>	<b>\$100,568,516</b>	<b>\$129,438,566</b>	<b>\$137,432,718</b>	<b>\$166,055,687</b>	<b>\$164,477,246</b>	<b>\$175,564,845</b>	<b>\$198,445,404</b>	<b>\$213,301,162</b>	<b>\$244,691,185</b>

\*2012 has been amended to reflect GASB #65  
Source: School District of Pittsburgh, Finance Division

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS (Accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>EXPENSES:</b>										
Governmental activities:										
Instruction	\$ 320,963,187	\$ 330,508,280	\$ 343,103,518	\$ 412,481,720	\$ 354,803,355	\$ 359,892,900	\$ 367,624,843	\$ 368,705,063	\$ 380,972,744	\$ 358,810,259
Instruction student support	53,843,999	48,872,492	50,212,401	18,788,145	72,889,909	76,343,837	77,196,218	75,518,995	70,870,488	68,253,479
Administrative and financial support services	75,646,481	72,955,936	70,317,359	43,726,558	41,744,853	41,894,934	39,632,257	38,128,199	34,942,606	40,144,112
Operation and maintenance of plant services	52,477,423	51,248,711	54,203,456	51,465,382	52,652,003	50,551,945	50,102,490	45,550,945	44,339,221	45,513,462
Student transportation services	32,936,828	34,385,680	36,265,693	37,350,251	40,407,143	38,990,860	39,531,164	41,965,337	40,395,225	40,969,897
Facilities	9,679,922	994,733	4,741,647	4,309,043	4,068,041	10,313,503	9,391,546	6,273,147	3,548,719	4,726,749
Student activities	6,359,515	6,213,829	6,517,464	6,577,584	6,234,205	6,287,969	6,065,262	6,090,136	4,863,727	4,796,054
Community services	1,067,895	851,183	1,097,706	960,216	438,186	174,651	393,461	410,847	488,147	453,191
Scholarships and awards						25,881				64,458
Food service	173,254	134,649	59,506	1,019,772	541,103	9,261	34,672	24,340		
Interest on long-term debt	21,290,001	22,705,775	23,213,046	25,369,995	25,453,453	25,581,149	24,948,700	24,117,689	25,588,548	17,422,337
Total governmental activities	574,438,505	568,871,268	589,821,796	602,048,666	599,232,251	610,069,890	614,920,613	606,784,698	606,009,425	581,153,998
Business-type activities:										
Food service operations	15,077,004	15,051,158	13,754,932	13,480,029	14,717,475	14,997,269	15,202,951	16,182,934	15,786,992	16,468,871
Educational management			169,923	250,860						
Total business-type activities	15,077,004	15,051,158	13,924,855	13,730,889	14,717,475	14,997,269	15,202,951	16,182,934	15,786,992	16,468,871
Total primary government	589,515,509	583,922,426	603,746,651	615,779,555	613,949,726	625,067,159	630,123,564	622,967,632	621,796,417	597,622,869
<b>PROGRAM REVENUES:</b>										
Governmental activities:										
Charges for services — instruction	4,494,607	3,653,179	2,981,589	5,382,047	4,232,887	3,900,934	3,735,342	2,991,286	3,815,824	3,930,445
Operating grants and contributions	77,482,739	58,035,999	107,342,376	93,878,334	94,837,622	93,464,939	100,337,549	106,542,663	77,057,566	101,244,617
Capital grants and contributions						1,145,639				
Total governmental activities program revenues	81,977,346	61,689,178	110,323,965	99,260,381	99,070,509	98,511,512	104,072,891	109,533,949	80,873,390	105,175,062
Business-type activities:										
Charges for services — food sales	3,992,405	4,212,346	4,956,902	4,673,892	3,046,494	2,359,785	2,878,544	2,641,351	2,131,414	1,561,222
Operating grants and contributions	9,299,178	9,402,243	9,852,424	9,918,718	11,638,102	12,212,629	12,651,008	13,234,530	13,183,351	14,018,783
Total business-type activities program revenues	13,291,583	13,614,589	14,809,326	14,592,610	14,684,596	14,572,414	15,529,552	15,875,881	15,314,765	15,580,005
Total primary government program revenues	95,268,929	75,303,767	125,133,291	113,852,991	113,755,105	113,083,926	119,602,443	125,409,830	96,188,155	120,755,067
<b>NET (EXPENSE) REVENUE:</b>										
Governmental activities	(492,461,159)	(507,182,090)	(479,497,831)	(502,788,285)	(500,161,742)	(511,558,378)	(510,847,722)	(497,250,749)	(525,136,035)	(475,978,936)
Business-type activities	(1,785,421)	(1,436,569)	884,471	861,721	(32,879)	(424,855)	326,601	(307,053)	(472,227)	(888,866)
<b>TOTAL PRIMARY GOVERNMENT NET EXPENSE</b>	<b>\$(494,246,580)</b>	<b>\$(508,618,659)</b>	<b>\$(478,613,360)</b>	<b>\$(501,926,564)</b>	<b>\$(500,194,621)</b>	<b>\$(511,983,233)</b>	<b>\$(510,521,121)</b>	<b>\$(497,557,802)</b>	<b>\$(525,608,262)</b>	<b>\$(476,867,802)</b>

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS (Accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>GENERAL REVENUES</b>										
Taxes										
Real estate	\$ 183,210,283	\$ 184,098,557	\$ 182,844,940	\$ 180,610,786	\$ 201,056,780	\$ 165,639,728	\$ 167,021,527	\$ 169,716,831	\$ 173,301,574	\$ 162,571,466
Earned income	94,604,673	96,478,095	98,113,842	99,463,263	97,449,958	94,278,868	96,580,035	103,534,131	101,468,207	110,783,535
Others	8,460,506	9,542,162	2,951,903	460,595	625,808	404,485	383,480	371,537	378,740	354,304
Federal and state grants and subsidies	180,361,141	206,162,647	199,519,748	213,084,958	214,935,445	238,629,300	246,496,380	238,940,940	249,703,582	222,617,705
Investment income	5,067,985	7,405,659	10,331,541	11,482,539	7,856,272	5,051,424	3,309,796	2,993,901	4,036,901	599,483
Miscellaneous income	3,157,759	11,009,396	8,960,996	4,809,711	6,868,385	6,400,064	7,817,222	4,880,807	13,954,913	11,331,261
Transfers	(85,133)	(21,849)	(619,703)	(215,933)	952,547	427,340	(70,570)	(27,936)	(295,462)	(250)
Total government activities	474,777,214	514,674,667	502,103,267	509,695,919	529,745,195	510,831,209	521,537,870	520,410,211	542,548,455	508,257,504
<b>BUSINESS-TYPE ACTIVITIES</b>										
Investment income	19,430	12,940	14,225	12,644	8,941	923	280	214	93	71
Gain on disposal of assets		14,202		(3,780)	16,000					
Transfers	85,133	21,849	619,703	215,933	(952,546)	(427,340)	70,570	27,936	295,462	250
Total business-type activities	104,563	48,991	633,928	224,797	(927,605)	(426,417)	70,850	28,150	295,555	321
Total primary government	474,881,777	514,723,658	502,737,195	509,920,716	528,817,590	510,404,792	521,608,720	520,438,361	542,844,010	508,257,825
<b>CHANGE IN NET POSITION</b>										
Governmental activities	(17,683,945)	7,492,577	22,605,436	6,907,634	29,583,453	(727,169)	10,690,148	23,159,462	17,412,420	32,278,568
Business-type activities	(1,680,858)	(1,387,578)	1,518,399	1,086,518	(960,484)	(851,272)	397,451	(278,903)	(176,672)	(888,545)
TOTAL PRIMARY GOVERNMENT	\$ (19,364,803)	\$ 6,104,999	\$ 24,123,835	\$ 7,994,152	\$ 28,622,969	\$ (1,578,441)	\$ 11,087,599	\$ 22,880,559	\$ 17,235,748	\$ 31,390,023

Source: School District of Pittsburgh, Finance Division

(Concluded)



# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## FUND BALANCE OF GOVERNMENTAL FUNDS

### LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>GENERAL FUND:</b>										
Reserved	\$ 4,710,431	\$ 3,848,109	\$ 3,100,904	\$ 4,171,947	\$ 4,693,507	\$ 3,548,327	\$ 3,492,476	\$ -	\$ -	\$ -
Unreserved	78,723,700	62,847,401	71,850,561	69,231,998	67,346,931	67,972,380	69,036,774	170,612	269,927	307,261
Nonspendable								6,933,108	6,553,447	22,196,273
Committed								22,448,457	10,471,624	18,097,109
Assigned								52,548,417	71,663,229	73,136,786
Unassigned										
Total general fund	83,434,131	66,695,510	74,951,465	73,403,945	72,040,438	71,520,707	72,529,250	82,100,594	88,958,227	113,737,429
<b>CAPITAL PROJECTS:</b>										
Reserved	22,339,569	6,619,973	13,970,759	17,772,085	9,519,459	24,365,531	22,110,291			
Unreserved	4,206,572	3,081,377	11,943,006	13,449,526	19,378,464	4,820,254	26,099,566	26,741,390	20,855,031	7,992,023
Restricted										850,538
Committed										5,466,014
Assigned										
Total capital projects	26,546,141	9,701,350	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857	27,404,906	24,257,688	14,308,575
<b>SPECIAL FUNDS — unreserved</b>	4,738,188	4,454,216	4,449,482	4,213,474	5,084,453	4,852,781	3,621,026			
Total special funds	4,738,188	4,454,216	4,449,482	4,213,474	5,084,453	4,852,781	3,621,026			
<b>OTHER GOVERNMENTAL FUNDS:</b>										
Reserved				84,532	79,460	5,191	5,191			
Unreserved				2,175,837	421,273	560,545	446,415			
Restricted	599,507	419,385	3,244,532					404,737	402,060	402,125
Assigned								145,819	113,023	4,815,652
Total other governmental funds	599,507	419,385	3,244,532	2,260,369	500,733	565,736	451,606	550,556	515,083	5,217,777
<b>TOTAL ALL FUNDS</b>	<b>\$ 115,317,967</b>	<b>\$ 81,270,460</b>	<b>\$ 108,559,244</b>	<b>\$ 111,099,399</b>	<b>\$ 106,523,547</b>	<b>\$ 106,125,009</b>	<b>\$ 124,811,739</b>	<b>\$ 110,056,056</b>	<b>\$ 113,730,998</b>	<b>\$ 133,263,781</b>

Note: The District implemented GASB Statement No. 54 in 2011, which changed the Fund balance classifications.

Source: School District of Pittsburgh

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

### LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>REVENUES:</b>										
Taxes	\$287,666,942	\$283,070,648	\$288,729,045	\$285,479,159	\$291,178,837	\$272,514,477	\$265,323,836	\$277,216,462	\$268,716,062	\$276,842,166
Local non-tax revenue	7,652,366	7,935,067	11,930,587	9,992,883	3,298,412	2,630,043	10,833,651	7,677,799	24,914,237	15,729,961
Federal and state grants and subsidies	257,843,878	278,861,216	306,874,124	306,579,696	310,462,249	333,198,409	347,526,827	345,678,755	319,744,518	331,146,993
Investment earnings	3,279,777	5,700,527	8,220,724	9,251,027	4,973,882	2,483,855	976,068	769,117	563,967	599,483
Total revenues	<u>556,442,963</u>	<u>575,567,458</u>	<u>615,754,480</u>	<u>611,302,765</u>	<u>609,913,380</u>	<u>610,826,784</u>	<u>623,660,382</u>	<u>631,342,133</u>	<u>613,938,784</u>	<u>624,318,603</u>
<b>EXPENDITURES:</b>										
Instruction	295,842,911	296,536,288	303,497,446	308,178,614	337,069,804	338,411,054	345,965,024	350,491,668	349,729,619	337,432,338
Support service instruction	49,938,951	45,543,803	47,216,488	49,249,383	48,260,865	47,036,824	46,800,516	44,839,308	42,377,082	41,429,984
Administration and business	68,265,676	68,613,829	61,203,994	57,744,635	58,659,072	57,567,589	58,467,395	58,442,147	47,219,258	54,887,662
Pupil health	5,729,419	6,050,626	6,284,059	6,775,578	6,319,601	6,288,538	6,714,603	8,898,877	7,808,347	8,984,190
Operation and maintenance	52,382,779	52,381,126	55,163,987	51,272,510	53,350,551	49,934,296	50,099,238	46,627,161	44,503,401	45,728,784
Transportation	32,938,036	34,406,327	36,117,732	37,308,662	40,410,946	38,979,412	39,525,502	41,973,598	40,397,190	40,973,160
Operation of noninstructional services	7,507,106	7,691,820	6,901,707	8,250,935	7,786,860	6,706,366	6,477,685	6,807,541	5,249,755	5,180,752
Facilities — capital outlay	62,656,404	59,887,115	41,983,063	39,676,515	33,785,391	42,189,499	34,934,141	26,465,287	19,379,285	15,612,673
Facilities — noncapital outlay		1,110,144	2,087,916	2,123,683	1,778,179	6,036,703	1,504,316	880,021	(477,942)	(32,332)
Debt service principal and interest										
Principal	33,341,288	33,654,693	31,438,004	35,012,840	37,088,505	34,845,747	35,458,134	37,065,702	36,762,657	42,497,321
Interest	20,182,183	20,714,751	22,129,727	23,207,737	23,621,598	23,668,629	24,261,943	22,027,296	21,242,131	20,542,129
Charter schools <sup>1</sup>	16,751,469	21,384,458	28,320,639	26,866,103						
Other charges	5,977,709	6,049,776	7,945,318	5,898,269	3,342,782	4,944,404	5,240,846	4,157,522	3,076,852	3,356,152
Total expenditures	<u>651,513,931</u>	<u>654,024,756</u>	<u>650,290,080</u>	<u>651,565,464</u>	<u>651,474,154</u>	<u>656,609,061</u>	<u>655,449,343</u>	<u>648,676,128</u>	<u>617,267,635</u>	<u>616,592,813</u>
<b>EXCESS OF REVENUES OVER/ UNDER EXPENDITURES</b>	<u>(95,070,968)</u>	<u>(78,457,298)</u>	<u>(34,535,600)</u>	<u>(40,262,699)</u>	<u>(41,560,774)</u>	<u>(45,782,277)</u>	<u>(30,788,961)</u>	<u>(17,333,995)</u>	<u>(3,328,851)</u>	<u>7,725,790</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Issuance of general obligation bonds	45,735,000	41,745,000	53,355,000	40,235,000	29,050,000	42,535,000	49,070,000		5,000,000	
Premium on refunding	3,577,892	541,665	245,280			33,460,000	37,635,000	9,995,000	71,130,000	
Premium on general obligation bonds	1,564,329	1,581,001	555,983	549,205	389,851	2,094,295	5,287,951	(21,483)	9,944,668	
Issuance of refunding bonds	39,885,000	20,175,000	6,350,000							
Issuance of QZAB			5,608,000							
Debt service (payments to refunded bond escrow agent)	(42,590,910)	(20,471,625)	(6,519,498)	2,400,000	4,954,942	(34,029,604)	(42,498,310)	(9,750,498)	(80,059,491)	
Other capital leases		696,600						2,173,989	4,509,890	
Sale of or compensation for capital assets		164,000	2,849,320	11,732	1,263,651	1,270,639	51,619	634,240	774,188	2,324,301
Transfers in	18,199,396	16,603,119	20,853,200	19,618,867	22,623,705	23,656,159	21,684,483	20,698,731	23,731,631	11,482,942
Transfers out	(18,284,529)	(16,624,968)	(21,472,902)	(20,011,951)	(21,671,159)	(23,228,819)	(21,755,052)	(21,151,667)	(28,027,093)	34,811,370
Total other financing sources	<u>48,086,178</u>	<u>44,409,792</u>	<u>61,824,383</u>	<u>42,802,853</u>	<u>36,610,990</u>	<u>45,757,670</u>	<u>49,475,691</u>	<u>2,578,312</u>	<u>7,003,793</u>	<u>11,806,993</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (46,984,790)</u>	<u>\$ (34,047,506)</u>	<u>\$ 27,288,783</u>	<u>\$ 2,540,154</u>	<u>\$ (4,949,784)</u>	<u>\$ (24,607)</u>	<u>\$ 18,686,730</u>	<u>\$ (14,755,683)</u>	<u>\$ 3,674,942</u>	<u>\$ 19,532,783</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<u>9.11 %</u>	<u>9.15 %</u>	<u>8.81 %</u>	<u>9.51 %</u>	<u>9.83 %</u>	<u>9.52 %</u>	<u>9.51 %</u>	<u>9.50 %</u>	<u>9.70 %</u>	<u>10.49 %</u>

<sup>1</sup> Charter school costs are included in Instructions Expenditures for 2008 and forward

Source: School District of Pittsburgh, Finance Division

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE LAST TEN FISCAL YEARS (Accrual basis of accounting)

Fiscal Year	Real Estate Tax	Real Estate Transfer Tax	Earned Income Tax	Mercantile Tax	Public Utility Realty Tax	Total
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 <sup>1</sup>	192,508,265	8,548,515	97,449,958	12,426	380,376	298,899,540
2009 <sup>2</sup>	159,517,055	6,122,673	94,278,868	5,392	399,091	260,323,079
2010 <sup>2</sup>	159,966,438	7,055,089	96,580,035	4,321	379,159	263,985,042
2011 <sup>2</sup>	160,750,157	8,966,674	103,534,131	631	370,906	273,622,499
2012 <sup>2</sup>	165,594,664	7,706,910	101,468,207		378,740	275,148,521
2013 <sup>2</sup>	151,666,977	10,904,489	110,783,535	2,965	351,339	273,709,305

<sup>1</sup> Reflects one-time change to deferred revenue for property tax reduction.

<sup>2</sup> Decrease reflects new state property tax reduction allocation program. Revenue now recorded as state grants.

Source: School District of Pittsburgh, Finance Division

# 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 <sup>1</sup>	Real Estate Transfer Tax	Public Utility Realty Tax	Total
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 <sup>2</sup>	163,984,723	94,278,868	5,392	6,122,673	399,091	264,790,747
2010 <sup>2</sup>	161,280,364	96,580,035	4,321	7,055,089	379,159	265,298,968
2011 <sup>2</sup>	164,344,120	103,534,131	631	8,966,674	370,906	277,216,462
2012 <sup>2</sup>	167,247,855	101,468,207		7,706,910	378,740	276,801,712
2013 <sup>2</sup>	154,799,838	110,783,535	2,965	10,904,489	351,339	276,842,166

<sup>1</sup> 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.

<sup>2</sup> 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

Fiscal Year	City of Pittsburgh and Mt. Oliver Borough (Values Assessed in Thousands)					Total <sup>2</sup>		
	Assessed <sup>1</sup> Value Residential	Assessed <sup>1</sup> Value Commercial	Total Assessed <sup>1</sup> Value	Less Tax-Exempt <sup>1</sup> Real Property	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value to Total Estimated Actual Value	Total Average Direct Rate
2004	\$ 7,895,905	\$ 12,197,114	\$ 20,093,019	\$ 6,751,370	\$ 13,341,649	\$ 14,612,978	0.913	28.90
2005	7,855,080	12,203,614	20,058,694	6,750,063	13,308,631	14,608,816	0.911	30.01
2006	7,359,655	13,258,151	20,617,806	7,247,496	13,370,310	15,315,361	0.873	30.76
2007	7,365,189	13,809,440	21,174,629	7,696,640	13,477,989	15,581,490	0.865	30.76
2008	7,302,960	13,792,448	21,095,408	7,826,233	13,269,175	15,164,771	0.875	30.76
2009	7,348,092	14,068,732	21,416,824	7,985,191	13,431,633	15,581,941	0.862	30.76
2010	7,359,741	14,049,120	21,408,861	8,115,436	13,293,425	15,553,307	0.854	30.76
2011	7,394,893	14,657,384	22,052,277	8,519,619	13,532,658	15,833,210	0.854	30.76
2012	7,399,525	15,054,547	22,454,072	8,742,618	13,711,454	16,042,401	0.854	31.76
2013	10,408,915	22,610,396	33,019,311	12,714,616	20,304,695	20,304,695	1.000	24.91

\*Figures in U.S. dollars

<sup>1</sup> City of Pittsburgh, Department of Finance, Division of Real Estate Property — updated levy.

<sup>2</sup> Pennsylvania State Tax Equalization Board ([www.steb.state.pa.us](http://www.steb.state.pa.us)) and Pennsylvania Department of Revenue Common Level Ratio.

Note: Allegheny County did a reassessment of all properties for the 2013 tax year.

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## PROPERTY TAX RATES

### DIRECT AND OVERLAPPING GOVERNMENTS

#### LAST TEN FISCAL YEARS

Fiscal Year	School District of Pittsburgh Millage	Overlapping Rates		Allegheny County Millage	Total Direct Tax Rate <sup>(1)</sup>	
		City of Pittsburgh Millage	Mt. Oliver Borough Millage		Total Millage City Resident <sup>(2)</sup>	Total Millage Mt. Oliver Resident <sup>(3)</sup>
2004	13.310	10.800	11.000	4.690	28.800	29.000
2005	13.920	10.800	12.000	4.690	29.410	30.610
2006	13.920	10.800	13.500	4.690	29.410	32.110
2007	13.920	10.800	13.500	4.690	29.410	32.110
2008	13.920	10.800	13.500	4.690	29.410	32.110
2009	13.920	10.800	13.500	4.690	29.410	32.110
2010	13.920	10.800	13.500	4.690	29.410	32.110
2011	13.920	10.800	13.500	4.690	29.410	32.110
2012	13.920	10.800	13.500	5.690	30.410	33.110
2013 <sup>(4)</sup>	9.650	7.560	13.500	4.730	21.940	27.880

<sup>(1)</sup> Overlapping rates are those of local and county governments that apply to property owners within the District.

<sup>(2)</sup> Determined by adding School District, Average City of Pittsburgh and Allegheny County Millage.

<sup>(3)</sup> Determined by adding School District, Mount Oliver Borough and Allegheny County Millage.

<sup>(4)</sup> Allegheny County did a reassessment of all properties for the 2013 tax year.

Under PA Act, District Real Estate Revenues are limited in index.

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 2013 AND NINE YEARS AGO

	2013				2004			
	(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	\$	371,804,700	1	19.07 %	\$ 430,386,000	1	28.78 %	
PNC		281,631,500	2	14.45	125,988,000	5	8.43	
Holdings Acquisition Co LP		248,136,300	3	12.73				
600 GS Prop LP		233,211,300	4	11.96	160,000,000	3	10.70	
Buncher Company		207,568,000	5	10.65	139,103,000	4	9.30	
HRLP Fourth Avenue LLC		179,400,000	6	9.20				
Oxford Development		154,000,000	7	7.90	112,000,000	6	7.49	
IX Liberty Center Owner LP		123,500,000	8	6.34				
Liberty Avenue Holdings LLC		79,000,000	9	4.05				
North Shore Developers		71,209,000	10	3.65				
Market Assoc. Limited					185,000,000	2	12.37	
Grant Liberty Dev. Group					110,000,000	7	7.36	
Gateway Trizec, Inc.					93,000,000	8	6.22	
Penn Liberty Holding					84,970,000	9	5.68	
Harrahs Forest City Assoc.					<u>54,798,000</u>	10	3.66	
Total assessed value (in thousands)		<u>\$ 1,949,460,800</u>			<u>\$ 1,495,245,000</u>			

(1) Allegheny County performed reassessments of all real property in 2012.

Source: City of Pittsburgh, Department of Finance

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Levy Year	Taxable Valuation (Millions) <sup>1</sup>	Adjusted Levy <sup>2</sup>	Collected within the Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2004	13,065.6	\$ 171,798,461	\$ 162,146,215	94.38 %	\$ 6,937,312	\$ 169,083,527	98.42 %
2005	12,999.0	179,628,170	169,439,957	94.33	7,039,798	176,479,755	98.25
2006	13,126.6	181,746,627	171,703,252	94.47	6,621,901	178,325,153	98.12
2007	12,902.6	179,605,293	171,657,699	95.57	6,428,244	178,085,943	99.15
2008	12,977.5	180,648,220	171,075,386	94.70	6,733,379	177,808,765	98.43
2009	11,784.7	164,044,094	157,206,287	95.83	6,426,326	163,632,613	99.75
2010	11,787.9	164,088,430	155,802,011	94.95	5,528,288	161,330,299	98.32
2011	11,954.5	166,407,623	158,769,241	95.41	5,098,853	163,868,094	98.47
2012	12,217.6	170,069,937	159,318,698	93.68	3,986,991	163,305,689	96.02
2013	16,207.1	156,398,875	152,027,206	97.20		152,027,206	97.20

<sup>1</sup> Original taxable valuation plus adjustments less exonerations and refunds

<sup>2</sup> Original levy plus/less adjustments and exonerations.

Figures 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			Total Primary Government	(Net) General Bonded Debt Estimated Actual Taxable Value <sup>(2)</sup> of Property		Total Outstanding Debt Per Capita		(Net) General Bonded Debt Per Capita		Total Outstanding Debt as a Percentage of Personal Income <sup>(3)</sup>	
	(Net) General Obligation Bonds <sup>(1)</sup>	Capital Leases										
2004	\$440,998,009	\$ -		\$440,998,009	3.02 %		\$ 1,282.75		\$ 1,282.75		0.57 %	
2005	450,359,416	570,056		450,929,472	3.09		1,332.01		1,308.79		0.57	
2006	477,915,813	434,933		478,350,746	3.12		1,413.17		1,411.73		0.58	
2007	483,261,615	2,690,494		485,952,109	3.12		1,435.46		1,427.52		0.56	
2008	474,549,063	6,469,776		481,018,839	3.17		1,420.89		1,401.78		0.55	
2009	482,643,574	5,178,368		487,821,942	3.18		1,440.99		1,425.69		0.56	
2010	496,589,687	5,817,370		502,407,057	3.26		1,625.48		1,606.53		0.58	
2011	458,623,303	6,376,540		464,999,843	2.94		1,504.33		1,483.70		0.53	
2012	426,748,532	6,557,544		433,306,076	2.70		1,401.80		1,380.59		0.50	
2013	382,896,838	6,373,885		389,270,723	1.88		1,235.34		1,214.72		0.44	

<sup>(1)</sup> Presented Net of original issuance discount, premiums, and deferred outflows related to debt.

<sup>(2)</sup> See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 83 for property value data.

<sup>(3)</sup> 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

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Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2004	\$33,341,288	\$20,182,183	\$53,523,471	\$647,686,780	8.23 %
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
2011	37,065,703	22,027,296	59,092,999	648,676,128	9.11
2012	36,762,657	21,242,131	58,004,788	617,267,635	9.40
2013	42,497,321	20,542,129	63,039,450	616,592,813	10.22

Source: School District of Pittsburgh, Finance Division

## SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

### DIRECT AND OVERLAPPING DEBT OF GOVERNMENTAL DEBT AS OF DECEMBER 31, 2013

Jurisdiction	Net Debt Outstanding	Percentage Applicable to School District	Amount Applicable to School District
DIRECT DEBT — School district of Pittsburgh:			
General obligation bonds	\$ 355,194,561	100 %	\$ 355,194,561
Notes	20,285,294	100	20,285,294
Premium and discount	17,809,508	100	17,809,508
Deferred amount	(10,392,525)	100	(10,392,525)
Capital leases	<u>6,373,885</u>	100	<u>6,373,885</u>
Total direct debt	<u>389,270,723</u>		<u>389,270,723</u>
OVERLAPPING DEBT:			
Allegheny County <sup>(2)</sup>	\$ 830,920	25	\$ 207,730
City of Pittsburgh:			
City	565,181,000	100	565,181,000
Auditorium authority <sup>(1)</sup>	960,000	50	480,000
Urban redevelopment authority <sup>(3)</sup>	42,830,000	55	23,556,500
Parking authority	<u>79,887,000</u>	100	<u>79,887,000</u>
Total overlapping debt	<u>689,688,920</u>		<u>669,312,230</u>
TOTAL DEBT AND OVERLAPPING DEBT	<u>\$ 1,078,959,643</u>		<u>\$ 1,058,582,953</u>

<sup>(1)</sup> Based on contractual agreements.

<sup>(2)</sup> Percentage of the City population to the county population.

<sup>(3)</sup> 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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$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	\$1,141,809,645	\$1,155,188,600	\$1,160,685,897
Total net debt applicable to limit	<u>434,081,483</u>	<u>442,891,790</u>	<u>470,416,786</u>	<u>475,638,946</u>	<u>467,600,441</u>	<u>474,754,695</u>	<u>487,810,536</u>	<u>458,136,373</u>	<u>424,534,720</u>	<u>389,270,723</u>
Legal debt margin	\$ 597,041,416	\$ 615,256,387	\$ 603,835,155	\$ 617,897,711	\$ 644,885,094	\$ 658,433,131	\$ 652,572,106	\$ 683,673,272	\$ 730,653,880	\$ 771,415,174
Total net debt applicable to the limit as a percentage to debt limit	<u>42.10 %</u>	<u>41.86 %</u>	<u>43.79 %</u>	<u>43.50 %</u>	<u>42.03 %</u>	<u>41.90 %</u>	<u>42.78 %</u>	<u>40.12 %</u>	<u>36.75 %</u>	<u>33.54 %</u>

	Legal Debt Margin Calculation for Fiscal Year 2012		
	2010	2011	Total
Total general funds	\$ 511,182,663	\$ 527,121,126	\$1,555,091,837
Less required deduction rental and sinking fund reimbursement	<u>(2,606,558)</u>	<u>(2,225,365)</u>	<u>(7,510,641)</u>
Total net general fund revenues	\$ 508,576,105	\$ 524,895,761	\$1,547,581,196
Average of three years			<u>\$ 515,860,399</u>
Multiply by 225% <sup>(1)</sup>			<u>225 %</u>

Debt limit  
Less total net debt applicable to limit

\$1,160,685,897  
(389,270,723)

Legal debt margin

\$ 771,415,174

<sup>(1)</sup> Act 177 of 1996 changed the borrowing calculation from 350% to 225% of average annual revenues

Source: School District of Pittsburgh, Finance Division

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population	Total Personal Income <sup>1</sup>	Per Capita Personal Income <sup>2</sup>	Median Age	School Enrollment <sup>3</sup>	Unemployment Rate <sup>4</sup>
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	338,533	87,003,015	36,530	36.0	29,902	5.00
2008	338,533	91,100,723	38,550	39.2	28,436	6.00
2009	338,533	97,006,591	41,206	36.6	27,922	8.00
2010	309,107	99,171,917	42,104	36.6	27,132	8.00
2011	309,107	99,610,767	42,298	35.0	26,652	6.60
2012	309,107	100,655,536	42,688	33.2	26,463	6.70
2013	309,107	112,990,235	47,862	33.2	25,906	6.20

### Sources:

<sup>1</sup> Bureau of Economic Analysis — two-year lag

<sup>2</sup> U.S. Bureau of Economic Analysis — two-year lag

<sup>3</sup> Includes Pre-K Students

<sup>4</sup> U.S. Department of Labor, Bureau of Labor Statistics

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## PRINCIPAL EMPLOYERS, PITTSBURGH METROPOLITAN STATISTICAL AREA 2013 AND NINE YEARS AGO

	2013			2004		
	Employees	Rank	Percentage of Total City Employment *	Employees	Rank	Percentage of Total City Employment *
University of Pittsburgh Medical Center	43,000	1	13.97 %	26,664	1	8.32 %
U.S. Government	18,328	2	5.96	19,404	2	6.06
Commonwealth of Pennsylvania	13,298	3	4.32	13,355	3	4.17
University of Pittsburgh	12,116	4	3.94	10,133	5	3.16
Giant Eagle, Inc.	11,119	5	3.61	5,706	10	1.78
West Penn Allegheny Health System	9,998	6	3.25	10,753	4	3.36
The Bank of New York Mellon	7,600	7	2.47	6,125	8	1.91
Allegheny County	6,728	8	2.19	5,480	11	1.71
Wal-Mart Stores	6,200	9	2.01	-		0.00
Westinghouse Electric Co.	5,600	10	1.82	3,000	22	0.94
Highmark, Inc.	5,400	11	1.75	5,416	12	1.69
United States Steel Corp	5,000	12	1.62	5,000	14	1.56
Eat 'N Park Hospitality Group	4,711	13	1.53	4,523	15	1.41

### Sources:

Pittsburgh Business Times 2005 Book of Lists  
Pittsburgh Business Times 2014 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.

^ Company did not make list in 2004

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## STUDENT MEMBERSHIP

### LAST TEN YEARS

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Elementary school <sup>#</sup>	15,254	14,975	15,864	15,363	14,667	12,268	12,081	11,828	11,906	11,815
Middle school	6,655	6,088	4,001	3,825	3,658	5,674	5,555	5,654	5,466	5,439
Secondary school	10,381	9,719	9,247	8,634	7,777	7,617	7,166	7,054	6,912	6,652
Special education	371	366	333	443	547	564	524	495	565	619
Pre-K/Headstart*		1,381	1,452	1,637	1,787	1,799	1,806	1,621	1,614	1,381
Total	32,661	32,529	30,897	29,902	28,436	27,922	27,132	26,652	26,463	25,906

\* The 2005-2006 school year was the first year Pre-K/Headstart was utilized in calculating student membership.

<sup>#</sup> 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 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of schools:										
Elementary	57	53	39	39	39	39	38	38	34	34
Junior/middle	19	18	11	11	11	9	7	7	7	7
Senior	12	11	11	11	12	14	14	11	9	9
Special	5	4	4	4	4	4	4	4	3	3
Total public schools	93	86	65	65	66	66	63	60	53	53
Number of charter schools <sup>(1)</sup>	17	21	23	22	24	24	25	25	26	26
Total	110	107	88	87	90	90	88	85	79	79
School enrollment:										
Elementary	15,254	14,975	15,864	15,363	14,667	12,268	12,081	11,828	11,906	11,815
Junior/middle	6,655	6,088	4,001	3,825	3,658	5,674	5,555	5,654	5,466	5,439
Senior/special/vocational	10,381	9,719	9,247	8,634	7,777	7,617	7,166	7,054	6,912	6,652
Special	371	366	333	443	547	564	524	495	565	619
Pre-K	0	1,381	1,452	1,637	1,787	1,799	1,806	1,621	1,614	1,381
Total public schools	32,661	32,529	30,897	29,902	28,436	27,922	27,132	26,652	26,463	25,906
Charter schools	1,626	2,083	2,087	2,023	2,467	2,945	3,117	2,971	3,306	3,498
Total	34,287	34,612	32,984	31,925	30,903	30,867	30,249	29,623	29,769	29,404
Number of public high school graduates	1,945	1,963	1,908	1,744	1,818	1,676	1,726	1,553	1,588	1,571
Number of high school charter graduates <sup>(2)</sup>	33	47	153	205	245	264	297	285	310	348
Total number of high school graduates	1,978	2,010	2,061	1,949	2,063	1,940	2,023	1,838	1,898	1,919

<sup>(1)</sup> Includes all charter and cyber charter schools attended by Pittsburgh students.

<sup>(2)</sup> 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 <sup>1</sup>	Enrollment *	Cost Per Pupil	Percentage Change	Expenses <sup>2</sup>	Cost Per Pupil	Change	Teaching Staff *	Pupil Teacher Ratio	Student Attendance % *
2003	\$ 483,559,793	34,619	\$ 13,968	8.43	\$ 543,259,638	\$ 15,779	6.55	2,862	12	89.70
2004	534,168,605	32,661	16,355	17.09	589,014,133	18,034	14.29	2,790	12	89.60
2005	539,768,197	32,529	16,593	1.46	583,922,426	17,951	(0.46)	2,722	12	90.00
2006	554,739,286	30,897	17,954	8.20	603,746,651	19,541	8.86	2,555	12	91.30
2007	553,668,371	29,902	18,516	3.13	615,779,554	20,593	5.39	2,466	12	91.40
2008	555,200,481	28,436	19,525	5.45	613,949,726	21,591	4.84	2,303	12	90.90
2009	549,868,483	27,922	19,693	0.86	625,067,159	22,484	3.60	2,315	12	91.10
2010	561,258,073	27,132	20,686	5.04	630,123,564	23,224	3.74	2,259	12	91.70
2011	564,411,811	26,652	21,177	2.37	622,967,632	23,374	0.64	2,196	12	93.10
2012	544,871,394	26,463	20,590	(2.77)	621,796,417	23,497	0.52	1,901	14	92.20
2013	537,973,022	25,906	20,766	0.86	597,622,869	23,179	(1.35)	1,942	13	92.80

\* Enrollment based on start of school year census. Teaching staff are full-time equivalents and include academic coaches. Attendance is a yearly average.

<sup>1</sup> Based on fund-level financial reports — total expenditures, less capital outlay, less debt service

<sup>2</sup> Based on government-wide financial reports

Sources: School District of Pittsburgh, Finance Division, Student Information Department

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## TOTAL NUMBER OF EMPLOYEES LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Administration:</b>										
Officials, administrators, and managers	80	70	74	84	87	106	108	93	101	102
Legal services	4	4	3	3	2	2	2	2	2	1
Clerical and other nonprofessional	705	726	691	659	661	652	585	561	562	549
<b>Total administration</b>	<b>789</b>	<b>800</b>	<b>768</b>	<b>746</b>	<b>750</b>	<b>760</b>	<b>695</b>	<b>656</b>	<b>665</b>	<b>652</b>
<b>Instruction:</b>										
Principals	91	91	73	75	72	73	73	77	62	66
Supervisors and assistant principals	66	57	68	64	50	40	34	25	23	19
Teachers	2,790	2,722	2,555	2,466	2,303	2,315	2,166	2,196	1,896	1,942
Librarians	69	65	56	52	48	45	40	35	24	20
Professionals and support staff	769	738	701	694	651	688	599	522	423	413
<b>Total instruction</b>	<b>3,785</b>	<b>3,673</b>	<b>3,453</b>	<b>3,351</b>	<b>3,124</b>	<b>3,161</b>	<b>2,912</b>	<b>2,855</b>	<b>2,428</b>	<b>2,460</b>
<b>Pupil affairs:</b>										
Directors and coordinators	11	10	9	8	8	1	1	1	0	
Attendance personnel	67	66	62	54	53	53	51	47	38	40
Guidance and psychological personnel	166	170	160	154	150	147	138	126	121	121
<b>Total pupil affairs</b>	<b>244</b>	<b>246</b>	<b>231</b>	<b>216</b>	<b>211</b>	<b>201</b>	<b>190</b>	<b>174</b>	<b>159</b>	<b>161</b>
<b>Health services:</b>										
Nurses and health worker	38	39	35	35	35	37	35	40	39	41
Dentist and hygienists	3	3	3	3	3	3	3	3	3	3
<b>Total health services</b>	<b>41</b>	<b>42</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>40</b>	<b>38</b>	<b>43</b>	<b>42</b>	<b>44</b>
<b>Operation and maintenance:</b>										
Supervisors	14	14	13	13	13	14	13	12	11	11
Operation and maintenance	436	433	406	383	374	375	367	347	338	329
<b>Total operation and maintenance</b>	<b>450</b>	<b>447</b>	<b>419</b>	<b>396</b>	<b>387</b>	<b>389</b>	<b>380</b>	<b>359</b>	<b>349</b>	<b>340</b>
<b>Food service:</b>										
Director	1	1	1	1	1	1	1	-	1	1
Salaried employees	217	204	184	165	148	159	155	144	126	116
<b>Total food service</b>	<b>218</b>	<b>205</b>	<b>185</b>	<b>166</b>	<b>149</b>	<b>160</b>	<b>156</b>	<b>144</b>	<b>127</b>	<b>117</b>
<b>Total</b>	<b>5,527</b>	<b>5,413</b>	<b>5,094</b>	<b>4,913</b>	<b>4,659</b>	<b>4,711</b>	<b>4,371</b>	<b>4,231</b>	<b>3,770</b>	<b>3,774</b>

Source: District PeopleSoft HR

## SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

### TEACHER'S BASE SALARY ANNUAL SCHOOL YEAR SALARY LAST TEN FISCAL YEARS

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Year	Minimum Salary <sup>(1)</sup>	Median Salary	Maximum Salary <sup>(2)</sup>
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
2011	38,120	61,260	84,400
2012	38,620	62,260	85,900
2013	39,120	63,260	87,400

- (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: School District of Pittsburgh, Human Resource Department

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## BUILDING FUNCTIONAL AND EDUCATIONAL CAPACITY

### LAST TEN FISCAL YEARS

Instruction and instruction student support

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Elementary</b>										
Total schools	57	53	39	39	39	39	38	38	34	34
Total square footage	3,424,933	3,237,113	2,437,759	2,604,660	2,832,147	2,832,147	2,510,350	2,385,823	2,289,330	2,289,330
Enrollment	15,254	14,975	15,363	15,363	14,667	12,268	11,828	11,828	11,906	11,815
Functional capacity <sup>1</sup>	20,366	22,957	21,275	19,010	19,541	19,801	19,374	20,727	20,185	20,185
Educational Capacity <sup>2</sup>	23,033	25,165	22,362	21,337	22,526	22,849	22,341	21,327	21,327	21,327
Percentage of capacity used	88 %	91 %	92 %	89 %	87 %	87 %	87 %	97 %	95 %	95 %
<b>Middle</b>										
Total schools	19	18	11	11	11	9	7	7	7	7
Total square footage	2,208,862	2,159,190	1,361,692	997,758	758,565	557,300	868,508	868,508	768,525	768,525
Enrollment	6,655	6,088	4,001	3,825	3,658	5,674	5,555	5,555	5,466	5,439
Functional capacity <sup>1</sup>	9,943	9,943	5,120	4,772	4,866	3,783	3,333	3,924	3,992	3,992
Percentage of capacity used	92 %	92 %	94 %	91 %	87 %	88 %	88 %	103 %	105 %	136 %
<b>Secondary</b>										
Total schools	12	11	11	11	12	14	14	11	9	10
Total square footage	3,291,084	3,066,060	3,066,060	2,835,475	2,928,974	3,092,014	2,868,961	2,868,961	2,244,716	2,244,706
Enrollment	10,381	9,719	9,247	8,634	7,777	7,617	7,166	7,054	6,912	6,652
Functional capacity <sup>1</sup>	11,802	12,032	12,460	12,032	12,391	13,934	13,934	15,017	11,536	11,536
Percentage of capacity used	91 %	91 %	98 %	91 %	87 %	86 %	86 %	95 %	73 %	58 %
<b>Special</b>										
Total schools	5	4	4	4	4	4	4	4	3	3
Total square footage	211,722	211,722	211,722	211,722	313,960	313,960	400,499	400,499	436,754	436,754
Enrollment	371	366	333	443	547	564	524	495	565	619
Functional capacity <sup>1</sup>	668	668	668	668	576	576	576	518	746	746
Percentage of capacity used	50 %	50 %	50 %	50 %	43 %	43 %	43 %	39 %	56 %	83 %
<b>Pre-K and Headstart</b>										
Enrollment	1,381	1,452	1,637	1,787	1,787	1,799	1,806	1,621	1,614	1,381
Functional capacity <sup>1</sup>	N/A	N/A	796	740	940	940	940	1,085	914	914
Percentage of capacity used	N/A	N/A	91 %	85 %	93 %	93 %	93 %	107 %	90 %	151 %
<b>Administrative and financial support service</b>										
Total buildings	2	2	2	3	3	3	2	2	1	1
Total square footage	129,345	129,345	129,345	390,600	390,600	390,600	156,678	156,778	110,100	110,100
<b>Operation and maintenance of plant services</b>										
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
<b>Food service</b>										
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
<b>Grand total all buildings</b>										
Total buildings	97	90	69	69	70	71	67	64	56	57
Total square footage	9,423,746	8,961,230	7,364,378	6,936,760	7,120,791	7,343,821	6,962,796	6,838,369	6,007,215	6,007,215
Enrollment	32,661	32,529	29,902	28,436	28,436	27,922	27,132	26,652	26,463	25,906
Functional capacity <sup>1</sup>	42,779	45,000	40,319	37,222	38,314	38,665	38,157	38,665	41,271	37,373
Educational Capacity <sup>2</sup>	48,119	50,491	43,622	41,971	44,720	42,426	44,691	43,246	43,246	43,246
Percentage of capacity used	68 %	64 %	71 %	71 %	64 %	61 %	61 %	62 %	61 %	61 %

<sup>1</sup>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

<sup>2</sup>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 classrooms. Gymnasiums, computer labs, shops and other spaces where safety or vandalism is a concern, are not considered for classrooms. There is no information to report on Educational Capacity beginning year 2013

Source: School District of Pittsburgh, Facilities Division

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
101	ARLINGTON ELEMENTARY SCHOOL	83.95 %	82.87 %	88.19 %	88.21 %	88.02 %	86.56 %	86.12 %	86.13 %	79.17 %	82.81 %
102	ALLEGHENY TRADITIONAL ELEMENTARY	71.92	71.94	77.17	77.36	78.41	80.90	82.95	83.81	84.12	86.51
103	BANKSVILLE ELEMENTARY SCHOOL	37.26	38.86	46.25	50.00	60.98	62.10	54.09	51.33	59.65	89.35
105	BEECHWOOD ELEMENTARY SCHOOL	51.06	57.00	61.44	63.64	70.41	74.93	67.13	69.61	66.21	68.77
108	**ARSENAL ELEMENTARY SCHOOL			85.94	77.57	88.35	83.90	85.65	81.70	78.07	75.39
109	*BON AIR ELEMENTARY SCHOOL	65.52	71.28								
110	BROOKLINE ELEMENTARY SCHOOL	50.95	50.53	53.26	58.38	61.35	59.34	59.60	60.34	63.09	67.85
111	*BURGWIN ELEMENTARY SCHOOL	90.71	92.16								
112	CARMALT ACAD. OF SCIENCE AND TECHNOLOGY	57.26	66.50	68.06	69.49	68.27	68.72	65.35	68.69	73.69	75.63
114	*CHATHAM ELEMENTARY SCHOOL	95.51	93.44								
116	COLFAX ELEMENTARY SCHOOL	52.84	37.06	38.22	34.88	34.54	34.01	30.70	32.49	35.44	43.76
117	*CLAYTON ELEMENTARY SCHOOL	90.86	90.10								
118	CONCORD ELEMENTARY SCHOOL	49.49	57.33	56.77	60.90	67.82	63.99	61.31	65.57	73.67	84.23
121	*CRESCENT ELEMENTARY SCHOOL	91.82	92.69								
121	#**HELEN S. FAISON INTERMEDIATE SCHOOL			88.20	86.54	87.35	90.56	86.06			
123	*MCCLEARY ELEMENTARY SCHOOL	91.78	97.37								
131	#FORT PITT ELEMENTARY SCHOOL	98.25	98.46	95.19	97.20	96.96	93.36	89.25	85.80		
133	*FRIENDSHIP ELEMENTARY SCHOOL	85.48	89.91								
134	FULTON ACA OF GEO & LIFE SCIENCES	88.48	82.35	82.37	84.06	87.66	89.97	87.13	85.67	77.38	82.89
136	GRANDVIEW ELEMENTARY SCHOOL	78.08	79.84	83.01	85.37	89.84	90.44	88.76	86.15	75.29	80.51
137	GREENFIELD ELEMENTARY SCHOOL	55.24	59.12	65.14	66.50	70.90	70.62	59.54	66.95	70.62	69.21
141	HOMESWOOD MONTESSORI ELEM. SCHOOL	49.77	52.07	54.41	54.55	54.95	53.85	53.26	58.36	59.60	63.16
142	HELEN S. FAISON PRIMARY SCHOOL	87.53	88.04	86.98	90.57	93.28	87.61	84.73	81.87	78.24	86.15
143	*KNOXVILLE ELEMENTARY SCHOOL	96.33	98.62								
140	#LANGLEY K-8									84.94	87.45
145	*LEMINGTON ELEMENTARY SCHOOL	91.74	93.85								
145	**LINCOLN INTERMEDIATE SCHOOL			88.07	85.90	89.90	91.71	89.25			
147	LIBERTY ELEMENTARY SCHOOL	42.23	43.22	41.78	46.08	46.23	52.71	52.23	61.19	69.60	69.70
148	LINCOLN ELEMENTARY SCHOOL	92.86	92.11	89.58	85.84	94.68	93.16	90.19	83.48	82.13	88.98
149	LINDEN ELEMENTARY SCHOOL	33.84	37.28	37.40	35.81	40.58	44.89	48.09	54.83	61.38	70.60

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
150	*MADISON ELEMENTARY SCHOOL	82.22 %	87.10 %	- %	- %	- %	87.15	84.77	84.53	- %	- %
151	MANCHESTER ELEMENTARY SCHOOL	84.51	91.32	94.17	89.86	90.39	- %	- %	- %	81.71	88.93
152	*MANN ELEMENTARY SCHOOL	86.31	93.09	- %	- %	- %	- %	- %	- %	- %	- %
153	MIFFLIN ELEMENTARY SCHOOL	37.18	41.34	55.68	56.36	54.20	60.25	60.44	63.17	66.07	72.29
154	MILLER ELEMENTARY SCHOOL	77.36	85.47	91.64	87.01	89.49	92.13	93.25	87.65	81.92	88.38
155	MINADEO ELEMENTARY SCHOOL	32.23	36.47	51.53	57.29	58.48	54.93	50.18	55.94	61.77	70.22
156	*MORNINGSIDE ELEMENTARY SCHOOL	76.89	79.80	- %	- %	- %	- %	- %	- %	- %	- %
157	MORROW ELEMENTARY SCHOOL	67.31	74.59	76.71	77.59	84.03	85.53	85.42	80.16	73.49	83.31
160	#MURRAY ELEMENTARY SCHOOL	92.23	94.59	94.48	96.14	94.59	89.78	88.03	79.04	- %	- %
161	DIL WORTH TRADITIONAL ACADEMY	72.56	71.66	75.14	75.43	74.85	73.61	74.69	73.49	75.45	75.11
164	#NORTHVIEW ELEMENTARY ACADEMY	94.04	91.58	97.72	95.21	98.21	95.10	87.94	86.80	- %	- %
168	PHILLIPS ELEMENTARY SCHOOL	61.11	63.10	64.16	67.12	66.55	68.23	59.32	63.69	63.39	66.11
170	*PROSPECT ELEMENTARY SCHOOL	84.33	83.72	- %	- %	- %	- %	- %	- %	- %	- %
172	ROOSEVELT ELEMENTARY SCHOOL (NEW)	58.28	66.76	67.14	69.82	75.72	77.03	77.14	75.38	70.65	77.08
174	#SCHAEFFER ELEMENTARY SCHOOL (PRIMARY)	63.24	63.83	79.71	90.50	92.55	88.52	81.59	80.49	- %	- %
176	*SHERADEN ELEMENTARY SCHOOL	84.80	89.47	- %	- %	- %	- %	- %	- %	- %	- %
176	#**SCHAEFFER INTERMEDIATE SCHOOL	- %	- %	88.05	92.19	91.05	91.72	92.22	85.93	- %	- %
178	SPRING HILL ELEMENTARY SCHOOL	84.56	87.60	89.53	87.77	88.97	89.31	89.10	81.40	80.95	84.46
180	#STEVENS ELEMENTARY SCHOOL	83.71	92.18	91.25	86.45	92.40	87.42	81.36	76.16	- %	- %
181	SUNNYSIDE ELEMENTARY SCHOOL	65.82	71.13	80.48	76.38	82.27	81.38	79.12	80.27	77.36	84.55
183	++VANN ELEMENTARY SCHOOL	82.70	96.32	93.36	87.01	89.92	92.53	- %	- %	- %	- %
184	WEIL TECHNOLOGY INSTITUTE	83.65	91.37	85.75	86.28	86.97	89.02	93.21	87.83	85.78	85.00
185	WEST LIBERTY ELEMENTARY SCHOOL	45.85	44.88	44.53	44.24	48.97	48.56	49.81	62.67	62.62	63.57
186	WESTWOOD ELEMENTARY SCHOOL	59.94	67.53	66.40	66.88	73.26	71.55	76.00	77.00	77.97	82.75
187	WHITTIER ELEMENTARY SCHOOL	56.55	61.19	77.46	77.13	81.68	82.67	75.63	68.67	60.25	68.63
189	WOOLSLAIR ELEMENTARY	90.43	91.25	92.16	89.05	88.70	86.55	82.47	79.63	80.12	90.18
192	*EAST HILLS ELEMENTARY SCHOOL	73.33	80.42	- %	- %	- %	- %	- %	- %	- %	- %
195	M L KING ELEMENTARY SCHOOL	94.83	95.41	89.31	88.47	88.39	88.99	89.69	83.63	76.54	87.94
TOTAL ELEMENTARY SCHOOLS		70.93 %	72.75 %	73.82 %	73.29 %	75.44 %	74.65 %	72.11 %	71.51 %	71.25 %	76.76 %

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
204	ALLEGHENY TRADITIONAL MIDDLE SCHOOL	77.00 %	79.62 %	79.87 %	81.85 %	80.00 %	80.07 %	83.38 %	81.37 %	84.18 %	87.70 %
205	SOUTH HILLS MIDDLE SCHOOL	46.30	54.60	65.33	70.64	73.53	75.05	72.25	72.34	76.32	80.38
208	*COLUMBUS MIDDLE SCHOOL	89.46	90.81								
210	ARTHUR J. ROONEY MIDDLE SCHOOL	79.94	79.78	89.52	92.49	87.38	83.13				
211	*MILLIONES MIDDLE SCHOOL	88.73	95.21								
212	*KNOXVILLE MIDDLE SCHOOL	94.95	97.22								
215	PITTSBURGH CLASSICAL ACADEMY MIDDLE SCHOOL	56.36	62.28	61.24	62.57	63.49	72.67	78.72	79.70	76.64	72.87
219	UNIVERSITY PREP MIDDLE (6-8)							88.32			
221	*PROSPECT MIDDLE SCHOOL	79.78	84.65								
232	*STUDENT ACHIEVEMENT MIDDLE CENTER	46.56	52.51	55.60	60.53	61.96		59.56	66.75	73.51	74.70
234	*STUDENT ACHIEVEMENT MIDDLE CENTER			79.10	88.14	83.33		96.15	80.00	84.21	97.44
250	SOUTH BROOK MIDDLE SCHOOL	52.55	53.58	52.82	59.95	62.65	60.05	62.91	67.51	68.60	72.75
272	ROGERS CAPA MIDDLE SCHOOL	38.91	43.42	38.49	40.45	68.04		34.23	32.74	35.09	34.01
275	SCHILLER CLASSICAL ACADEMY	63.61	75.32	75.41	78.35	81.74	86.05	85.83	87.45	89.91	90.32
279	STERRETT CLAS AC MIDDLE SCHOOL	40.98	47.97	52.02	46.55	62.50	63.13	69.54	68.83	76.03	76.57
290	*WASHINGTON POLYTECHNIC ACADEMY	80.80	83.86								
297	*REIZENSTEIN MIDDLE SCHOOL	85.45	86.76								
298	ARSENAL MIDDLE SCHOOL	91.33	90.99	90.20	94.16	94.24	90.49	83.47	86.05	88.46	91.85
299	*GREENWAY MIDDLE SCHOOL	81.62	85.59								
TOTAL MIDDLE SCHOOLS		69.74 %	72.28 %	65.97 %	68.38 %	72.19 %	74.49 %	70.66 %	70.31 %	72.98 %	74.20 %
301	ALLDERDICE HIGH SCHOOL	0.27	0.29	0.32	0.33	0.39	0.42	0.40	0.47	0.52	0.52
304	PGH HS CRT/PRFM ARTS	22.15	24.48	24.86	25.85	26.81	30.77	30.39	33.76	36.93	37.87
305	CARRICK HIGH SCHOOL	55.61	59.46	60.00	62.54	72.30	74.45	73.58	72.59	77.79	78.76
306	+ SCIENCE AND TECHNOLOGY ACADEMY						67.77	64.85	62.41	62.00	63.10
309	***PITTSBURGH UNIVERSITY PREP						80.71	74.53	80.14	81.77	86.84
312	*BARACK OBAMA IB 9-12							47.86	52.76	56.33	63.06
313	#LANGLEY HIGH SCHOOL	58.40	60.00	67.57	68.47	79.67	79.17	75.89	72.58		
317	#HOLIVER HIGH SCHOOL	69.76	73.88	77.06	73.30	77.07	79.27	75.98	74.43		
318	PEABODY HIGH SCHOOL	68.78	68.65	72.28	69.78	75.92	78.79	73.14			
319	PERRY TRAD AC HIGH SCHOOL	47.46	50.81	55.74	59.69	65.35	67.20	69.30	80.50	86.05	88.35
322	SCHENLEY HIGH SCHOOL	44.96	49.88	49.35	53.42	54.33	55.80	54.65			
327	WESTINGHOUSE HIGH SCHOOL	68.91	72.92	77.28	80.97	89.69	84.39	82.39			
329	BRASHEAR HIGH SCHOOL	42.70	48.08	49.23	51.09	58.83	60.40	59.59	63.00	78.28	84.43
332	**STUDENT ACHIEVEMENT CENTER			67.91	63.26	73.47	81.22	77.18	74.71	67.69	76.70
332	*LETSCHE EDUCATION CENTER	65.69	63.72							79.27	86.99
TOTAL HIGH SCHOOLS		49.06 %	51.68 %	53.28 %	54.44 %	60.56 %	61.81 %	60.07 %	64.08 %	66.86 %	69.75 %

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
335	**CLAYTON ACADEMY (CEP)										
336	^ BRIDGES TO SUCCESS AT CLAYTON										
419	CONROY TMR CTR										
446	MERCY BEHAVIORAL HEALTH										
463	MCNAUGHER SPEC. ED. CTR./OLIVER CITYWIDE ACADEMY										
337	**PITTSBURGH ONLINE ACADEMY										
469	PIONEER CENTER										
TOTAL SPECIAL SCHOOLS											
TOTAL DISTRICT FREE/REDUCED PERCENTAGE											

• 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  
 ++ School closed in 2010 fiscal plan  
 # School Closed in 2012 Fiscal Plan  
 ## New School/Program started in 2012 Fiscal Year  
 Source: School District of Pittsburgh Finance Division

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# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2013

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2014 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Refunding Series 2002	2/5/2002	\$ 51,505,000	\$ 5,075,000	\$1,805,000 in 2014	5.38 %	\$ 272,781	\$ 1,805,000
				\$1,895,000 in 2015	5.38		
				\$1,375,000 in 2016	5.38		
General Obligation Bonds, Refunding Series 2002A	6/1/2002	78,830,000	54,450,000	\$12,780,000 in 2014	5.50	2,989,850	12,780,000
				\$11,990,000 in 2015	4.25		
				\$11,030,000 in 2016	5.50		
				\$11,245,000 in 2017	5.50		
				\$7,405,000 in 2018	5.50		
General Obligation Bonds, Series B of 2004	10/28/2004	45,735,000	4,400,000	\$2,070,000 in 2014	5.00	185,050	2,070,000
				\$2,330,000 in 2015	3.50		
General Obligation Bonds, Refunding Series 2004	2/24/2004	39,885,000	2,060,000	\$2,060,000 in 2014	3.50	36,050	2,060,000
General Obligation Bonds, Refunding Series A of 2005	12/21/2004	20,175,000	7,995,000	\$50,000 in 2014	3.65	299,715	50,000
				\$2,360,000 in 2015	3.50		
				\$2,670,000 in 2016	3.80		
				\$2,770,000 in 2017	3.90		
				\$145,000 in 2018	4.00		

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2013

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2014 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series B of 2005	11/1/2005	\$ 38,105,000	\$ 8,900,000	\$285,000 in 2014	4.00 %	\$ 385,541	\$ 285,000
				\$5,000 in 2015	4.00		
				\$5,000 in 2016	4.00		
				\$5,000 in 2017	4.00		
				\$1,265,000 in 2022	4.25		
				\$2,420,000 in 2023	4.30		
				\$2,165,000 in 2024	4.38		
				\$2,750,000 in 2025	4.40		
General Obligation Bonds, Series B of 2006	11/30/2006	53,335,000	38,905,000	\$2,295,000 in 2014	5.00	1,694,263	2,295,000
				\$2,410,000 in 2015	5.00		
				\$2,530,000 in 2016	5.00		
				\$2,660,000 in 2017	4.00		
				\$2,765,000 in 2018	4.00		
				\$2,875,000 in 2019	4.10		
				\$2,995,000 in 2020	4.13		
				\$3,115,000 in 2021	4.20		
				\$3,250,000 in 2022	4.25		
				\$3,385,000 in 2023	4.25		
				\$3,530,000 in 2024	4.30		
				\$3,680,000 in 2025	4.35		
				\$3,415,000 in 2026	4.38		

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2013

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2014 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series of 2007	11/27/2007	\$ 40,235,000	\$ 29,545,000	\$1,615,000 in 2014	4.00 %	\$ 1,279,808	\$ 1,615,000
				\$1,715,000 in 2015	5.00		
				\$1,805,000 in 2016	5.00		
				\$1,895,000 in 2017	5.00		
				\$1,990,000 in 2018	5.00		
				\$2,085,000 in 2019	4.00		
				\$2,170,000 in 2020	4.00		
				\$2,255,000 in 2021	4.00		
				\$2,345,000 in 2022	4.10		
				\$2,445,000 in 2023	4.13		
				\$2,545,000 in 2024	4.13		
				\$2,650,000 in 2025	4.20		
				\$2,760,000 in 2026	4.25		
				\$1,270,000 in 2027	4.25		
General Obligation Bonds, Refunding Series A of 2009	10/27/2009	28,570,000	17,240,000	\$2,755,000 in 2014	3.00	694,000	2,755,000
				\$2,840,000 in 2015	4.00		
				\$2,955,000 in 2016	4.00		
				\$3,070,000 in 2017	4.00		
				\$3,195,000 in 2018	5.00		
				\$2,425,000 in 2019	4.00		

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2013

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2014 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds Refunding Series A of 2010	11/18/2010	\$ 30,975,000	\$ 30,740,000	\$0 in 2014	3.00 %	\$ 1,463,550	\$
				\$3,380,000 in 2015	4.00		
				\$3,455,000 in 2016	5.00		
				\$3,575,000 in 2017	5.00		
				\$3,965,000 in 2018	4.00		
				\$3,890,000 in 2019	5.00		
				\$4,080,000 in 2020	5.00		
				\$4,360,000 in 2021	5.00		
				\$4,035,000 in 2022	5.00		
General Obligation Bonds Refunding Series B of 2010	11/18/2010	6,660,000	6,645,000	\$5,000 in 2014	1.50	332,075	5,000
				\$1,575,000 in 2015	5.00		
				\$1,635,000 in 2016	5.00		
				\$1,690,000 in 2017	5.00		
				\$1,740,000 in 2018	5.00		

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2013

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest		2014 Maximum Debt Service Requirements	
					Remaining Interest	Interest	Principal	
General Obligation Bonds Series C of 2010	11/18/2010	\$ 6,000,000	\$ 5,440,000	\$255,000 in 2014	2.00 %	\$ 176,574	\$ 255,000	
				\$260,000 in 2015	2.00			
				\$265,000 in 2016	2.00			
				\$270,000 in 2017	2.30			
				\$275,000 in 2018	2.50			
				\$285,000 in 2019	2.70			
				\$290,000 in 2020	3.00			
				\$300,000 in 2021	3.10			
				\$310,000 in 2022	3.25			
				\$320,000 in 2023	3.63			
				\$330,000 in 2024	3.63			
				\$345,000 in 2025	3.63			
				\$360,000 in 2026	3.63			
				\$370,000 in 2027	4.00			
				\$385,000 in 2028	4.00			
				\$400,000 in 2029	4.00			
				\$420,000 in 2030	4.00			
General Obligation Bonds Refunding Series of 2011	10/31/2011	9,995,000	9,475,000	\$0 in 2014	2.00	259,703		
				\$0 in 2015	2.00			
				\$5,000 in 2016	1.50			
				\$135,000 in 2017	1.70			
				\$140,000 in 2018	2.05			
				\$140,000 in 2019	2.25			
				\$765,000 in 2020	2.50			
				\$2,725,000 in 2021	2.65			
				\$2,790,000 in 2022	2.75			
				\$2,775,000 in 2023	3.00			

(Continued)



# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2013

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2014 Maximum Debt Service Requirements	
						Remaining Interest	Principal
General Obligation Bonds Refunding Series A of 2012	4/10/2012	\$ 71,130,000	\$ 65,735,000	\$4,855,000 in 2014	3.00 %	\$ 2,771,700	\$ 4,855,000
				\$1,915,000 in 2015	3.00		
				\$4,555,000 in 2016	5.00		
				\$4,785,000 in 2017	4.00		
				\$7,985,000 in 2018	4.00		
				\$14,095,000 in 2019	4.00		
				\$11,100,000 in 2020	4.00		
				\$7,145,000 in 2021	5.00		
				\$2,975,000 in 2022	5.00		
				\$3,130,000 in 2023	5.00		
	\$3,195,000 in 2024	5.00					
General Obligation Bonds Series of B 2012	4/10/2012	5,000,000	4,575,000	\$435,000 in 2014	3.00	178,850	435,000
				\$445,000 in 2015	3.00		
				\$465,000 in 2016	5.00		
				\$485,000 in 2017	4.00		
				\$505,000 in 2018	4.00		
				\$525,000 in 2019	4.00		
				\$550,000 in 2020	4.00		
				\$570,000 in 2021	4.00		
				\$595,000 in 2022	4.00		
Total General Obligation Bonds payable						\$ 13,019,510	\$ 31,265,000

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2013

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2014 Maximum Debt Service Requirements	
						Interest	Principal
Taxable General Obligation Bonds							
Qualified Zone Academy Bonds, Series of 2001	12/28/2001	\$ 10,952,000	\$ 1,214,580	\$617,285 in 2014	-	\$ -	\$ 617,285
				\$597,295 in 2015			
Qualified Zone Academy Bonds, Series of 2006	11/21/2006	5,608,000	3,304,981	\$347,413 in 2014	1.38	45,609	347,413
				\$352,207 in 2015	1.38		
				\$357,067 in 2016	1.38		
				\$361,995 in 2017	1.38		
				\$366,990 in 2018	1.38		
				\$372,055 in 2019	1.38		
Build America Bonds, Series B of 2009	10/27/2009	42,535,000	42,535,000	\$377,189 in 2020	1.38	2,405,092	
				\$382,394 in 2021	1.38		
				\$387,671 in 2022	1.38		
				\$3,325,000 in 2020	5.00		
				\$3,495,000 in 2021	5.10		
				\$3,670,000 in 2022	5.20		
				\$3,865,000 in 2023	5.20		
				\$4,065,000 in 2024	5.20		
				\$4,275,000 in 2025	6.04		
				\$4,535,000 in 2026	6.04		
				\$4,805,000 in 2027	6.04		
				\$5,100,000 in 2028	6.04		
				\$5,400,000 in 2029	6.04		

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2013

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2014 Maximum Debt Service Requirements	
						Interest	Principal
Qualified School Construction Bonds, Series D of 2010	12/7/2010	\$ 19,520,000	\$ 16,960,000	\$1,060,000 in 2014	6.85 %	\$ 1,337,120	\$ 1,060,000
				\$1,060,000 in 2015	6.85		
				\$1,060,000 in 2016	6.85		
				\$1,060,000 in 2017	6.85		
				\$1,060,000 in 2018	6.85		
				\$1,060,000 in 2019	6.85		
				\$1,060,000 in 2020	6.85		
				\$1,060,000 in 2021	6.85		
				\$1,060,000 in 2022	6.85		
				\$1,060,000 in 2023	6.85		
				\$1,060,000 in 2024	6.85		
				\$1,060,000 in 2025	6.85		
				\$1,060,000 in 2026	6.85		
				\$1,060,000 in 2027	6.85		
				\$1,060,000 in 2028	6.85		
				\$1,060,000 in 2029	6.85		
Total Taxable General Obligation Bonds						<u>\$ 3,787,821</u>	<u>\$ 2,024,698</u>

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2013

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest		2014 Maximum Debt Service Requirements	
					Remaining	Interest	Principal	
General Obligation Notes  Qualified School Construction Bonds, Series A of 2010 (SPSBA)	12/14/2010	\$ 9,578,000	\$ 8,248,235	\$549,882 in 2014	6.50 %	\$ 622,091	\$ 549,882	
				\$549,882 in 2015	6.50			
				\$549,882 in 2016	6.50			
				\$549,882 in 2017	6.50			
				\$549,882 in 2018	6.50			
				\$549,882 in 2019	6.50			
				\$549,882 in 2020	6.50			
				\$549,882 in 2021	6.50			
				\$549,882 in 2022	6.50			
				\$549,882 in 2023	6.50			
				\$549,882 in 2024	6.50			
				\$549,882 in 2025	6.50			
				\$549,882 in 2026	6.50			
			\$549,882 in 2027	6.50				
			\$549,882 in 2028	6.50				

(Continued)

# SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

## SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2013

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2014 Maximum Debt Service Requirements	
						Interest	Principal
Qualified Zone Academy Bonds, Series B of 2010 (SPSBA)	12/14/2010	\$ 13,972,000	\$ 12,037,059	\$802,471 in 2014	6.50 %	\$ 907,481	\$ 802,471
				\$802,471 in 2015	6.50		
				\$802,471 in 2016	6.50		
				\$802,471 in 2017	6.50		
				\$802,471 in 2018	6.50		
				\$802,471 in 2019	6.50		
				\$802,471 in 2020	6.50		
				\$802,471 in 2021	6.50		
				\$802,471 in 2022	6.50		
				\$802,471 in 2023	6.50		
				\$802,471 in 2024	6.50		
				\$802,471 in 2025	6.50		
				\$802,471 in 2026	6.50		
				\$802,471 in 2027	6.50		
				\$802,471 in 2028	6.50		
Total General Obligation Notes			\$ 20,285,294			\$ 1,529,573	\$ 1,352,353
Total General Obligation Bonds Payable			\$ 291,180,000			\$ 13,019,510	\$ 31,265,000
Total Taxable General Obligation Bonds			64,014,561			3,787,821	2,024,698
Total General Obligation Notes			20,285,294			1,529,573	1,352,353
Total outstanding			\$ 375,479,855			\$ 18,336,904	\$ 34,642,051

(Concluded)

## **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, Pennsylvania  
Pittsburgh, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Pittsburgh, Pennsylvania (the "District"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 25, 2014.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Deloitte & Touche LLP*

June 25, 2014





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**APPENDIX D**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**