



**School District
of Pittsburgh**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

*for the fiscal year ended
December 31, 2018*

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, 2018



Prepared by the Finance Division

Laura R. Cosharek

Director of Finance

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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INTRODUCTORY SECTION



June 27, 2019

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

Dear President Wrenn, Board Members, Superintendent Hamlet, 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, 2018, 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 Maher Duessel, 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, 2018, 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 unmodified opinion that the District’s financial statements for the fiscal year ended December 31, 2018, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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’s 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 2018-19 membership included 23,152 students (Pre-K to 12) attending 54 schools. The projected enrollment for 2019-20 is 22,091 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, 4,241 pupils residing in the city and boroughs attended 37 charter schools, including 10 approved by the District, 14 approved by other districts, and 12 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 2018 totaled \$82,647,967.

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 2015 with terms of office expiring in December 2019, while five Board members were elected in 2017 with terms of office expiring in December 2021. 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, include an accident and illness prevention program (risk management), as well as policies and programs for debt, fund balance, and investments (cash management). The chief administrative officer of the District is the Superintendent of Schools who is primarily responsible for implementing Board policy and generally overseeing all District employees.

The District's vision statement reads as follows:

All students will graduate high school being college, career and life-ready; prepared to complete a two- or four-year college degree or workforce certification.

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 are as follows:

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

Major Initiatives

Strategic Plan Rationale

Superintendent Hamlet wanted to ensure that the development of the Pittsburgh Public Schools (PPS) five-year strategic plan was comprehensive, authentic and took into account all points of view. Dr. Hamlet and his team followed a structured process that included a strong community engagement effort, a review of District data and a third party organizational assessment.

Engagement: Look, Listen and Learn Tour

During his *Look, Listen and Learn* tour, which launched on August 25, 2016, Dr. Hamlet visited the District's 54 schools, two Center Schools, and met with staff and held nine public listening sessions across the city. Four additional listening opportunities were provided to the Pittsburgh Federation of Teachers (PFT) union membership, principals, the faith-based community and high school students. At each session, participants were organized in small working groups and were asked how to answer three questions:

- What are assets of the District that must be sustained and preserved?
- What are areas in need of improvement as we look to the future?
- What programs or solutions do you think should be considered by the District in this process?

The same questions were provided in an online survey to gain additional feedback. Through this process, the District received input from more than 2,500 individuals. Each of the responses captured in a listening session or online were read and categorized, and those categories were combined into larger themes. The top themes were then used to create a strategic planning input survey. The survey was open for a little over 2 weeks. The survey was designed to provide an additional way for the District to prioritize the feedback from PPS Stakeholders and identify District assets and the top priority areas for improving student achievement. Over 1,000 individuals responded to the strategic planning input survey.

At the conclusion of the *Look, Listen and Learn* tour more than 3,500 constituents were engaged across schools and the Pittsburgh community. At the same time, District leadership conducted an in-depth analysis of student achievement data and other key indicators focused on the teaching and learning environment. These included student suspensions and the identification of gifted students and students with disabilities. The Council of the Great City Schools (CGCS) also conducted a third-party analysis in the following five areas:

- Organizational Structure and Staffing
- Curriculum/Instructional Programming and Alignment
- Budget and Business Services
- Data, Research, Evaluation and Assessment / Information Technology
- Disciplinary Procedures and Protocols

The information gathered through the *Look, Listen and Learn* tour, the data review and a third party analysis yielded the development of the District's 5-year Strategic Plan; *Expect Great Things* in April 2017. The strategic plan outlines four long-term outcomes:

- Increase student proficiency in literacy
- Increase student proficiency in math
- Equip all students with skills to succeed in college, career and life
- Eliminate racial disparity in achievement levels of African American students

Those four long-term outcomes will be achieved through the following four strategic themes and 18 strategic initiatives. The recommendations from CGCS and the full strategic plan are available at www.ppsstrategicplan.org.

District Assets

Pittsburgh Public Schools has several assets to build upon that emerged from stakeholder feedback, achievement data and third-party analysis.

Quality and Dedication of PPS Staff

Consistently, throughout the *Look, Listen and Learn* tour, and on the strategic plan input survey, the quality and dedication of PPS staff was a strength recognized by all stakeholders. In our 2017 annual parent survey results showed:

- 79% of parents would recommend their school to another family
- 83% of parents agree that “adults at this school care about your child.”

The Pittsburgh Promise

To be eligible for The Pittsburgh Promise, students must maintain at least a 2.5 GPA (or a 2.0 to attend community college) and attend school at least 90% of the time over the four years of high school. Parents and students alike appreciate and value the Pittsburgh Promise scholarship program. Since 2008, more than 8,000 Pittsburgh Public School students have benefited from the Promise.

SCHOOLS THAT ENROLLED AT LEAST ONE PERCENT OF ALL PROMISE SCHOLARS

Post-Secondary Institution	Number of Promise Scholars at this School	Percentage of Promise Scholars at this School
Community College of Allegheny County	1,852	22.69%
University of Pittsburgh, Oakland	689	8.44%
Point Park University	412	5.05%
Penn State University, University Park	405	4.96%
Slippery Rock University	386	4.73%
Indiana University of Pennsylvania	321	3.93%
Robert Morris University	308	3.77%
California University of Pennsylvania	297	3.64%
Carlow University	283	3.47%
Duquesne University	244	2.99%
Temple University	198	2.43%
Clarion University	181	2.22%
Edinboro University	159	1.95%
Penn State University, Greater Allegheny	152	1.86%
Chatham University	150	1.84%
LaRoche College	146	1.79%
University of Pittsburgh, Greensburg	128	1.57%
Bradford School	109	1.34%
Penn State University, Behrend	96	1.18%
Carnegie Mellon University	92	1.13%
Brightwood School	91	1.12%
University of Pittsburgh, Johnstown	86	1.05%
Pittsburgh Technical Institute	84	1.03%
Other Schools	1,292	15.83%

Citation: Iriti, J. & Long, C. (2017). Pittsburgh Promise Annual Report Analyses. Pittsburgh, PA: Learning Research and Development Center.

While our Scholars attended 135 different institutions, 23 schools enrolled more than 84% of our students. More than \$100 million in Promise scholarships has been invested in these 23 schools alone.

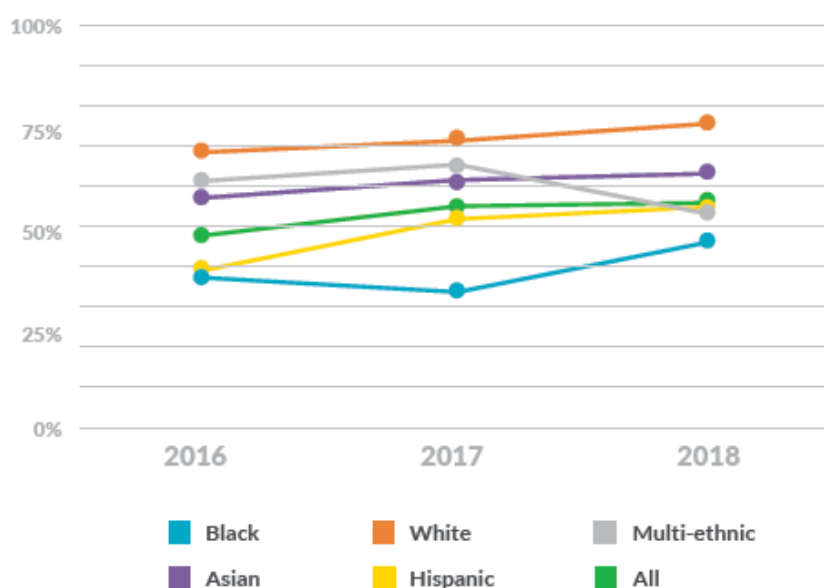
Opportunities

There are several areas that were identified as priority areas for improvement through stakeholder feedback, achievement data review and a third-party analysis completed by the Council of the Great City Schools (CGCS). The full report of the CGCS findings can be found at www.pps.k12.pa.us/CGCSreport.

Students Are Not Reading on Grade Level by Third Grade

Overall, more third graders across all subgroups, except for multi-ethnic students, are reading at grade level compared to 2016. Although improvements were displayed, 631 third graders did not score “Proficient” or better on the PSSA in 2018. Reading at grade level by third grad is highly correlated to graduating on time and later school success. The study, “Double Jeopardy: How Third-Grade Reading Skills and Poverty Influence High School Graduation,” (<https://www.aecf.org/resources/double-jeopardy/>) found that one in six children who are not reading proficiently in third grade do not graduate from high school on time, a rate four times greater than that for proficient readers.

3rd grade Reading by race/ethnicity, 2016-18



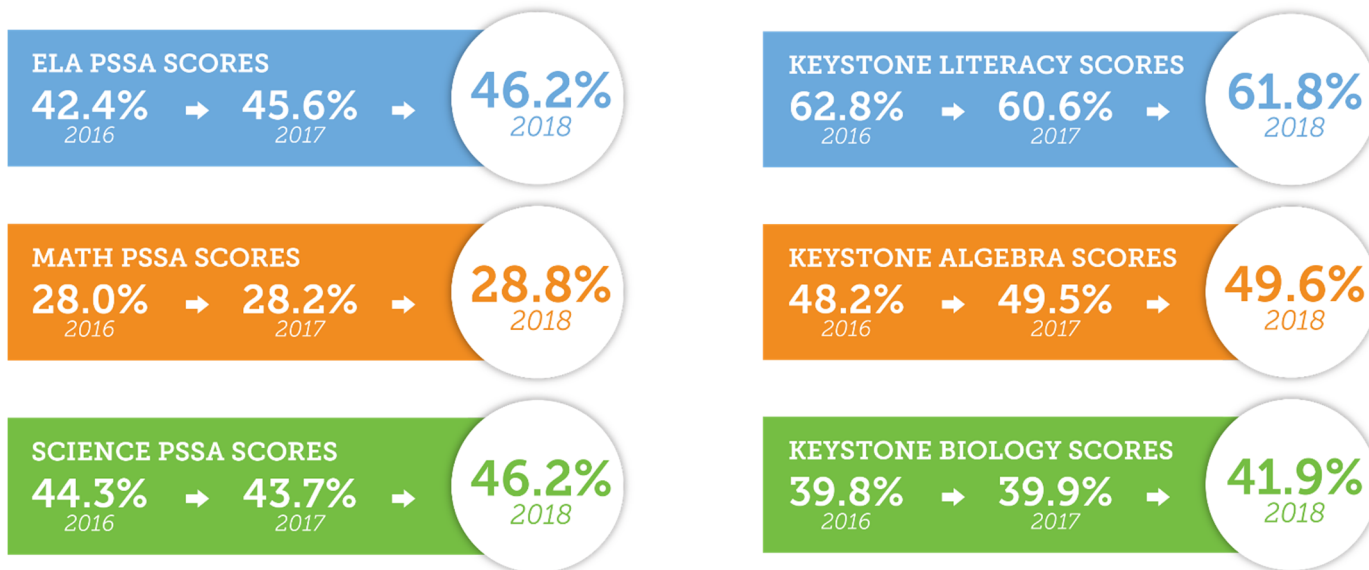
2018 State of the District

On September 18, 2018, Superintendent, Dr. Anthony Hamlet shared the *2018 State of the District Report*. The report, presented to stakeholders at Pittsburgh CAPA 6-12, provided an update on the District’s successes, challenges, goals, and future plans since the release of its 2017-2022 Strategic Plan: *Expect Great Things*.

While state exams only provide a snapshot student performance, the report included student achievement results from the 2018 Pennsylvania System of School Assessment (PSSA) and Keystone Exams. In addition, other key performance indicators, such as graduation rates and suspension rates were presented. Some of the data is included below. Dr. Hamlet also provided an update of the District’s progress in Phase 1 of the strategic plan and implementation of the 137 recommendations of the third-party analysis conducted by The Council of the Great City Schools (CGCS). The full report of the CGCS is available <https://www.ppsstrategicplan.org/cgcs-report>

Increase Proficiency in Literacy and Math

While state exams only show a snapshot of student performance, overall the percentage of students scoring proficient and advanced on the 2018 Pennsylvania System of School Assessment (PSSA) increased on all three exams: English Language Arts, Mathematics, and Science. The 2018 Keystone Exam results show steady performance by the District’s secondary students in Algebra, Literacy, and Biology.

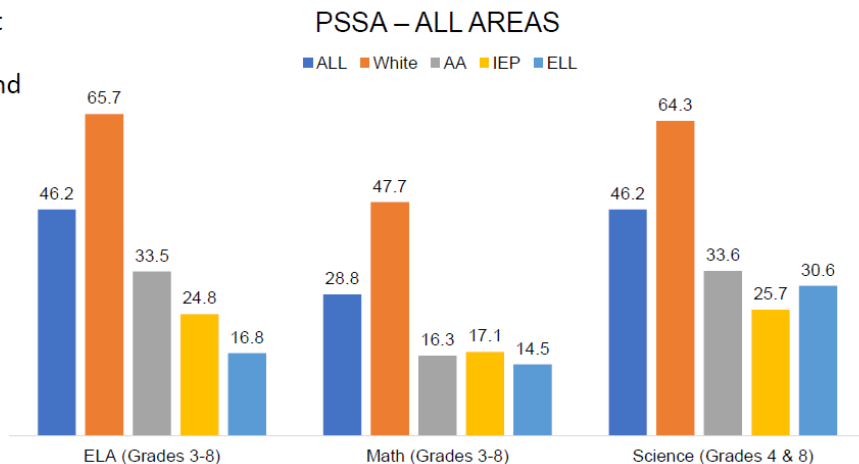


Achievement Disparity Continues

When we look at the performance of the white students versus the African-American students, there is a dramatic disparity in every grade level and every subject. One finding, which is not commonly seen, is that our achievement disparity begins in the third grade. A typical pattern is that the disparity is smaller in the lower grades, and becomes more exacerbated as students grow into middle school and high school. The disparity is only smaller in math at eighth grade because white student performance also dropped.

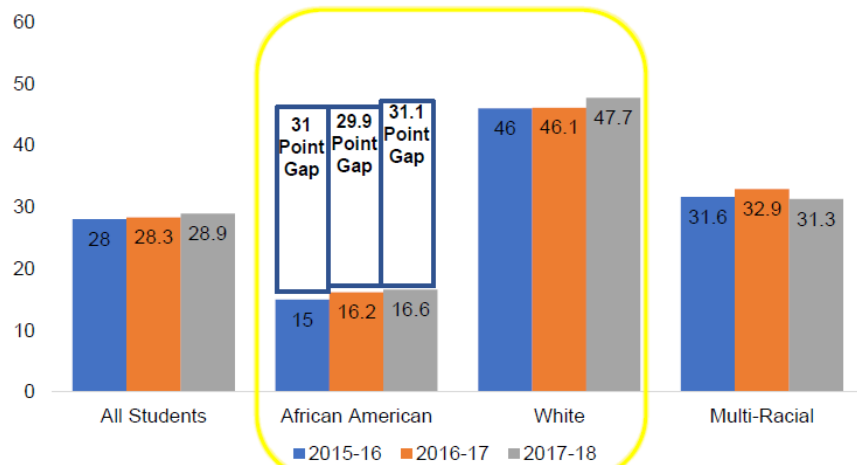
PSSA/*PASA Results 2018

Average PSSA achievement disparity of **31.2 points** between African American and White students



Math PSSA/PASA - 3 Years

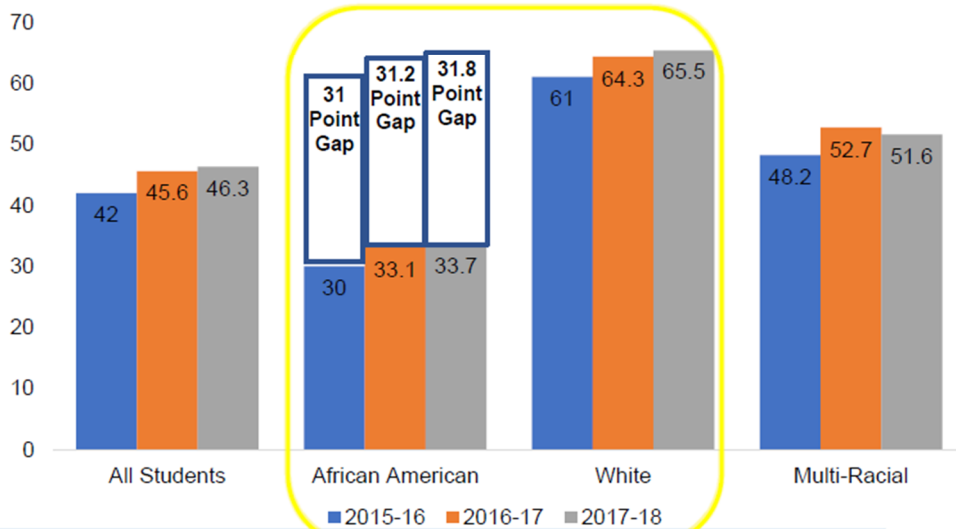
The results show small increases in proficiency over time for the All group, African-American subgroup, and White subgroup. However, subgroup results also provide a picture of the ongoing disparity between African-American and White students. African American students consistently performed below the district average.



*Most students take PSSA exams, while students with severe cognitive disabilities take PASA exams. (This represents about 3.5% of tested students in our district.)

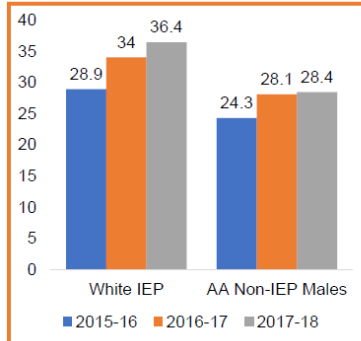
Reading PSSA/PASA – 3 Years

Each group achieved small increases in performance over time, with the exception of Multi-Racial students, who saw a small dip in 2017-18. African American students consistently performed below the district average. The disparity has pretty much remained the same.

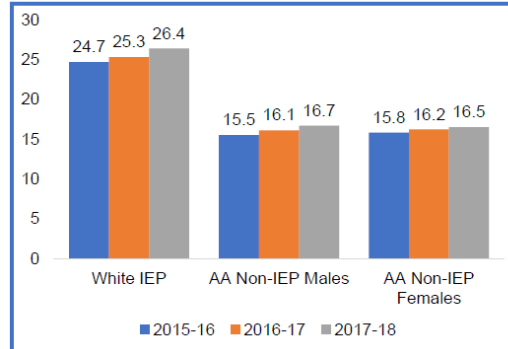


More White Students with IEPs VS Non IEP African Americans

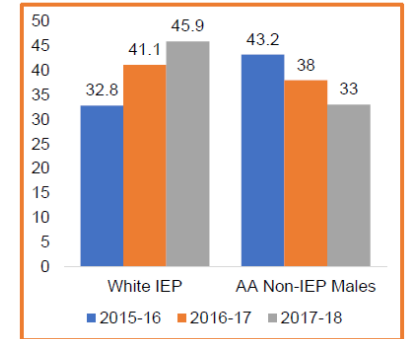
More White IEP students are proficient than non-IEP African American males on the Reading PSSA/PASA.



More White IEP students are proficient than non-IEP African American males & females on the Math PSSA/PASA.



While White IEP student proficiency has steadily improved on the Literature Keystone, proficiency declined for African American male non-IEP students, resulting in a nearly 13 point gap in 2017-18.

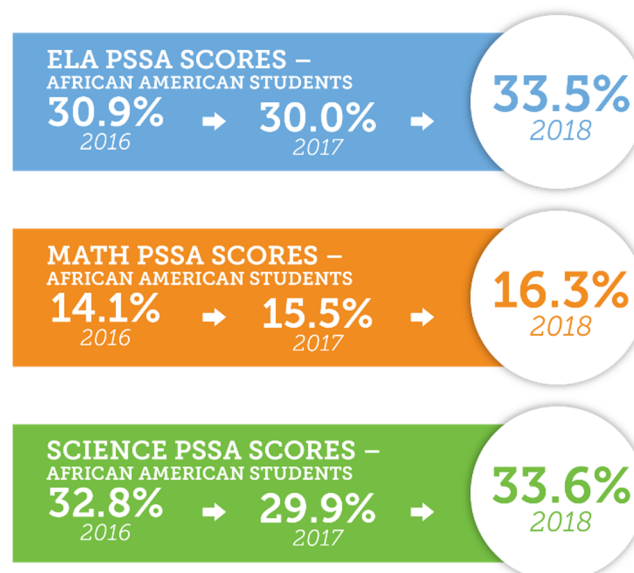


As we work to further understanding and address our achievement disparity, we are also working to ensure our lowest performing schools are receiving the supports they need to advance student learning and growth. Of our 54 schools, the Pennsylvania Department of Education has designated five schools as Focus and eleven schools as Priority¹. An additional eleven schools placed in the bottom 15% of schools in the state on the combined mathematics and reading scores on the statewide annual assessments administered in 2016.

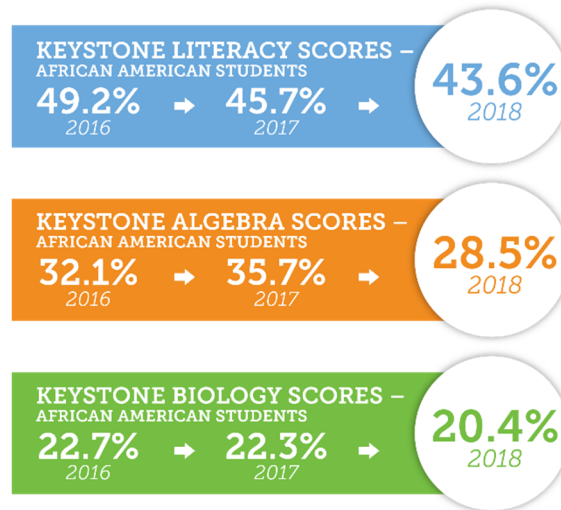
1. *Focus and Priority school designations were made during the 2013-2014 school year based on 2013 assessment data. A Focus designation is a school in the lowest 10% of Title I schools statewide (not already identified as priority). A Priority designation is a school in the lowest 5% of Title I schools statewide. The designation is kept for three years regardless of improved student performance. Four Annual Measurable Objectives (AMOs) are used to determine a school's designation. The four AMOs include: 1) measuring test participation rate; 2) graduation rate for high schools or attendance rate for K-5, K-8, and 6-8; 3) closing the achievement gap for all students; and 4) closing the achievement gap for the historically underperforming students.*

Eliminate Racial Disparity in Achievement Levels of African American Students

The elimination of racial disparities in achievement levels of African-American students is one of four desired outcomes of the District's 2017–2022 Strategic Plan: Expect Great Things. As demonstrated in the chart below, performance of African-American students also increased on all three 2018 PSSA exams.

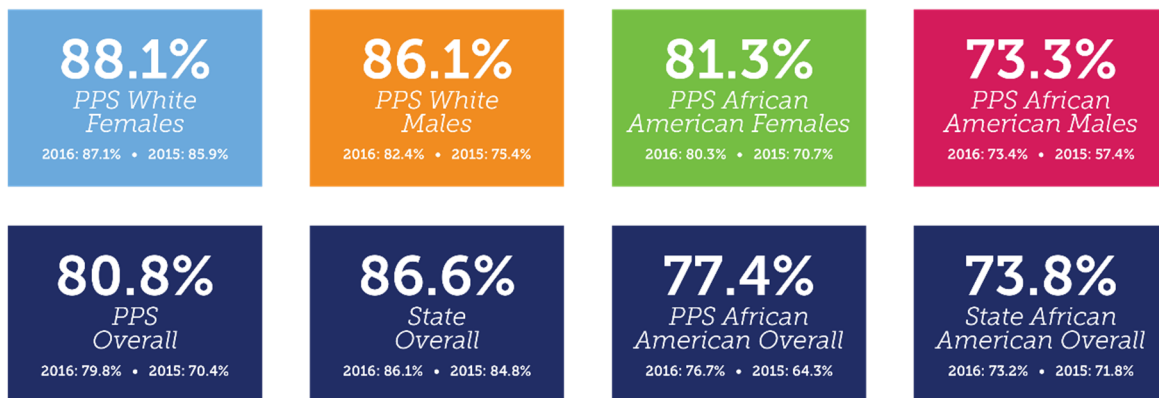


In 2018, the performance of African American students on Keystone exams varied. While overall performance on the both the Literacy and Biology exams remained flat, a greater decline was seen on the Algebra exam.



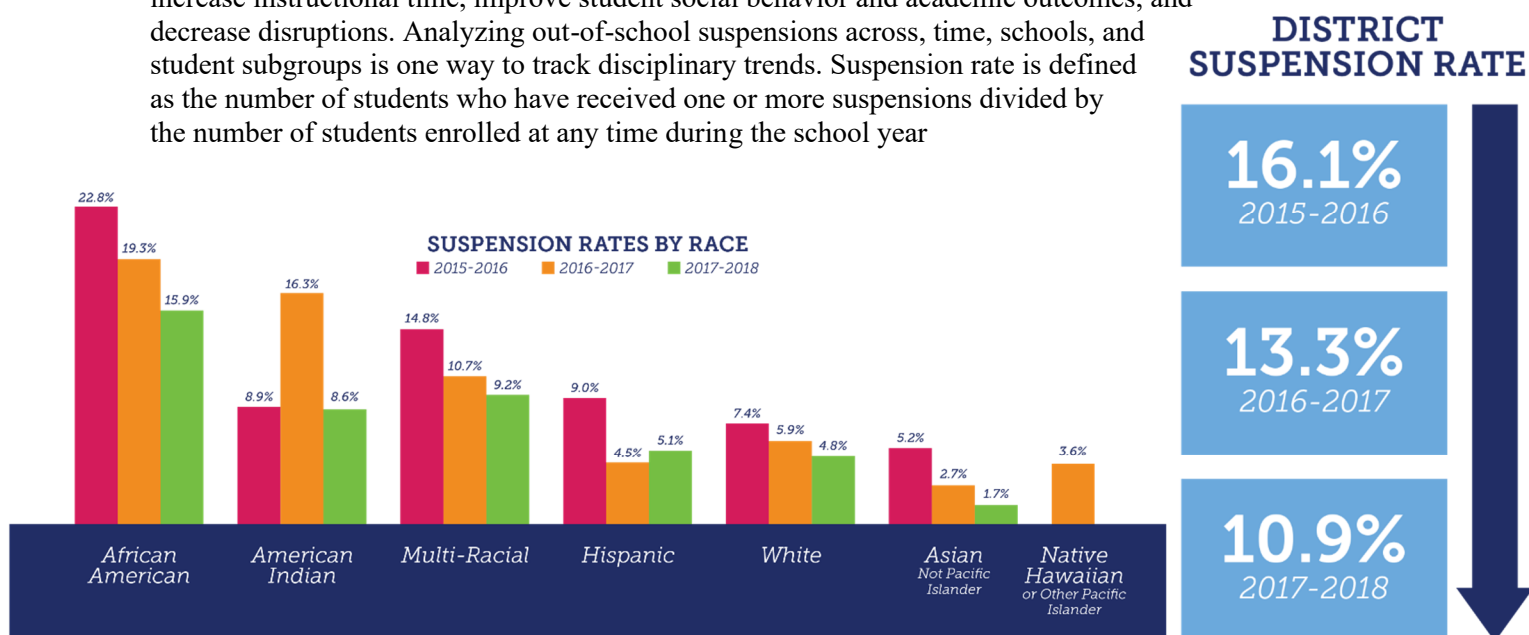
Equipping All Students with the Skills to Succeed in College, Career, and Life

Official state reports show promising growth in 4-year cohort graduation rates district-wide. The 4-year cohort graduation rate is based on the number of students within a group who graduate within four years. Graduation rates are reported a year later to account for credit recovery programs. From 2015 to 2017, the District rate for all students increased 10.4 percentage points from 70.4 percent to 80.8 percent. Additionally, students of both genders and African American students also saw increases in graduation rates.



Suspension Data

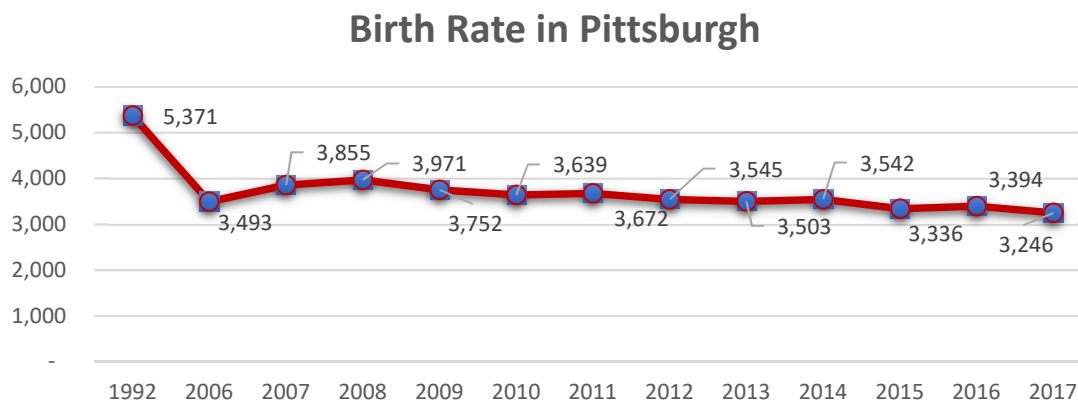
Students school years are filled with ways to grow and achieve academically and socially. Our Multi-Tiered System of Support has key behavioral supports for teachers, including Restorative Practices, the Student Assistance Program, and Positive Behavior Interventions and Supports (PBIS). These strategies help to increase instructional time, improve student social behavior and academic outcomes, and decrease disruptions. Analyzing out-of-school suspensions across, time, schools, and student subgroups is one way to track disciplinary trends. Suspension rate is defined as the number of students who have received one or more suspensions divided by the number of students enrolled at any time during the school year



As part of our efforts to increase transparency for families and monitor the progress of all schools, the Office of Data, Research, Evaluation and Assessment makes District-level data available on our website at www.pghschools.org/dashboards.

Pittsburgh's Birth Rate is on the Decline

According to the Pennsylvania Department of Health, the birth rate in the City of Pittsburgh is dropping and is now lower than it was in 2006. In 1992, there were 5,371 births. The most recent data available in 2017 shows a drop to 3,246. This drop impacts District enrollment numbers, which have also been steadily declining each year.



Our Instructional Systems are Weak and Disjointed

To build the District's capacity to improve student achievement, the curriculum, assessment system, professional development, and teacher evaluation system (RISE) must be aligned with Pennsylvania Core Standards. (*Council of the Great City Schools Report, pg. 35*)

No System-wide Strategy to Address School Climate and Student Discipline

By not having a system-wide strategy to address student discipline and school climate, disciplinary actions are disproportionately failing on students of color which causes a significant loss of instructional time for these students. (*Council of the Great City Schools Report, pg. 67*)

2017 – 2022 STRATEGIC PLAN

Progress of the Pittsburgh Public Schools Strategic Plan; Expect Great Things 2017-2022

In April 2017, after nine months of planning and the unprecedented engagement of more than 3,500 stakeholders, an in-depth data review, and a third-party analysis conducted by the Council of the Great City Schools, the Pittsburgh Public Schools (PPS) District (hereinafter referred to as the "District") launched the 2017-2022 Strategic Plan: *Expect Great Things*.

The strategic plan outlines four long-term outcomes:

- Increase student proficiency in literacy
- Increase student proficiency in math
- Equip all students with skills to succeed in college, career and life
- Eliminate racial disparity in achievement levels of African American students

Those four long-term outcomes will be achieved through the following four strategic themes and the implementation of initiatives under each theme. The full strategic plan is available www.ppsstrategicplan.org.

THEME #1: Positive and Supportive School Culture

Create a positive and supportive school culture. Engage in positive and effective relationships with every student, family, community partner and staff member to meet the holistic needs of all students.

- Establish a system-wide Multi-Tiered System of Support (MTSS) process, that includes Positive Behavior Interventions and Supports (PBIS) and restorative practices, implemented through high-functioning, Student Assistance Program (SAP) teams in every school that are equipped to follow the process with fidelity.
- Develop and communicate clear, consistent, and explicit expectations for staff interactions with students and families.
- Implement a tiered and phased community schools approach.
- Embed elements of Social-Emotional Learning (SEL) into academic instruction.
- Develop individual student success plans for all students.
- Develop effective partnerships among schools, students, families, and community organizations, utilizing a research-based framework that fosters collaboration for student success.

THEME #2: Aligned Instructional System

Meet student needs through a rigorous curriculum and assessment system that is culturally inclusive with equitable resources.

- Develop and design a common curriculum framework.
- Develop a comprehensive assessment system aligned to grade-level expectations.
- Implement an instructional system with aligned and equitably distributed resource.

THEME #3: Instructional Support for Teachers and Staff

Advance student outcomes through a system of instructional support that increases teacher knowledge and effectiveness.

- Align instructional support efforts to ensure collaboration between school administrators and staff around the school's professional development focus.
- Ensure that all professional development for teachers and staff follows research-based and culturally relevant practices.
- Provide differentiated instructional support that is based on data and deployed through school-based, District-wide, and online learning opportunities.
- Ensure that supervisory and support staff who engage in instructional conversations with teachers receive differentiated learning opportunities to be effective in their roles.

THEME #4: High Performance for All Employees

Attract and attain high-performing staff who hold high expectations for all students.

- Develop and broaden teacher pipeline and recruitment efforts to yield a diverse, culturally competent and effective workforce.
- Develop a rigorous selection and hiring process that ensures the most effective workforce.
- Review and modify performance management systems to maximize impact on professional growth and student outcomes.
- Promote retention and reduce negative effect of turnover.
- Create comprehensive professional learning environments to both facilitate role specific learning and to enable employees to grow and develop.

Our Strategic Plan Framework outlines for strategic themes each with separate objectives and strategic initiatives. Each strategic initiative in the plan will be phased in over a three-year period to ensure sufficient staff capacity, strong implementation planning and continuous monitoring.

Strategic Plan Framework

Long-Term Outcomes

Increase proficiency
in literacy for all students

Strategic Theme #1

Create a positive and supportive school culture.

Objectives

1. Meet the holistic needs of all students.
2. Establish a shared commitment and responsibility for positive relationships with every student, family, and staff member.
3. Create effective family and community partnerships in every school.

Strategic Initiatives

PHASE 1

- 1a. Establish a system-wide Multi-Tiered System of Support (MTSS) process, that includes Positive Behavior Interventions and Supports (PBIS) and restorative practices, implemented through high-functioning Student Assistance Program (SAP) teams in every school that are equipped to follow the process with fidelity.
- 2b. Develop and communicate explicit and consistent expectations for staff interactions with students and families.
- 3b. Implement a tiered and phased community schools approach.

PHASE 2

- 1b. Embed elements of social-emotional learning into academic instruction.

PHASE 3

- 1c. Develop individual student success plans for all students.
 - 3a. Develop effective partnerships among schools, students, families, and community organizations, utilizing a research-based framework that fosters collaboration for student success.

Strategic Theme #2

Develop and implement a rigorous, aligned instructional system.

Objectives

1. Establish a rigorous District-wide curriculum and assessment framework that is culturally inclusive.

Strategic Initiatives

PHASE 1

- 1a. Develop and design a common curriculum framework.
- 1b. Develop a comprehensive assessment system aligned to grade-level expectations.
- 1c. Implement an instructional system with aligned and equitably distributed resources.

District Vision

All students will graduate high school college, career and life-ready prepared to complete a two- or four-year college degree or workforce certification.

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.

Ensure all students are equipped with skills to succeed in college, career and life

Increase proficiency in math for all students

Eliminate racial disparity in achievement levels of African-American students

Strategic Theme #3

Provide appropriate instructional support for teachers and staff.

Objectives

1. Impact student outcomes by increasing teacher knowledge through a cohesive system of instructional support.

Strategic Initiatives

PHASE 1

- 1b.** Align instructional support efforts to ensure collaboration between school administrators and staff around the school's professional development focus.

PHASE 2

- 1a.** Ensure that all professional development for teachers and staff follows research-based and culturally relevant practices.
- 1c.** Provide differentiated instructional support that is based on data and deployed through school-based, district-wide, and online learning opportunities.

- 1d.** Ensure that supervisory and support staff who engage in instructional conversations with teachers receive differentiated learning opportunities to be effective in their roles.

Strategic Theme #4

Foster a culture of high performance for all employees.

Objectives

1. Attract and retain high-performing staff who hold high expectations for all students.
2. Enhance District-wide systems that promote shared accountability, high expectations, and continuous growth for all employees.

Strategic Initiatives

PHASE 1

- 1a.** Develop and broaden teacher pipeline and recruitment efforts to yield a diverse, culturally competent and effective workforce.
- 1b.** Develop a rigorous selection and hiring process that ensures the most effective workforce.

PHASE 2

- 2b.** Review and modify performance management systems to maximize impact on professional growth and student outcomes.

PHASE 3

- 1c.** Promote retention and reduce negative effect of turnover.
- 2a.** Create comprehensive professional learning environments to both facilitate role-specific learning and to enable employees to grow and develop.

Phase 1: Launching now through June 2017

Phase 2: Launching in the 2017–2018 School Year

Phase 3: Launching in the 2018–2019 School Year

From May 2017, when the District's strategic plan was launched through June 2019, the District has taken the necessary steps to spur measurable change in our schools through the following efforts.

Developed curriculum frameworks for all courses PreK-12, complete with aligned scope and sequence, formative assessments, syllabi, and course-related materials.

Adopted a new PreK-5 English Language Arts curriculum, supplemental Science resources, and supporting technology, aligned to the PA Core Standards.

Hired key roles to support district realignment including Chief of Data, Research, Evaluation, and Assessment (DREA), Chief Academic Officer, Assistant Superintendent of Professional Development, Director of Counseling, and Director of Social Workers.

Bolstered our standards of supports to meet the holistic needs of students by increasing library services, hiring four new regional attendance officers, and expanding nursing services to ensure a nurse on every campus.

Implemented Positive Behavioral Intervention and Supports (PBIS) at all schools, including the expansion of restorative practices to all schools, and the expansion of mindfulness training to improve school cultures.

Created new codes of conduct that differentiate between the preK-5 and 6-12 age groups.

Increased opportunities for job-embedded professional development for teachers with the addition of eight (8) half-days for school and district-level training.

Revamped the Instructional Teacher Leader 2 role into two new positions - Literacy Academic Coach and Math Academic Coach - for modeling and content-specific training.

Implemented teacher-led Professional Learning Communities in every school.

Launched a District-wide Student Advisory Council to ensure student voice is always at the table.

Expanded the TEALS Program to eight secondary schools, bringing in high-tech volunteers into the Advanced Placement Computer Science classrooms across PPS.

Designated eight community schools, combining traditional approaches with community-based resources in a smarter way.

Partnered with the College Board's "All In" Campaign Challenge to provide PPS high school students online personalized learning to boost success on the PSAT and SAT exams. In addition, paying for the administration of the PSAT to 8th graders and SAT for 11th graders.

Reached an agreement with the PFT that establishes much-needed long-term structural change to reduce teacher churn and provide greater flexibility for principals.

Established an instructional Review process to support all schools, with an emphasis on Focus and Priority Schools.

Partnered with Learning Forward in the development of a comprehensive professional learning plan to build central office, principal, and teacher capacity to implement college- and career-readiness standards.

Worked with the National Institute of School Leadership (NISL) for school leader coaching to further the growth and development of principals and other school leaders.

Engaged the Council of Great City Schools to review the way of work of our Human Resources, Information Technology, Facilities, and DREA departments as part of our commitment to continuous improvement.

Served as one of the first districts to pilot the PDE Pennsylvania Department of Education;s's Essential Practices across all schools;

Rolled out a new curriculum in 6-12 ELA and K-5 Mathematics aligned to the PA Core standards.

Staffed the District's new Transformation Office focused on supporting Focus and Priority schools.

Implemented a K-2 suspension ban for non-violent offenses approved by the Board of Directors.

Adopted and implemented multiple readiness indicators identified by Redefining Ready so we common language around what it means to be college, career, and life ready.

Increased the number of Assistant Principals and modified their work-year to 12 months to ensure more support, planning and training during the summer months.

Launched an evaluation process to determine the best way to implement a 2nd grade gifted screener to increase the identification African-American students.

Implemented Naviance, college and career planning tool for middle and high school students that helps guidance counselors walk students through the process of identifying their strengths and interests and exploring careers and colleges to create personalized plans for life beyond high school.

Held a Summer Leadership Academy for all 54 school's leadership teams to provide high-quality professional learning on differentiated instruction, formative assessment, culturally responsive pedagogy and inclusion.

Developed Parent fact sheets on district initiatives and district services and departments such as special education, food services and transportation.

As a part of the District's comprehensive planning process required for the Pennsylvania Department of Education (PDE), Superintendent Hamlet convened a working group over the course of a six-month period that included District staff, parents and representatives from local universities and the philanthropic community. In partnership with the National Institute of School Leadership (NISL), working group members learned the nine building blocks for a world class education system by studying high-performing countries and educational systems within the United States. The District used the knowledge and skills of the working group to conduct research and planning on three areas required by the PDE District Improvement Planning process. The group convened ten times and after several months aligned their work to focus in the following five areas:

- Early Childhood Education (PreK)
- Gifted Education
- Aligned Instructional Systems
- New Teacher Induction
- Job-Embedded Professional Development

Outlined below are the commitments the District made in each of the five areas.

Early Childhood Programs

The District is committed to providing students (birth through 8 years of age) with the social-emotional and academic foundational skills that are necessary for success throughout their educational career and life. We recognize that we can't do this work alone and will need committed community partners that can actively support our birth to age 8 efforts and support families within the school and broader Pittsburgh community. For The District to succeed, we will:

- Intentionally design learning experiences to ensure that all children are educated to high level academic and social emotional standards within a joyful, warm and nurturing environment.
- Ensure social-emotional skills development includes: self-awareness, self-management, responsible decision making, relationship skills and social awareness.
- Ensure academic skills include: literacy skills, math skills, scientific thinking, social studies, physical development and the arts.
- Embrace developmentally appropriate practices, play-based learning, and standards-aligned curricula that encourages each child's natural eagerness to learn.
- Adopt teaching practices that are grounded in research on how children develop and learn, and what is known about effective early childhood education.
- Expect positive, responsive teacher-child relationships in which each child's unique style of living and learning is respected and fostered.
- Train teachers to meet children where they are, both as individuals and as part of a group.
- Help each child meet challenging and achievable learning goals.
- Partner with parents in support of their child's health, development and education.
- Engage community organizations whom are aligned to our beliefs and ensure we have strong partnership to support schools and families.

Achievement by Ethnicity:

Data Comparison - Entry ■ 3 Years Old 2016 - Exit ■ 5 Years Old 2018

Beginning Proficient %	Overall	AA 65,6%	White 16,9%	Asian 6,2%	Latino 3,0%	Other 8,2%	Achievement Gap
Personal & Social Development	13.2%	12.9%	17.8%	13.9%	4.8%	8.8%	0.3% overall, 4.9% AA-W
Language & Literacy	5.6%	4.8%	7.6%	11.6%	0.0%	5.3%	0.8% overall, 2.8% AA-W
Mathematical Thinking	3.2%	3.1%	4.2%	4.7%	0.0%	1.8%	0.1% overall, 1.1% AA-W
Scientific Thinking	4.4%	4.2%	6.8%	4.7%	4.8%	1.8%	0.2% overall, 2.6% AA-W
Social Studies	4.9%	4.6%	6.8%	7.0%	0.0%	3.5%	0.3% overall, 2.2% AA-W
The Arts	18.2%	20.6%	15.2%	18.6%	9.5%	8.8%	+2.4% overall, +5.6% AA-W
Physical Development & Health	21.5%	20.8%	24.6%	27.9%	14.3%	19.3%	0.7% overall, 3.8% AA-W
Average Percentage Proficient	10.1%	10.1%	11.9%	12.6%	4.8%	7.0%	0% overall, 1.8% AA-W

Average gap between AA and white students at the beginning = 1.8%

Final Proficient %	Overall	AA 56,5%	White 16%	Asian 4,5%	Latino 2%	Other 21%	Achievement Gap
Personal & Social Development	77.8%	78.2%	81.9%	71.8%	82.3%	74.9%	+0.4% overall, 3.7% AA-W
Language & Literacy	73.7%	75.3%	80.4%	74.4%	76.5%	63.9%	+1.6% overall, 5.1% AA-W
Mathematical Thinking	70.9%	71.5%	78.3%	71.8%	76.5%	63.4%	+0.6% overall, 6.8% AA-W
Scientific Thinking	70.7%	71.9%	76.1%	61.5%	76.5%	65.0%	+1.2% overall, 4.2% AA-W
Social Studies	73.3%	76.4%	75.4%	64.1%	58.8%	67.2%	+3.1% overall, +1.0% AA-W
The Arts	81.7%	82.2%	85.5%	71.8%	76.5%	80.3%	+0.5% overall, 3.3% AA-W
Physical Development & Health	83.5%	83.8%	85.5%	82.1%	94.1%	80.9%	+0.3% overall, 1.7% AA-W
Average Percentage Proficient	75.9%	77.0%	80.4%	71%	63.9%	70.8%	+1.1% overall, 3.4% AA-W

Average gap between AA and white students at the end is = 3.4%
Growth over two years; Overall 65.8%, AA 66.9%, White 68.5%

Gifted Education

The District is committed to providing all students the opportunity to demonstrate their gifts and talents through enriched and accelerated learning. We will ensure that high-quality culturally responsive instruction is embedded in our core curriculum. We will equip teachers with the necessary tools to identify all learners' gifts and talents and ensure they can effectively identify gifted and talented learners. We expect all teachers to develop high-yield instructional strategies to meet the learning needs of students identified as gifted and talented. We will ensure high-quality instruction is present every day, in every school, to offer a wide range of ways a child can develop personally. Students, staff, and parents will understand the process of gifted and talented identification. We expect gifted and talented students to:

- Develop academically, socially, and emotionally.
- Recognize the role they play in contributing to their school, community, and global society.

Aligned Instructional System

The District is committed to ensuring that all students entering and exiting any District school will leave with the same quality education regardless of zip code. Equitable learning for all students will occur and serve as the foundation for classroom instruction, with the implementation of culturally responsive curriculum, instructional frameworks, and assessments that articulate a sequence of learning aligned to grade-level expectations developed by District staff and teachers. The District will provide curricular resources and support for all staff to foster a mindset of continuous learning and high expectations. We will ensure a variety of ongoing assessments to inform daily instructional decisions that appropriately stretch students beyond their current level of performance. Students in PreK-12 will engage in learning experiences that reflect high expectations and enable them to transfer knowledge and skills to new situations, both locally and globally. Students will learn how to apply academic grit to transcend internal and external obstacles in order to reach their highest potential. Clear gateways will be established to ensure students are aware of their academic options and can embody the academic and socio-emotional intelligence to become college, career and life-ready.

New Teacher Induction

The District is committed to ensuring all incoming teachers receive effective mentoring, guidance, and support through a comprehensive New Teacher Induction (NTI) process. NTI will establish a foundation for new teachers to benefit from and contribute to a culture of continuous improvement. NTI will consist of both individualized and collaborative learning experiences for teachers, preparing them to best meet the diverse academic and social-emotional needs of their students. The NTI process will support the District in developing and retaining teachers who are committed to ongoing growth, research, and development to ensure that every student in every school, experiences high quality instruction every day. We expect new teachers to:

- Believe that students of every race, ethnicity, socio-economic status, gender, and ability can excel and make continuous academic progress.
- Understand and implement research-based and culturally-responsive instructional practices so that all students can learn.
- Have a dedicated, well-prepared, and qualified mentor.
- Have a shared responsibility in their professional learning.
- Experience professional learning that models effective learning experiences for students.
- Engage in data-driven and data-informed professional learning experiences.
- Have site-based and District-based supports that complement one another.
- Receive the resources to be successful in their roles.
- Become experienced and effective teachers in the District.

Job-Embedded Professional Development

In the District, job-embedded professional development will be an individual and collaborative continuous learning process of inquiry, reflection, and action that occurs during the work day with the goal of staff improving student outcomes. Job-embedded professional development will equip staff with data analysis, academic content, teaching and learning theory, social/emotional development, research and evidenced based teaching, learning theory, and cultural competency skills to ensure students are college, career and life ready.

We expect teachers to:

- Understand that professional learning is a professional responsibility.
- Feel empowered to improve their professional practice.
- Be engaged in job-embedded professional learning daily.
- Engage in data informed decision making.
- Have a deep knowledge of the content they teach and how to teach that content to a range of students.
- Work collaboratively to develop and implement lessons that are responsive to the educational needs of their students.
- Contribute to the improvement of the practice of all members of the school community.
- Be researchers.
- Experience high quality coaching and mentoring.
- Build their leadership capacity through the coaching and mentoring of other teachers.

Utilizing the information gleaned from the implementation and engagement efforts around the Strategic Plan, the District expanded its efforts since the release of *Expect Great Things* in 2017 and updated the Strategic Plan Framework to include new initiatives as a part of the Pennsylvania Department of Education (PDE) comprehensive plan work as highlighted above; and the *On Track to Equity* report. The *On Track to Equity* is a robust plan that details intentional efforts underway to eliminate racial disparity in achievement levels of African American students (one of four strategic themes in our strategic plan). The plan meets a requirement of our MOU with the Pennsylvania Human Relations Commission to deliver, in writing to the Equity Advisory Panel, an implementation plan that details, “the action steps which the District will take in order to accomplish the terms of the MOU.”

The District is confident it will continue to sustain the positive momentum it has built and become a stronger educational system where all children, regardless of where they start, will have a successful school experience and be prepared to graduate college, career and life-ready.

PPS POINTS OF PRIDE:

National Council on Teacher Quality Names PPS Great District for Great Teachers

The National Council on Teacher Quality (NCTQ) named Pittsburgh Public Schools a winner in its first-ever Great Districts for Great Teachers initiative. NCTQ chose PPS after a rigorous 18-month evaluation of data, policies and teacher input, which included surveys and focus groups with over 300 PPS teachers, proving the District is a national leader in developing and caring for great teachers, so that they, in turn, can deliver great instruction to their students.

The Pittsburgh Promise Celebrates 10 Years!

In 2007, the District announced a \$100 million commitment by the University of Pittsburgh Medical Center (UPMC) to fund The Pittsburgh Promise. The Promise is a community gift to help families plan, prepare and pay for education after high school. Graduates of the Pittsburgh Public Schools may be eligible to earn up to \$30,000 over four years for post-secondary education.

Our CTE Programs have Expanded

A \$300,000 grant from the American Federation of Teachers to the Pittsburgh Federation of Teachers is supporting a teachers’ union-school-district-city partnership to train students for careers as police officers,

firefighters and emergency medical technicians. The City of Pittsburgh donated a “retired” fire truck and ambulance to support the new Emergency Response Technology CTE program. The new program launched at Pittsburgh Westinghouse for the start of the 2016–17 school year. In total, 15 CTE programs across the District give students a head start on careers.

The Summer Dreamers Academy Receives National Recognition

The District’s Summer Dreamers Academy has been recognized with a New York Life Excellence in Summer Learning Award! The National Summer Learning Association (NSLA) and the New York Life Foundation honored four high-quality programs, and Pittsburgh Public Schools Summer Dreamers Academy was one of them.

Free SAT Exams for Juniors

Approximately 1,600 11th graders take the SAT exam for free, right in their own classroom.

All Students Receive Healthy Meals Free of Charge

All Pittsburgh Public Schools students, regardless of family income, receive a healthy and well-balanced breakfast and lunch free of charge, ensuring all students are properly nourished and ready for class.

Pittsburgh Schiller 6-8 was Named a National Title I Distinguished School

Pittsburgh Schiller 6-8 was named a National Title I Distinguished School by the Pennsylvania Department of Education. Pittsburgh Schiller 6-8 is one of up to 100 schools throughout the country, and one of two in Pennsylvania, that is being recognized for exceptional student achievement in 2015.

Google Funds Pilot Dynamic Learning Project in Three District Schools

Driven by Google’s \$7 million investment in technology education, the Dynamic Learning Project provides coaching and technology to teachers at 50 underserved middle schools across the country, three of which are in the Pittsburgh Public Schools – Pittsburgh King PreK-8, Pittsburgh Langley K-8, and Pittsburgh Schiller 6-8. The project funds a full-time instructional technology coach and enough devices and access to guarantee that teachers can take full advantage of the coaching.

Teachers Receive National Board Certification

More than 100 PPS teachers have received National Board Certification. National Board certification is the highest earned credential in the teaching profession.

The Arts are Alive and Well in PPS

For five years in a row District schools have taken the Best Musical Budget Level I prize at the Kelly Awards: 2017 – Pittsburgh Obama “Sister Act”; 2016 – Pittsburgh CAPA “West Side Story”; 2015 – Pittsburgh Obama “SHOUT! The Mod Musical”; 2014 – Pittsburgh Obama “The Wiz”; 2013 – Pittsburgh CAPA “In the Heights.

More Job-Embedded Professional Development Available to Teachers

Eight student half-days, teacher-led Professional Learning Communities, and the addition of Academic Coaches in Literacy and Mathematics increase opportunities for job-embedded, content-specific training and collaboration for our teachers.

TEALS Brings Real World into the Classroom

The expansion of TEALS (Technology, Education & Literacy in Schools) increases access to AP Computer Science at eight schools, leaning on the expertise of volunteers from high-tech companies, students gain real insight into the fast-paced world of technology.

New Curriculum Aligns to PA Core Standards

The adoption of new PreK-5 English Language Arts curriculum, supplemental Science resources, and supporting technology progress our work to align curriculum to the PA Core.

Implementation of PBIS at All Schools.

The school-wide Positive Behavior Intervention and Supports (PBIS) program includes everyone, students and staff. PBIS emphasizes teaching expectations and positive reinforcement because we know that students will succeed when offered informative corrective feedback and pro-social skills. The implementation of PBIS helps to decrease disruptions, increase instructional time, and improve student social behavior and academic outcomes.

Five Schools Designated Community Schools

Five schools - Pittsburgh Westinghouse, Pittsburgh Faison, Pittsburgh Lincoln, Pittsburgh Arsenal 6-8 and Pittsburgh Langley K-8 – were designated community schools for the 2017-18 school year in round one of the phased program.

Expansion of Restorative Practices to All Schools

The extension of restorative practices to all schools and center programs is a key strategy within Theme 1 ‘create a positive and supportive school culture’ of the District’s five-year strategic plan Expect Great Things. Thanks to a 2014 Comprehensive School Safety Initiative grant from the U.S. Department of Justice, 22 schools across the District are currently using restorative practices. Ten more schools began restorative practices training in Fall 2017, with 10 additional schools added in Spring 2018, and all schools completed Fall 2018.

Grants Spur K-12 STEAM Pathway in PPS

Grants, totaling nearly \$900,000 from The Grable Foundation and the Fund for Excellence, supported the District’s plan to develop a Science, Technology, Engineering, Arts and Mathematics (STEAM) K-12 pathway. Three STEAM programs at Pittsburgh Lincoln PreK-5, Pittsburgh Schiller 6-8, and Pittsburgh Woolslair PreK-5 launched with the start of the 2015-16 school year. STEAM programs at Pittsburgh Perry and Pittsburgh Brashear high schools began with the start of the 2016-17 school year.

Job Situation

The Pittsburgh market area’s economy finds itself in an upward trend of improvement throughout 2018. The unemployment rate dropped .6% to 3.9% as of December 31, 2018. Pittsburgh’s unemployment rate closely mirrored national trends throughout the past 20 years prior to the 2008-09 recession, with a national unemployment rate of 3.9%. Pittsburgh continues to see ongoing regional growth in key sectors, including financial business services, technology industries, hospitality and food service, as well as healthcare. Investment in Pittsburgh area technology companies and startups showed a slight decline from 2017, totaling \$550 million. Despite the slight decline, the trend shows a clear upward growth trajectory. In the past ten years, a total of \$3.8 billion dollars has been invested. Pittsburgh has also seen a marked increase in residential and office space development. More units have been developed in the past three years than in the previous 15 years combined.

Income

Although Median household income is below the national average, Pittsburgh incomes possess greater purchasing power thanks to the market area’s below-average cost of living. Pittsburgh’s strongest wage and income growth potential is still several years out into the forecast horizon. Natural resources development, construction, and manufacturing jobs are all likely once energy markets find a new balance and prices again start to rise. The sum influence of these high-paying industries represent upside potential for Pittsburgh’s income base beyond what has been possible in recent decades.

Housing

With a cost of living index that is below the national average by 5.8%, Pittsburgh continues to be recognized as one of the least costly places to live. Pittsburgh's housing market has been able to maintain stability despite the turn for the worse in hiring and income trends. Price appreciation and home sales will at least be able to maintain a steady pace of gains thanks to lower housing costs overall, and the lower hurdle to entry into the housing market that they result in. Home values have been rising since 2009, and are now 22 percent above levels seen at the end of 2007. Pittsburgh home values have increased 13.4% over the past year and the Pittsburgh real estate market predicts that they will increase 9.5% in 2019. Pittsburgh real estate appreciated 50.39% over the last ten years, which is an average annual home appreciate rate of 4.16%, putting Pittsburgh in the top 10% nationally for real estate appreciation. 2018 also marked the first allocation of housing dollars from the Housing Opportunity Fund, which was created to address the shortfall of affordable housing units throughout the city. Loans generated from this fund will back renovations of more than 200 affordable apartments and rental rooms in the City.

Demographics

Pittsburgh's long-time trend of population declines has toned down in recent years. Pittsburgh is currently seeing population stabilization and boasts a robust and diversified economy. The City has a workforce that is rapidly getting younger and better educated, with over half of the residents aged 25-34 holding at least a bachelor's degree. This is mainly due to the high number of college and universities located within, and right outside of, the city limits. Housing market stability is a plus for the market area, and Pittsburgh is always well-positioned to attract and retain young workers with its industrial diversity and presence of high-tech and cutting-edge employers. But those industries will have to grow more rapidly for Pittsburgh to turn that favorable positioning in to determined action on population growth. Reliable education, healthcare and financial industry employers are firmly entrenched and will support workforce development for the foreseeable future. And Pittsburgh will inevitably benefit from gas drilling activity in the Marcellus Shale formation over the longer term. Skilled workers already experienced in this industry will find Pittsburgh's low living costs attractive, and migration trends are likely to see a boost as a result.

Outlook Summary

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 and education sectors. Pittsburgh's economy is now fueled in great part by these growths by the strong colleges and universities in the area.

Pittsburgh's highly regarded universities and hospitals will support stable income and employment trends over the longer term. Marcellus Shale natural gas drilling operations and ongoing expansion of high-tech employers also provide the basis for a significantly faster growth pace than that seen over the past few decades. Demographic trends can be reversed once these industries move from planning stages to action. Shell Chemicals moved forward with the building of a long-discussed ethane processing plant in 2016 in the first of potential wave of new production facilities looking to take advantage of the region's energy and raw materials accessibility. Each project will likely include thousands of construction-phase jobs, and permanent high-paying manufacturing and engineering positions. Highly affordable living costs will complement these eventual gains and further supports for the idea that Pittsburgh has the seeds of a strong economic future in place.

Pittsburgh is among several dozen global cities that have the institutions, innovative capacity, and core science and technology competencies to compete for leadership in some of these next-generation technologies. But while the opportunity is there, success is by no means guaranteed. The overall outlook for

Pittsburgh remains quite promising. The City's investments and initiatives in the past several years are facilitating an increase in business development which has fueled an increase in residential construction.

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.

Early in 2018, a resolution by the Commonwealth of Pennsylvania was adopted to allow the City to formally exit Act 47 oversight, thereby ending its designation as a "financially distressed municipality. During 2018, the City continued efforts to control costs, improve collections, and maintain solvency. The cash balance available for general operations of the City as of December 31, 2018 was \$91.5 million; this was enough to maintain normal function throughout the City in January 2019. As of December 31, 2018, the City had a general fund unrestricted fund balance of \$114.1 million. Using the financial disciplines developed under Act 47, the City will continue to focus on strategies to fund long-term obligations, principally net pension obligations, net other postemployment obligations, general obligation debt and reduce its net position deficit of \$1.46 billion at December 31, 2018.

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 2.5%. This helped in recouping some of the lost revenue, as 2014 revenue increased by \$3.3 million over 2013, though it was still below 2012. After this increase, the District's millage rate has stayed level at 9.84 mills through 2016. Real Estate revenue still has not reached pre-assessment levels. 2016 Real Estate revenue was \$2.1 million lower than 2012 levels.

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.

Steps have been taken to improve the district's forecasting methods throughout the school year by more closely monitoring monthly financial figures.

The District faces a projected structural deficit for 2017 and beyond, with expenditures outpacing revenues. The long-term forecast has the following characteristics:

- High cost per pupil is accelerated by declining enrollment and relatively steep fixed costs.
- Uncertain Federal funding due to Sequestration and signals of more significant cuts that may be coming in future years.
- There have been proposed increases in state funding, but there are also areas such as transportation that the state has indicated may be subjected to cuts.
- Key cost drivers include Charter Schools, Special Education, and underutilized classrooms. The district is also subject to increasing costs in the areas of retirement, 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 2019 are critical to the District's financial stability.
- No desire to raise taxes beyond statutory limits.

Wilkinsburg School District

On October 28, 2015 the Board approved a Letter of Intent regarding the assignment of secondary students in the Wilkinsburg School District to the Pittsburgh Public Schools for the start of the 2016-2017 school year, and continuing through at least the 2018-19 school year. Students in grades 7-12 will be assigned to Pittsburgh Westinghouse Academy 6-12, though beginning with the 2017-18 school year they will also be eligible to apply for the district's magnet schools and programs like all resident students of the district. These students will attend on a tuition basis paid by the Wilkinsburg School District.

Additional terms include that Wilkinsburg students (Grades 7-12) will:

- Be fully eligible for all curriculum, instruction, alternative education services, career and technical education and co-curricular and extra-curricular activities available to resident students of Pittsburgh Public Schools
- Receive preparation for and be administered all mandated and optional standardized tests, with scores of Wilkinsburg students on State assessments attributed to the Pittsburgh Public Schools and provided to Wilkinsburg; and
- Follow the Pittsburgh Public Schools calendar.

Wilkinsburg School District will be responsible for providing transportation for all Wilkinsburg School District students enrolled in Pittsburgh Public Schools.

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, 2017.

This was the tenth 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, 2018.

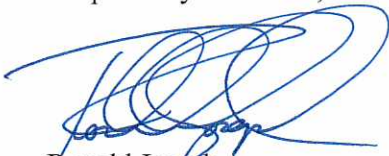
The **Association of School Business Officials International (ASBO)** awarded a **Certificate of Excellence in Financial Reporting** to the District for its CAFR for the fiscal year ended December 31, 2017.

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, 2018.

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,



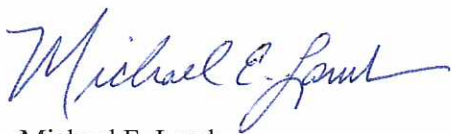
Ronald Joseph
Chief Financial Officer
and Assistant Secretary



Laura R. Cosharek
Director of Finance
and Assistant Secretary

In accordance with Section 21-2129, Public School Code of 1949 as amended, we submit herewith the auditor’s report on the District’s financial statement included in the Comprehensive Annual Financial Report of the District for the fiscal year ended December 31, 2018.

Respectfully submitted,



Michael E. Lamb
School Controller



Michael Senko
Deputy School Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**School District of Pittsburgh
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

School District of Pittsburgh

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

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



A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.' The signature is written in a cursive style and is positioned above a thin horizontal line.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written in a cursive style and is positioned above a thin horizontal line.

John D. Musso, CAE
Executive Director

School District of Pittsburgh
List of Elected and Appointed Officials
June 2018

Elected Officials

Board of Directors

Kevin Carter	First Vice President
Cynthia Falls	Member
Moira Kaleida	Member
Dr. Regina Holley	Member
Lynda Wrenn	President
Terry Kennedy	Member
Sala Uldin	Member
Sylvia Wilson	Member
Veronica Edwards	Second Vice President

School Controller's Office

Michael E. Lamb	School Controller
Michael Senko	Deputy School Controller

Appointed Officials

Superintendent's Office

Dr. Anthony Hamlet	Superintendent and Secretary
Anthony Anderson	Deputy Superintendent

Finance and Operations Office

Ronald J. Joseph	Chief Financial Officer and Assistant Secretary
Laura Cosharek	Director of Finance and Assistant Secretary
Rondee McIver	Financial Service Manager

School Performance Office

David May-Stein	Chief of School Performance
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Information and Technology Office

Scott Gutowski	Chief Information Officer
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Human Resource Office

Robert Harris	Chief Human Resource Officer
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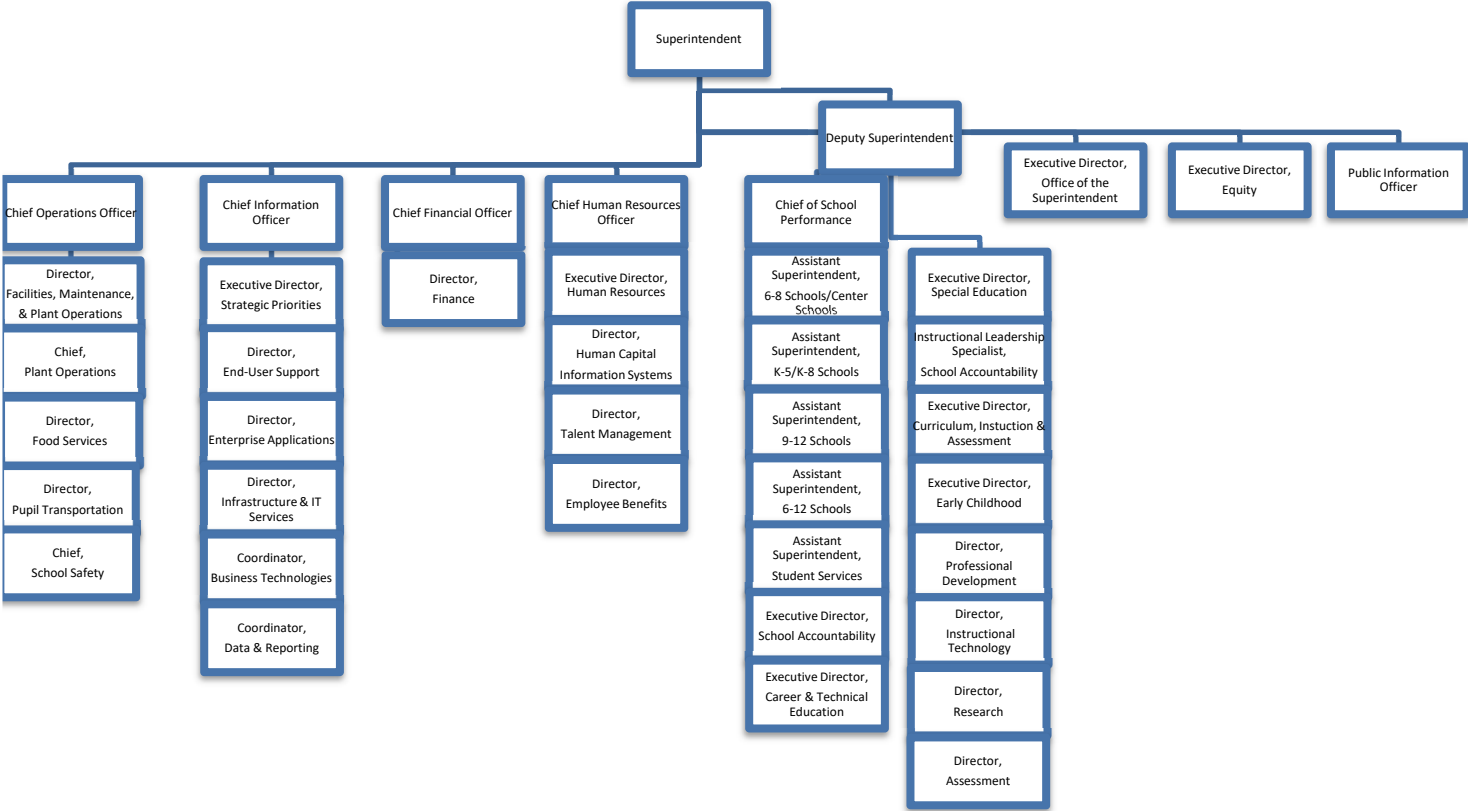
Law Office

Weiss Burkardt Kramer LLC	Solicitor and Assistant Secretary
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School Treasurer's Office

Margaret L. Lanier	School Treasurer
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School District of Pittsburgh Organizational Chart



FINANCIAL SECTION

Independent Auditor's Report

**Board of Public Education
School District of
Pittsburgh, Pennsylvania**

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 (District), as of

and for the year ended December 31, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*," which requires the District to record its other postemployment benefit liability and related items on the government-wide financial statements. Our opinion is not modified with respect to that 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 4 through 16 and the pension plan and other postemployment benefit plan information on pages 76 through 84, 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 introductory section on pages i through xxx, the combining and individual fund statements and schedules on pages 85 through 91, the statistical section on pages 92 through 115, and the schedule of bonds and notes payable on pages 116 through 126 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the schedule of bonds and notes payable are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and the schedule of bonds and notes payable are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
June 27, 2019

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. 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.

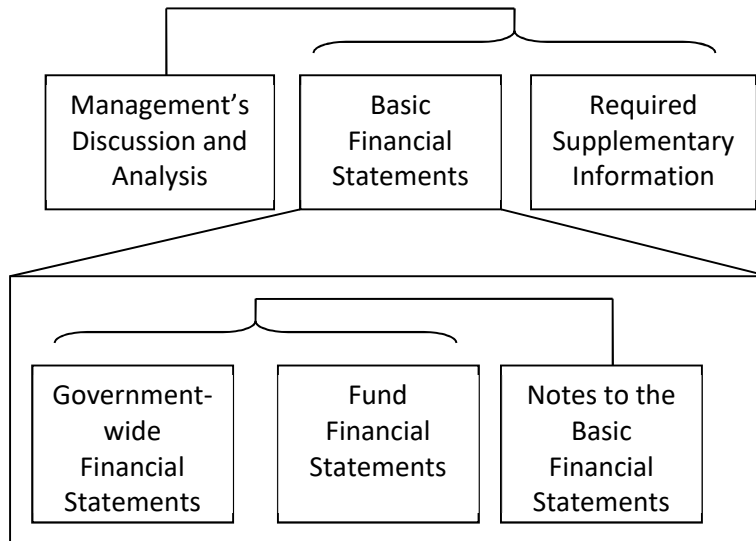
FINANCIAL HIGHLIGHTS

- The liabilities of the District's governmental activities exceeded its assets at the close of the most recent fiscal year by \$713,584,504 (net position). This amount reflects the recording of \$1,000,087,000 net pension liability for 2018.
- The government-wide financial statements reflect the recording of the net OPEB liability of \$114,713,303 as of December 31, 2018 of which \$140,276,115 was recorded as a restatement of the government-wide net position as of January 1, 2018.
- Total net position of the District's governmental activities increased by \$36,634,213 or 4.88%, while net position of business-type activities increased by \$14,311 or .11%.
- The unassigned fund balance of the general fund as of December 31, 2018, was \$57,242,893 or 9.19% of total general fund expenses and other finances and uses. The assigned and unassigned general fund balance represents 14.79% of budgeted general fund expenditures and other financing uses for fiscal year 2018.
- The District recognizes the importance of reducing long-term liabilities and continues to take proactive steps to reduce future burdens.
 - The District established an OPEB Trust for post-employment health benefits. The District made no additional contributions to the trustee during 2018. Net position of the OPEB Trust is \$14,138,244.
 - Total general obligation bonds and note outstanding decreased by \$10,229,343.

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 17 and 18 of this report.

- The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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

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. 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. Fund statements begin on page 19 of this report.

Governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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. Such reconciliations can be found on pages 20 and 22.

A budgetary comparison statement is presented to show compliance with the annually adopted general fund budget. The budgetary comparison statement can be found on page 23 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 24 through 27 of this report.

The District's fiduciary fund includes agency funds, an OPEB trust, and private purpose trust funds. The OPEB trust accounts for assets placed in an irrevocable trust to fund future OPEB benefits. 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 statements can be found on pages 28 and 29 of this report. Statements of changes in assets and liabilities for the Agency funds can be found on page 91.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 75 of this report.

THE SCHOOL DISTRICT OF PITTSBURGH AS A WHOLE

The District's total net position was \$(700,249,760) at December 31, 2018. The District's combined net position for governmental activities and business-type activities increased by \$36,648,524 during fiscal year 2018. The following factors contributed to the increase:

- A large portion of this increase is due to the required accounting disclosures of reporting net pension and OPEB liabilities on the net position statement. The net pension liability and net OPEB liability decreased by \$5,016,000 and \$65,635,415, respectively, for 2018.
- During 2018 the District executed no new leases. Capital leases decreased by \$3,245,726 to \$7,724,013 for 2018.

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 takes the information from the Statement of Net Position, by summarizing major asset classes and providing comparative information.

TABLE 1 — NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 278,309,616	\$ 297,087,456	\$ 6,656,268	\$ 6,170,707	\$ 284,965,884	\$ 303,258,163
Capital assets	447,731,091	450,912,822	8,452,268	8,575,997	456,183,359	459,488,819
Other noncurrent assets	6,676,621	7,547,234	-	-	6,676,621	7,547,234
Total assets	<u>732,717,328</u>	<u>755,547,512</u>	<u>15,108,536</u>	<u>14,746,704</u>	<u>747,825,864</u>	<u>770,294,216</u>
Deferred outflows for pension	97,397,115	108,561,633	-	-	97,397,115	108,561,633
Deferred outflows for OPEBS*	4,409,786	326,000	-	-	4,409,786	-
Deferred charge on refunding	6,917,035	8,543,241	-	-	6,917,035	8,543,241
Total deferred outflows of resources*	<u>108,723,936</u>	<u>117,430,874</u>	<u>-</u>	<u>-</u>	<u>108,723,936</u>	<u>117,430,874</u>
Current liabilities	100,315,037	187,509,458	1,360,927	1,001,471	101,675,964	188,510,929
Non-current liabilities outstanding*	1,412,140,176	1,411,449,172	412,865	424,800	1,412,553,041	1,411,873,972
Total liabilities*	<u>1,512,455,213</u>	<u>1,598,958,630</u>	<u>1,773,792</u>	<u>1,426,271</u>	<u>1,514,229,005</u>	<u>1,600,384,901</u>
Real estate taxes received in advance	15,578,532	15,578,473	-	-	15,578,532	15,578,473
Deferred inflows for pension	15,566,000	6,731,000	-	-	15,566,000	6,731,000
Deferred inflows for OPEBS*	11,426,023	1,929,000	-	-	11,426,023	1,929,000
Total deferred inflows of resources*	<u>42,570,555</u>	<u>24,238,473</u>	<u>-</u>	<u>-</u>	<u>42,570,555</u>	<u>24,238,473</u>
Net position:			-	-	-	-
Net investment in capital assets	145,976,294	133,996,430	8,452,268	8,575,997	154,428,562	142,572,427
Restricted	6,684,219	7,484,295	-	-	6,684,219	7,484,295
Unrestricted*	(866,245,017)	(891,699,442)	4,882,476	4,744,436	(861,362,541)	(886,955,006)
Total net position*	<u>\$ (713,584,504)</u>	<u>\$ (750,218,717)</u>	<u>\$ 13,334,744</u>	<u>\$ 13,320,433</u>	<u>\$ (700,249,760)</u>	<u>\$ (736,898,284)</u>

*2017 as restated due to the recording of the net OPEB liability in accordance with GASB Statement No. 75.

The District's net investment in capital assets for governmental activities of \$145,976,294 as of December 31, 2018, 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 takes the information from the Statement of Activities, rearranging it slightly, by showing comparative information.

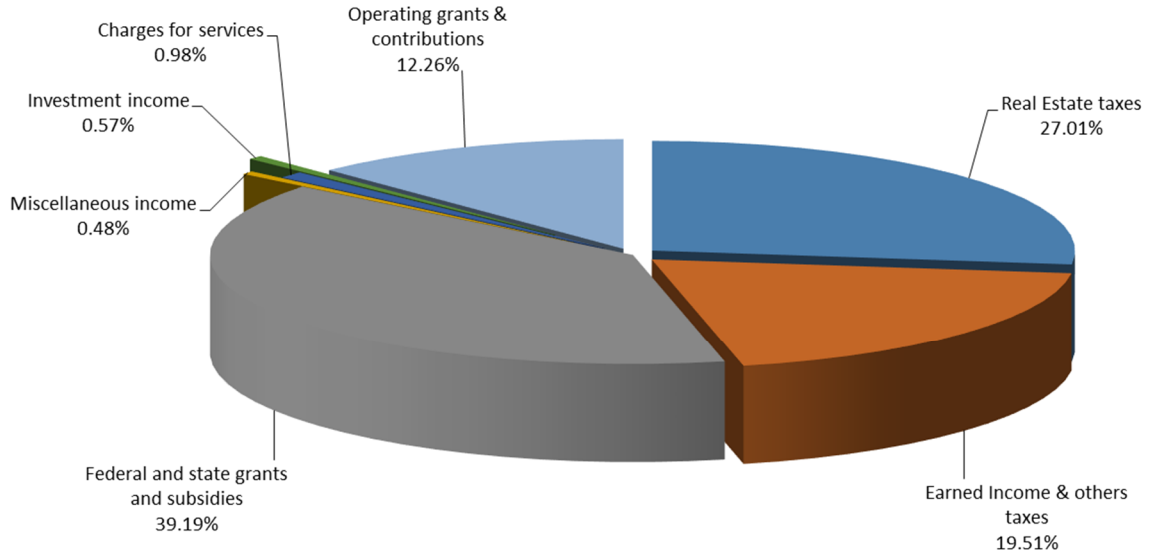
TABLE 2 — CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 6,734,546	\$ 6,542,880	\$ 1,101,798	\$ 1,141,617	\$ 7,836,344	\$ 7,684,497
Operating grants and contributions	84,689,895	87,155,820	17,392,811	16,976,423	102,082,706	104,132,243
Capital grants and state subsidies	-	-	-	-	-	-
General revenues:						
Property taxes and other taxes	321,323,383	310,239,700	-	-	321,323,383	310,239,700
Investment income	3,939,521	2,144,835	46,199	14,163	3,985,720	2,158,998
Federal and state grants and subsidies	270,647,094	265,111,419	-	-	270,647,094	265,111,419
Miscellaneous income	3,326,085	2,824,885	-	-	3,326,085	2,824,885
Total revenues	690,660,524	674,019,539	18,540,808	18,132,203	709,201,332	692,151,742
Expenses:						
Instruction	419,608,810	454,890,810	-	-	419,608,810	454,890,810
Instruction student support	69,861,843	70,597,215	-	-	69,861,843	70,597,215
Administrative and financial support services	49,010,594	52,720,424	-	-	49,010,594	52,720,424
Operation & maintenance of plant services	53,511,469	56,049,883	-	-	53,511,469	56,049,883
Student transportation	39,786,317	41,047,248	-	-	39,786,317	41,047,248
Student activities	5,011,319	5,217,046	-	-	5,011,319	5,217,046
Community services	323,665	471,385	-	-	323,665	471,385
Food services	-	-	18,526,497	17,923,655	18,526,497	17,923,655
Facilities	3,480,114	2,428,204	-	-	3,480,114	2,428,204
Interest on long-term debt	13,432,180	14,554,589	-	-	13,432,180	14,554,589
Total expenses	654,026,311	697,976,804	18,526,497	17,923,655	672,552,808	715,900,459
Change in net position before transfers	36,634,213	(23,957,265)	14,311	208,548	36,648,524	(23,748,717)
Transfers	-	(1,275,821)	-	1,275,821	-	-
Change in net position	36,634,213	(25,233,086)	14,311	1,484,369	36,648,524	(23,748,717)
Net position — January 1	(750,218,717)	(584,709,516)	13,320,433	11,836,064	(736,898,284)	(572,873,452)
Effective of implementation of GASB Statement No. 75	-	(140,276,115)	-	-	-	(140,276,115)
Net position — December 31	\$ (713,584,504)	\$ (750,218,717)	\$ 13,334,744	\$ 13,320,433	\$ (700,249,760)	\$ (736,898,284)

GOVERNMENTAL ACTIVITIES — Net position for governmental activities increased by \$36,634,213, as compared to a decrease of \$25,233,086 in the prior fiscal year. Factors contributing to the changes:

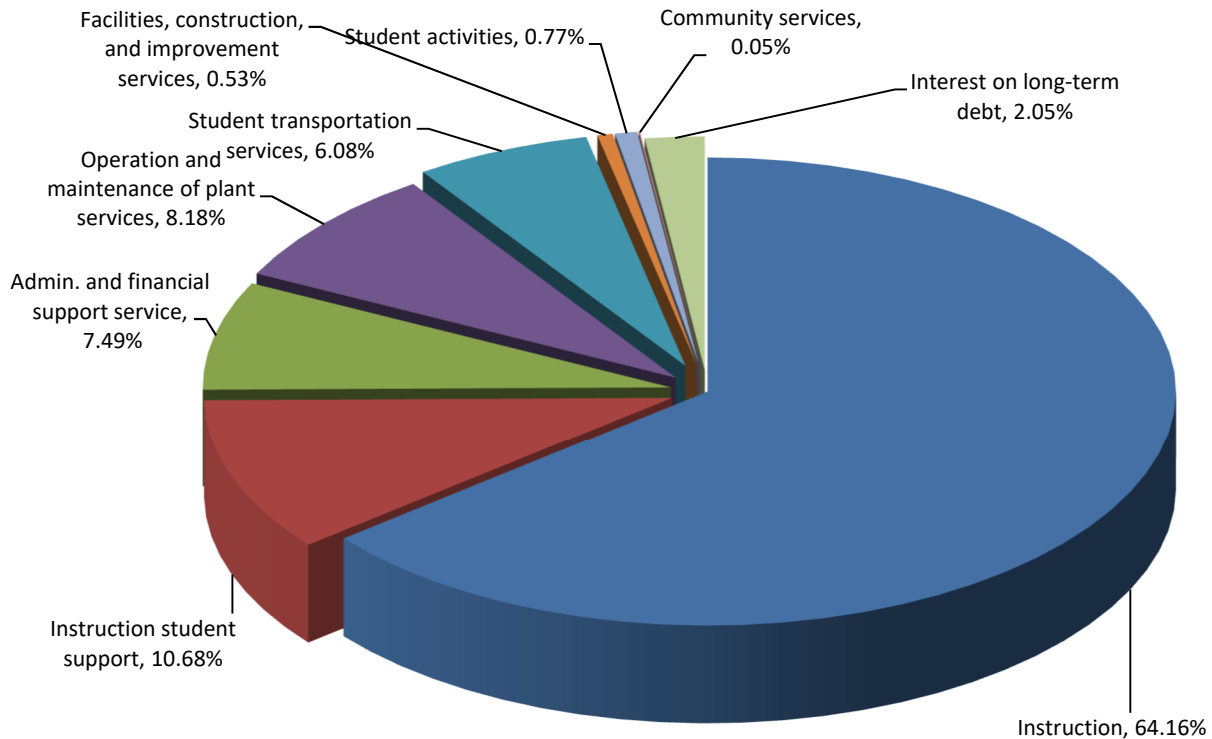
- The dependence upon tax revenues for governmental activities is apparent. The School District had expenses for governmental activities of \$654,026,311, while only \$6,734,546 has been provided from program specific charges and \$270,647,094 has been provided by the State and Federal Governments as operating grants. The District received \$162,556,211 from the State for Basic Education subsidy.
- Overall Local Tax Revenues of \$321,323,383 outperformed 2017 revenues by \$11,083,683. Real Estate Tax collections of \$186,571,183 in 2018 was \$5,672,233 greater than 2017.
- The District budget of \$2,169,063 for sinking fund revenues was based on the PDE continuing to fund PLANCON. In 2018, the District received funds from PDE for 2017-2018 and the first half of the 2018-2019 school year. The District received \$2,093,766 in Sinking Fund Revenues in 2018 compared to \$2,476,999 in 2017.
- Taxes, investment income, and local sources composed 47.1% of revenues for the District's governmental activities as a whole.

Governmental Activities Revenues by Sources



- Functional expenses have decreased by \$43,950,493 or 6.72%. The majority of this decrease relates to the recording of current year expense for OPEBs. Decreases in spending as well as outstanding debt also account for this decrease.

Governmental Activities Expenses - Type of Activities

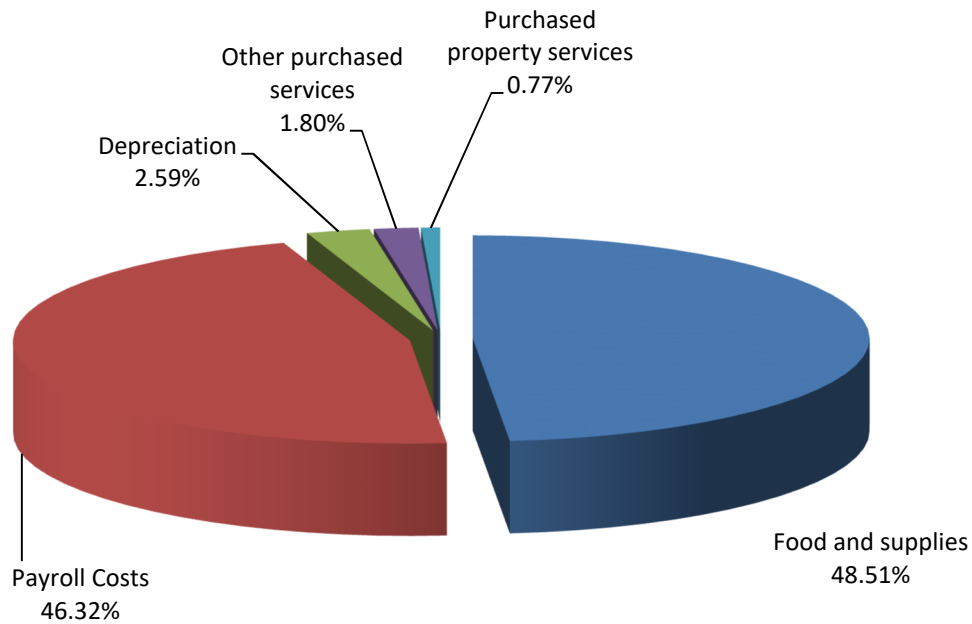


BUSINESS-TYPE ACTIVITIES

The net position of our food service activities increased by \$14,311 in fiscal year 2018, compared to the \$1,484,369 increase in 2017.

- Revenues increased by \$408,605 or 2.20%, to \$18,540,808 for 2018.
- Operating grants and contributions revenue increased by \$416,388 or 2.39% for 2018.
- The District's operating expenses increased by \$602,842, or 3.25%, to \$18,526,497 for 2018. This is mainly due to increased costs of salaries and benefits, as well as donated commodities.
- The costs of food and supplies increased by \$343,373, or 3.97%, over the 2017 costs which reflects increases to providing services to new contracts.
- Food service expenses for the year ended December 31, 2018, included \$480,582 for depreciation, which is an increase of \$56,441 over 2017. The District's food operations did not make any capital improvements in 2018.
- 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 Expenses by Source - 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 a decrease in fund balance of \$22,845,018. The combined ending fund balance of total governmental funds was \$135,469,788. Of this total amount, \$57,242,893 constitutes fund balance which is available for spending at the government's discretion. Assigned balances of \$34,843,565 represent intentions of the District to use funds for specific purposes, such as \$32,419,276 to support the 2018 budget shortfall. Committed funds of \$23,659,393 include \$3,040,795 for general fund contracts and \$3,242,762 for Capital Emergency funding. The District has \$10,085,975 in restricted capital projects imposed by debt covenants and \$398,165 restricted for scholarships.

The fund balance and the total change in fund balance by fund type as of December 31, 2018 and 2017 are as follows:

	Fund Balance December 31, 2018	Fund Balance December 31, 2017	Increase (Decrease)
General Fund	\$ 114,930,107	\$ 131,912,200	\$ (16,982,093)
Capital Projects	13,467,640	14,448,911	(981,271)
Special Revenue	4,463,009	6,063,624	(1,600,615)
Other Governmental	2,609,032	2,629,575	(20,543)
	<u>\$ 135,469,788</u>	<u>\$ 155,054,310</u>	<u>\$ (19,584,522)</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, 2018, was \$114,930,107 or 18.5% of total general fund expenditures and other financing uses. The unassigned and assigned fund balance of the general fund as of December 31, 2018, was \$92,086,458.

The fund balance of the District's general fund decreased by \$16,982,093. Key factors in this decrease were:

- A decrease of \$2,039,419 in general fund contracts over 2017.
- An increase of Board-approved subsequent year budget of \$8,283,866 and a decrease in purchase orders of \$377,646 is due to the lower encumbrance rollover at the year end.

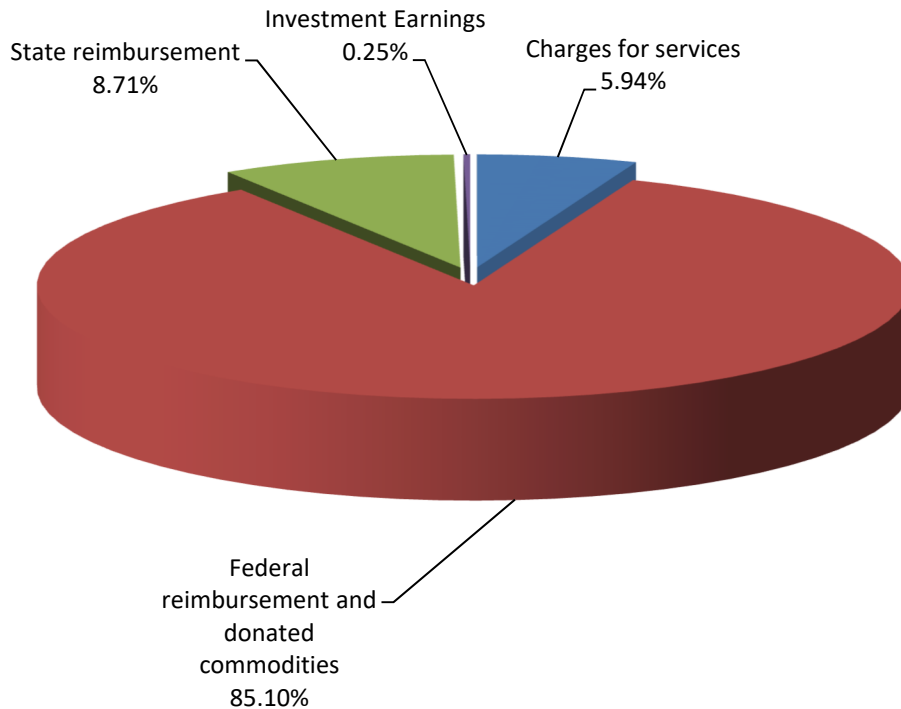
The net decrease of \$981,271 in the capital projects fund balance is due to:

- The District issued \$23,880,000 in general obligation bonds in 2018 in anticipation of architectural and engineering design and construction of capital projects and major maintenance of facilities including the District-wide improvements to the grounds, mechanical systems, building interiors and exteriors, in particular renovations to the restrooms at Brashear High School and Greenfield Elementary School, roof repairs at Carrick High School and Phillips Elementary, elevator replacement or repairs and a new fire alarm system at Greenway Elementary, floor replacement at Obama High School, masonry and window replacement at Spring Hill Elementary, and the installation of new unit ventilators and air conditioning at Sunnyside Elementary.
- The General fund transferred \$214,880 to the Capital Improvement projects in 2018 compared to \$822,529 in 2017. These funds will be used to fund 2019 major maintenance contracts.

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,

2018, federal and state reimbursement and donated commodities composed 85.10% 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 and other internal services. 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 \$1,626,491 during 2018. Funds with significant changes were as follows:

- Net position increased in the self-insurance health care fund by \$1,774,551. The net position balance is \$23,574,138 and the estimated liability for incurred but not paid claims is \$2,977,875 out of total liabilities of \$2,995,559.
- Operating Revenues decreased by \$1,379,818 from 2017. This is due to the District paying the Board share of the Retiree Health care expenses through the Self Insurance Fund instead of the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2018 year, there was a \$7,882,149 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, 2018. A small number of budget transfers were approved by the District's Board, which did not increase the overall budget.

On the District's budgetary basis, actual results of 2018 for the General Fund were \$9,570,362 better than budgeted. See Note 2 for additional information on the District's budgetary basis.

Actual revenues were \$4,627,609 more than budgeted. Key factors contributing to this increase include:

- Other revenues from Local Sources and refund of prior years was \$2,854,135 or 46.5% more than budgeted. This is due to collecting many prior year receivables that had not been collected in the past.
- The Real Estate Tax revenues are \$3,561,877, or 2.0%, greater than budgeted, which reflects an increase of market value of property in several areas of the city which have exhibited increased demands from these neighborhoods.
- Investment income was \$1,843,501 or 49.2% greater than budgeted attributable to higher short-term interest rates during the year.
- Real Estate transfer tax revenues were \$324,655, or 2.1% more than budgeted.

Actual expenditures were \$99,756,609 less than budgeted, but when the final budget for expenditures is compared with actual expenditures and other financing uses, the variance is \$3,772,787 less than budgeted. Key factors include:

- Instructional support expenditures were \$7,748,592 lower than budgeted, due to the monitoring of spending within resources.
- Instructional expenditures for special elementary/secondary programs were \$80,879,482 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 an other financing use in the income statement. Once this transfer is taken into consideration, the variance is \$2,620,208 less than budgeted.
- The District's budgeted contingency, originally adopted at \$3,169,400, ended the year with a \$830,587 balance. 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, 2018, the District's capital assets, net of depreciation, for its governmental and business-type activities amounted to \$447,731,091 and \$8,452,268, respectively, or a total of \$456,183,359, net of depreciation.

SCHOOL DISTRICT OF PITTSBURGH'S CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 23,847,664	\$ 23,847,664	\$ 43,878	\$ 43,878	\$ 23,891,542	\$ 23,891,542
Land improvements	9,817,809	8,409,502	-	-	9,817,809	8,409,502
Buildings & improvements	400,301,338	403,040,791	7,814,922	8,167,116	408,116,260	411,207,907
Machinery and equipment	13,764,280	15,614,865	593,468	365,003	14,357,748	15,979,868
Total	\$ 447,731,091	\$ 450,912,822	\$ 8,452,268	\$ 8,575,997	\$ 456,183,359	\$ 459,488,819

More detailed information on capital assets can be found in Note 5d in the Notes to Financial Statements.

Long-Term Debt — At the end of 2018, the District had bonded debt outstanding of \$294,852,839, 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 \$1,519,309 carry an interest rate of 1.38%. Two notes issued through the State Public School Board Authority are also outstanding in the amount of \$13,523,530, with a net rate of 1.276%. The Qualified School Construction Bonds in the amount of \$10,560,000 carries a net interest rate of 1.733%.

In 2018, the District issued \$23,880,000 in General Obligation Bonds. The final maturity on this issue is 2038. The District's total general obligations bonds and notes payable for its governmental activities decreased by \$10,229,343, due to the District's efforts to reduce debt service expenditures and capital project expenditures.

	Activities	
	2018	2017
General obligation and revenue bonds:		
General Obligation Bonds	\$ 226,715,000	\$ 234,265,000
Qualified Zone Academy Bonds	1,519,309	1,886,300
Taxable - Build America Bonds	42,535,000	42,535,000
Qualified School Construction Bonds	10,560,000	11,520,000
State Public School Board Authority Notes	13,523,530	14,875,882
Total	\$ 294,852,839	\$ 305,082,182

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 "Aa2" underlying and an "A-3" 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 underlying rating is "Stable" and enhanced rating is also "Stable" on the District's bonds.

More detailed information on long-term debt activity can be found in Note 5f in the Notes to Financial Statements and in the Other Information section on pages 116 – 126.

NEXT YEAR'S BUDGET

In December 2018, the Board of Directors adopted a 2019 general fund budget of approximately \$650 million, excluding estimated encumbrance carryovers of \$5,465,084. The 2019 budget balanced revenues and expenditures using \$32,419,276 of the assigned general fund balance as of December 31, 2018. The assigned and unassigned general fund balance of \$92,086,458 as of December 31, 2018, satisfies the Board's fund balance policy requirement of 5%–15% of operating expenses budgeted for 2019.

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. The millage rate for 2019 is 9.84, no change from 2018.

The Board of Directors also approved a 2019 capital program in the amount of \$43,657,900 to be funded from the issuance of general obligation debt, which will be issued in December 2019.

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 Laura R. Cosharek, Director of Finance, School District of Pittsburgh, 341 S. Bellefield Avenue, Pittsburgh, PA 15213.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

	Primary Government				Primary Government		
	Governmental Activities	Business-type Activities	Total		Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS							
CURRENT ASSETS:							
Cash	\$ 65,016,854	\$ 3,725	\$ 65,020,579	Accounts payable	\$ 17,587,360	\$ 822,286	\$ 18,409,646
Cash with fiscal agents	100,000	-	100,000	Accrued salaries	3,422,530	429,736	3,852,266
Investments	129,037,152	657,251	129,694,403	Payroll withholdings	28,381,731	-	28,381,731
Accrued interest	522,066	-	522,066	Interest payable	4,833,663	-	4,833,663
Taxes receivables - net:				Unearned revenue	372,505	-	372,505
Earned income taxes	30,366,626	-	30,366,626	Other liabilities	891,535	-	891,535
Real estate taxes	31,160,177	-	31,160,177	Current portion of noncurrent liabilities	44,825,713	108,905	44,934,618
Due from other governments	20,920,486	4,775,591	25,696,077				
Internal balances - due to/from	(81,401)	81,401	-	Total current liabilities	100,315,037	1,360,927	101,675,964
Inventories	-	597,543	597,543	NONCURRENT LIABILITIES	1,412,140,176	412,865	1,412,553,041
Other receivables and prepaid expenses	1,267,656	540,757	1,808,413				
				Total liabilities	1,512,455,213	1,773,792	1,514,229,005
Total current assets	278,309,616	6,656,268	284,965,884	DEFERRED INFLOWS OF RESOURCES:			
NONCURRENT ASSETS:				Real estate taxes received in advance	15,578,532	-	15,578,532
Restricted cash	6,246,955	-	6,246,955	Deferred inflows of resources for pensions	15,566,000	-	15,566,000
Restricted investments	39,099	-	39,099	Deferred inflows of resources for OPEBs	11,426,023	-	11,426,023
Issuance prepaid insurance	390,567	-	390,567				
Capital assets not being depreciated:				Total deferred inflows of resources	42,570,555	-	42,570,555
Land	23,847,664	43,878	23,891,542	NET POSITION:			
Capital assets net of accumulated depreciation:				Net investment in capital assets	145,976,294	8,452,268	154,428,562
Land improvements	9,817,809	-	9,817,809	Restricted net position:			
Buildings and improvements	400,301,338	7,814,922	408,116,260	Workers' compensation	6,286,054	-	6,286,054
Furniture, fixtures, machinery, and equipment	13,764,280	593,468	14,357,748	Scholarships	398,165	-	398,165
				Total restricted net position	6,684,219	-	6,684,219
Total capital assets (net of accumulated depreciation)	447,731,091	8,452,268	456,183,359	Unrestricted	(866,245,017)	4,882,476	(861,362,541)
Total noncurrent assets	454,407,712	8,452,268	462,859,980	Total net position	(713,584,504)	13,334,744	(700,249,760)
Total assets	732,717,328	15,108,536	747,825,864	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 841,441,264	\$ 15,108,536	\$ 856,549,800
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred outflows of resources for pensions	97,397,115	-	97,397,115				
Deferred outflows of resources for OPEBs	4,409,786	-	4,409,786				
Deferred charge on refunding	6,917,035	-	6,917,035				
Total deferred outflows of resources	108,723,936	-	108,723,936				
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 841,441,264	\$ 15,108,536	\$ 856,549,800				

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 419,608,810	\$ 6,734,546	\$ 62,391,046	\$ -	\$ (350,483,218)	\$ -	\$ (350,483,218)
Instruction student support	69,861,843	-	2,727,015	-	(67,134,828)	-	(67,134,828)
Administrative and financial support services	49,010,594	-	12,483,291	-	(36,527,303)	-	(36,527,303)
Operation & maintenance of plant services	53,511,469	-	1,854,709	-	(51,656,760)	-	(51,656,760)
Student transportation services	39,786,317	-	4,276,840	-	(35,509,477)	-	(35,509,477)
Student activities	5,011,319	-	567,422	-	(4,443,897)	-	(4,443,897)
Community services	323,665	-	389,574	-	65,909	-	65,909
Facilities acquisition, construction and imp services	3,480,114	-	-	-	(3,480,114)	-	(3,480,114)
Interest on long-term debt	13,432,180	-	-	-	(13,432,180)	-	(13,432,180)
Total governmental activities	654,026,311	6,734,546	84,689,895	-	(562,601,870)	-	(562,601,870)
Business-type activities:							
Food service operations	18,526,497	1,101,798	17,392,811	-	-	(31,888)	(31,888)
Total business-type activities	18,526,497	1,101,798	17,392,811	-	-	(31,888)	(31,888)
Total primary government	\$ 672,552,808	\$ 7,836,344	\$ 102,082,706	-	(562,601,870)	(31,888)	(562,633,758)
General revenues:							
Taxes:							
Real estate					186,571,183	-	186,571,183
Earned income					134,432,723	-	134,432,723
Others					319,477	-	319,477
Investment income					3,939,521	46,199	3,985,720
Federal/state grants and subsidies not restricted to specific programs					270,647,094	-	270,647,094
Miscellaneous income					3,326,085	-	3,326,085
Total general revenues					599,236,083	46,199	599,282,282
Change in net position					36,634,213	14,311	36,648,524
Net position - beginning, as restated					(750,218,717)	13,320,433	(736,898,284)
Net position - ending					\$ (713,584,504)	\$ 13,334,744	\$ (700,249,760)

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2018

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 31,641,849	\$ 2,455,312	\$ 5,750,651	\$ 2,607,627	\$ 42,455,439
Cash with fiscal agents	100,000	-	-	-	100,000
Investments	98,369,745	13,824,883	155,013	3,655	112,353,296
Accrued interest	480,469	-	-	-	480,469
Taxes receivable - net	61,526,804	-	-	-	61,526,804
Due from other funds	146,530	-	-	-	146,530
Due from other governments	18,954,662	-	1,965,823	-	20,920,485
Other receivables	463,940	-	97,764	-	561,704
Prepaid items	460,092	-	146,530	-	606,622
Total Assets	\$ 212,144,091	\$ 16,280,195	\$ 8,115,781	\$ 2,611,282	\$ 239,151,349
LIABILITIES					
Accounts payable and accrued	\$ 9,101,708	\$ 2,802,425	\$ 2,475,060	\$ 2,250	\$ 14,381,443
Due to other funds	-	-	146,530	-	146,530
Accrued salaries payable	9,502,630	10,130	184,926	-	9,697,686
Payroll withholdings payable	28,381,731	-	-	-	28,381,731
Unearned revenue	2,140	-	370,365	-	372,505
Prepayments and deposits	415,644	-	475,891	-	891,535
Total Liabilities	47,403,853	2,812,555	3,652,772	2,250	53,871,430
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	29,737,603	-	-	-	29,737,603
Unavailable revenue - earned income taxes	4,493,996	-	-	-	4,493,996
Advanced revenue - state property tax subsidy	15,578,532	-	-	-	15,578,532
Total Deferred Inflows of Resources	49,810,131	-	-	-	49,810,131
FUND BALANCES					
Nonspendable:					
Prepaid insurance and contractual deposits	460,092	-	146,530	-	606,622
Restricted for:					
Scholarships	-	-	-	398,165	398,165
Capital projects contracts	-	10,085,975	-	-	10,085,975
Committed to:					
Stabilization - capital emergency	3,242,762	-	-	-	3,242,762
Retirement	16,100,000	-	-	-	16,100,000
General fund contracts	3,040,795	-	-	-	3,040,795
Capital projects contracts	-	1,275,836	-	-	1,275,836
Assigned to:					
Board-approved subsequent years budget	32,419,276	-	-	-	32,419,276
Debt service	-	-	-	2,147,844	2,147,844
Special trust	-	-	4,316,479	63,023	4,379,502
Capital projects	-	2,105,829	-	-	2,105,829
Purchase orders	2,424,289	-	-	-	2,424,289
Unassigned	57,242,893	-	-	-	57,242,893
Total Fund Balances	114,930,107	13,467,640	4,463,009	2,609,032	135,469,788
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 212,144,091	\$ 16,280,195	\$ 8,115,781	\$ 2,611,282	\$ 239,151,349

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018**

TOTAL FUND BALANCE - GOVERNMENT FUNDS \$ 135,469,788

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 447,731,091

Certain assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds. 34,231,599

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. 36,087,231

Certain liabilities, including bonds, notes payable, pension, and post employment benefits are not due and payable in the current period and, therefore, are not reported in the funds. (1,367,104,213)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (713,584,504)

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, 2018

	General	Capital Projects	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Real estate, net of refunds of \$2,569,669	\$ 187,329,264	\$ -	\$ -	\$ -	\$ 187,329,264
Earned income	133,609,259	-	-	-	133,609,259
Other	319,453	-	-	-	319,453
Local nontax revenue	7,075,221	-	8,983,961	-	16,059,182
Federal and state grants and subsidies	270,934,899	-	78,403,540	-	349,338,439
Investment income	3,743,501	-	2,437	-	3,745,938
Total Revenues	603,011,597	-	87,389,938	-	690,401,535
EXPENDITURES:					
Current - instruction:					
Regular programs	269,514,221	-	9,406,061	-	278,920,282
Special programs	2,521,042	-	110,923,431	-	113,444,473
Vocational education programs	7,030,994	-	515,603	-	7,546,597
Other instructional programs	2,853,220	-	2,057,858	7,043	4,918,121
Pre-Kindergarten	2,083,954	-	22,982,311	-	25,066,265
Non public schools	-	-	1,012,502	-	1,012,502
Support services:					
Pupil personnel	14,571,408	-	6,472,451	-	21,043,859
Instructional staff	22,953,874	-	8,074,730	-	31,028,604
Administration	37,554,537	301,752	8,042,053	13,500	45,911,842
Pupil health	9,077,141	-	3,460,522	-	12,537,663
Business	6,092,618	-	183,960	-	6,276,578
Operation and maintenance of plant services	55,579,283	1,261,095	2,287	-	56,842,665
Student transportation services	30,822,905	-	9,039,116	-	39,862,021
Support services - central	9,623,648	-	451,723	-	10,075,371
Operation of noninstructional services:					
Student activities	4,290,321	-	1,040,773	-	5,331,094
Community services	29,649	-	323,029	-	352,678
Capital outlay:					
Facilities acquisition, construction, and improvement services	1,663,747	25,334,094	-	-	26,997,841
Debt service:					
Principal	34,109,343	-	-	-	34,109,343
Interest	14,807,930	-	-	-	14,807,930
Bond issuance costs	-	96,926	-	-	96,926
Total Expenditures	525,179,835	26,993,867	183,988,411	20,543	736,182,655
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	77,831,762	(26,993,867)	(96,598,473)	(20,543)	(45,781,120)
OTHER FINANCING SOURCES (USES):					
Face value of bonds issued	-	23,880,000	-	-	23,880,000
Bond premiums	-	1,917,715	-	-	1,917,715
Sale of, or compensation for, capital assets	203,915	-	-	-	203,915
Transfers (out) in-special education	(78,259,274)	-	78,259,274	-	-
Transfers in	966,052	214,880	17,704,636	-	18,885,568
Transfers out	(17,724,548)	-	(966,052)	-	(18,690,600)
Total other financing (uses) sources	(94,813,855)	26,012,595	94,997,858	-	26,196,598
CHANGE IN FUND BALANCES	(16,982,093)	(981,271)	(1,600,615)	(20,543)	(19,584,522)
FUND BALANCES - January 1, 2018	131,912,200	14,448,911	6,063,624	2,629,575	155,054,310
FUND BALANCES - December 31, 2018	\$ 114,930,107	\$ 13,467,640	\$ 4,463,009	\$ 2,609,032	\$ 135,469,788

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, 2018**

CHANGE IN FUND BALANCES \$ (19,584,522)

Amounts reported for governmental activities in the statement of activities are different from net change in fund balances - total governmental funds because:

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. (2,089,603)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (1,092,128)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 34,231,599

Revenues that were recognized as current financial resources that would have been accrued in prior periods in the statement of activities. (34,166,192)

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 position. Also, governmental funds report the effect of issuance insurance, 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. 11,557,354

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. 46,176,483

The net expense of certain activities of internal service funds is reported with governmental activities. 1,601,222

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 36,634,213

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Budgetary Basis	Variance
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Real estate	\$ 171,221,308	\$ 171,221,308	\$ 174,783,185	\$ 3,561,877
Earned income	134,518,805	134,518,805	133,609,259	(909,546)
Real estate transfers	14,791,093	14,791,093	15,115,748	324,655
Other	306,204	306,204	319,453	13,249
Local nontax revenue:				
In lieu of taxes	655,177	655,177	936,031	280,854
Other revenue from local sources and prior year refunds	3,285,055	3,285,055	6,139,190	2,854,135
State grants and subsidies:				
Basic instructional subsidies	161,763,913	161,763,913	162,556,211	792,298
Subsidies for specific education programs	28,594,081	28,594,081	28,742,161	148,080
Subsidies for noneducational programs	32,528,157	32,528,157	31,021,423	(1,506,734)
Subsidies for state paid benefits	44,459,421	44,459,421	46,132,347	1,672,926
Federal grants	6,930,443	6,930,443	2,482,757	(4,447,686)
Investment income	1,900,000	1,900,000	3,743,501	1,843,501
Total Revenues	600,953,657	600,953,657	605,581,266	4,627,609
EXPENDITURES:				
Instruction:				
Regular programs—elementary/secondary	276,030,626	277,642,362	270,273,537	7,368,825
Special programs—elementary/secondary	85,792,758	83,400,524	2,521,042	80,879,482
Vocational education programs	6,679,639	6,913,577	7,035,785	(122,208)
Other instructional programs-elementary/secondary	2,930,417	3,254,040	2,888,587	365,453
Pre-Kindergarten	1,500,000	799,833	2,083,954	(1,284,121)
Support services:				
Pupil personnel	13,414,146	14,289,934	14,633,047	(343,113)
Instructional staff	18,422,655	24,779,460	24,576,742	202,718
Administration	38,287,001	40,890,042	37,928,871	2,961,171
Pupil health	8,126,345	9,115,994	9,709,063	(593,069)
Business	6,801,276	6,906,474	6,877,196	29,278
Operation and maintenance of plant services	59,540,401	59,551,619	56,042,196	3,509,423
Student transportation services	35,358,449	35,139,971	30,828,296	4,311,675
Support services—central	10,123,043	10,739,139	10,014,975	724,164
Operation of noninstructional services:				
Student activities	5,124,623	5,415,009	4,520,926	894,083
Community services	35,400	35,400	29,649	5,751
Capital outlay:				
Facilities acquisition, construction and improvement services	1,332,176	1,417,725	1,763,779	(346,054)
Debt service:				
Principal	34,409,343	34,409,343	34,109,343	300,000
Interest	14,811,349	14,811,349	14,807,930	3,419
Tax refunds	3,200,000	2,628,814	2,569,669	59,145
Contingencies/operating transfers	3,169,400	830,587	-	830,587
Total Expenditures	625,089,047	632,971,196	533,214,588	99,756,609
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,135,390)	(32,017,539)	72,366,678	104,384,217
OTHER FINANCING SOURCES (USES):				
Sale of or compensation for fixed assets	-	-	203,915	203,915
Transfers in	-	-	966,052	966,052
Transfers out	-	-	(95,983,822)	(95,983,822)
Total other financing uses	-	-	(94,813,855)	(94,813,855)
CHANGE IN FUND BALANCE	(24,135,390)	(32,017,539)	(22,447,177)	9,570,362
FUND BALANCE-January 1, 2018	131,912,200	131,912,200	131,912,200	-
FUND BALANCE - December 31, 2018	\$ 107,776,810	\$ 99,894,661	\$ 109,465,023	\$ 9,570,362

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AS OF DECEMBER 31, 2018**

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,725	\$ 22,561,416
Investments	657,251	16,683,856
Interest receivable	-	41,597
Due from other governments	4,775,591	-
Inventories	597,543	-
Other receivables	540,757	99,329
Total current assets	6,574,867	39,386,198
NONCURRENT ASSETS:		
Restricted cash	-	6,246,955
Restricted investments	-	39,099
Capital assets:		
Land	43,878	-
Buildings	15,070,740	-
Machinery and equipment	6,119,219	-
Less accumulated depreciation	(12,781,569)	-
Total capital assets (net of accumulated depreciation)	8,452,268	-
Total noncurrent assets	8,452,268	6,286,054
TOTAL ASSETS	\$ 15,027,135	\$ 45,672,252
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 822,286	\$ 3,205,917
Accrued salaries	429,736	11,649
Current portion of compensated absences	108,905	-
Current portion of workers' compensation reserve	-	1,800,000
Total current liabilities	1,360,927	5,017,566
NONCURRENT LIABILITIES:		
Compensated absences	412,865	-
Workers' compensation reserve	-	4,486,054
Total noncurrent liabilities	412,865	4,486,054
TOTAL LIABILITIES	\$ 1,773,792	\$ 9,503,620
NET POSITION		
Investment in capital assets	\$ 8,452,268	\$ -
Unrestricted	4,801,075	36,168,632
Total	13,253,343	36,168,632
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	81,401	-
TOTAL NET POSITION OF BUSINESS-TYPE ACTIVITIES	\$ 13,334,744	\$ 36,168,632
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, 2018

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
OPERATING REVENUES:		
Contributions	\$ -	\$ 65,680,189
Charges for services	1,101,798	-
Total operating revenues	<u>1,101,798</u>	<u>65,680,189</u>
OPERATING EXPENSES:		
Food service operations:		
Food and supplies	9,000,145	-
Payroll costs	8,593,330	-
Purchased property services	143,474	-
Other purchased services	334,237	-
Depreciation	480,582	-
Support services — administration	-	877,607
Support services — central:		
Employee salaries, benefits, insurance, and supplies	-	383,605
Benefit payments	-	62,792,959
Claims and judgments	-	1,184
Total operating expense	<u>18,551,768</u>	<u>64,055,355</u>
OPERATING GAIN (LOSS)	<u>(17,449,970)</u>	<u>1,624,834</u>
NONOPERATING REVENUES:		
Federal reimbursements and donated commodities	15,778,630	-
State reimbursements	1,614,181	-
Investment earnings	46,199	196,626
Total nonoperating revenues	<u>17,439,010</u>	<u>196,626</u>
INCOME (LOSS) BEFORE TRANSFERS	(10,960)	1,821,460
TRANSFERS IN / (OUT)	-	(194,969)
CHANGE IN NET POSITION	(10,960)	1,626,491
NET POSITION — January 1, 2018	<u>13,264,303</u>	<u>34,542,141</u>
NET POSITION — December 31, 2018	<u>\$ 13,253,343</u>	<u>36,168,632</u>
CHANGE IN NET POSITION	\$ (10,960)	\$ -
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS	<u>25,271</u>	-
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES	<u>\$ 14,311</u>	<u>\$ -</u>

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions	\$ -	\$ 65,680,189
Receipts from customers and users	789,430	-
Payments to suppliers	(8,309,012)	(897,963)
Payments to claimants	-	(63,357,478)
Payments to employees	(8,569,537)	(389,890)
Net cash provided by (used in) operating activities	<u>(16,089,119)</u>	<u>1,034,858</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal and state reimbursements	<u>16,363,122</u>	-
Net cash provided by (used in) noncapital financing activities	<u>16,363,122</u>	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(356,854)	-
Transfers to other funds	-	(194,969)
Net cash provided by (used in) capital and related financing activities	<u>(356,854)</u>	<u>(194,969)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	46,199	180,764
Sale of investments	36,652	3,861,283
Net cash provided by (used in) investing activities	<u>82,851</u>	<u>4,042,047</u>
INCREASE IN CASH	-	4,881,936
CASH — January 1, 2018 (including \$2,218,420 for the internal service funds included in restricted assets)	<u>3,725</u>	<u>23,926,435</u>
CASH — December 31, 2018 (including \$6,246,955 for the internal service funds included in restricted assets)	<u>\$ 3,725</u>	<u>\$ 28,808,371</u>

See notes to financial statements.

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating gain (loss)	\$ (17,449,970)	\$ 1,624,834
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:		
Donated commodities	989,416	-
Depreciation	480,582	-
Changes in assets and liabilities:		
Inventories	(144,300)	
Other receivables	(312,368)	84,054
Accounts payable	323,728	125,288
Accrued salaries	21,437	(6,285)
Compensated absences	2,356	-
Workers' compensation reserve	-	(793,033)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (16,089,119)</u>	<u>\$ 1,034,858</u>
NONCASH FINANCING TRANSACTION — Donated commodities	<u>\$ 989,416</u>	<u>\$ -</u>

See notes to financial statements.

(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS AS OF DECEMBER 31, 2018

	<u>OPEB Trust</u>	<u>Escheated Property Private-Purpose Trust</u>	<u>Agency Funds</u>
ASSETS			
Cash	\$ -	\$ 52,423	\$ 863,516
Investments-Mutual fund	<u>14,138,244</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>14,138,244</u></u>	<u><u>52,423</u></u>	<u><u>863,516</u></u>
LIABILITIES			
Accounts payable	<u>-</u>	<u>39,494</u>	<u>863,516</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ 39,494</u></u>	<u><u>\$ 863,516</u></u>
NET POSITION			
Net position held in trust for escheated property		<u><u>\$ 12,929</u></u>	
Net position restricted for OPEB Trust	<u><u>\$ 14,138,244</u></u>		

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	OPEB Trust	Escheated Property Private-Purpose Trust
	<u> </u>	<u> </u>
ADDITIONS:		
Contributions:		
District Funds	\$ 7,019,179	\$ 6,722
Investment income:		
Net appreciation (depreciation)	(860,849)	-
Interest and income	444,415	-
Total investment income (loss)	(416,434)	-
Less investment expense	(128,822)	-
Net investment income (loss)	(545,256)	-
TOTAL ADDITIONS	<u>6,473,923</u>	<u>6,722</u>
DEDUCTIONS:		
Benefit payments	7,019,179	-
Reduction in stale check reserve	-	6,722
Transfers to state	-	3,189
TOTAL DEDUCTIONS	<u>7,019,179</u>	<u>9,911</u>
NET INCREASE (DECREASE) IN NET POSITION	<u>(545,256)</u>	<u>(3,189)</u>
NET POSITION — BEGINNING	<u>14,683,500</u>	<u>16,118</u>
NET POSITION— ENDING	<u>\$ 14,138,244</u>	<u>\$ 12,929</u>

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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 2018, the

District received \$28,386,926 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.

- c. **Fund Financial Statements** — Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds composed of OPEB Trust, Private Purpose Trusts and Agency Funds, even though the latter are excluded from the governmental financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All other nonmajor funds are aggregated on the governmental or proprietary fund financial statements as applicable. 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 and report all financial resources not accounted for and reported 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 service). 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.

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**

OPEB Trust Fund — This fund accounts for retiree health care benefits.

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 funds to account for escheated property.

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, as follows:

- 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 unavailable 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 as under accrual accounting. However, 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. These liabilities include 1) principal and interest on general long-term debt; 2) compensated absences, which are recorded only when payment is due; 3) pension and other postemployment benefit liabilities; and 4) 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. 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. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. 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, including governmental subsidies, are reported as nonoperating revenues and expenses.

All Fiduciary Funds use the accrual method of accounting. The measurement focus of these funds is similar to proprietary funds.

Agency Funds are used to account for assets held by the District in an agent capacity for student activities. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position:***

- 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.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

- 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 22.41% of outstanding property taxes at December 31, 2018.

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, 2018, the District paid \$2,789,096 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 2018 was 9.84 mills (\$1 per \$1,000 assessed valuation) on an assessed value of \$19.9 billion.

Tax Abatements and Other Tax Arrangements — The District has issued Board Policy No. 705.1-AR-1 which authorizes preferential land assessment programs. The District's tax abatements are authorized by Board resolution and require Board approval. Recipients are eligible for tax abatement for various reasons such as development costs, property location, or renovations that would otherwise result in increased property assessment. All tax abatements are a set dollar amount and are received as tax credits with the exception of Act 42 abatements which reduce the assessed value. Applicants must, at minimum, satisfy eleven (11) criteria in order for the District to consider participation in a preferential land assessment including Tax Increment Financing (TIF), Transit Revitalization Investment District Act (TRID) and Local Economic Revitalization Tax Assistance Act 76 (LERTA) programs. The most significant criteria include:

- The project would not proceed without the additional revenue source generated by the tax increment financing or preferential assessment program. Applicant must provide evidence of a funding "gap" that will be resolved only by approval of the preferential land assessment program.

- The site is considered a blighted area, which blight would be reversed by the project development.
- The District will provide no more than:
 - Sixty percent (60%) of its tax increment for twenty (20) years, not to exceed ten percent (10%) of the development costs for TIF and TRID projects.
 - Seventy-five percent (75%) of tax increment for ten (10) years, not to exceed ten percent (10%) of the development costs for TIF and TRID projects.
 - Seventy-five percent (75%) of the tax increment for twenty (20) years for projects with significant value added or multiplier effects for TIF and TRID projects.
- For TIF and TRID projects, a one percent (1%) fee of the total bond(s) issued will be assessed as an application fee to cover the District's costs for review of the project.
- For LERTA projects, a one percent (1%) fee of the total abated taxes each year over the life of the LERTA will be assessed as an application fee to cover the District's costs for review of the project.

For TIF and TRID projects, the tax increment financing proposal which is submitted to the Board for final approval must contain specific information regarding the parties involved in the preferential land assessment program proposal, specific levels of participation by each taxing body, a detailed description of the financing method in the plan; and it shall contain a verification statement by a duly qualified engineer, accountant, or other appropriate professional as to the accuracy of the estimated revenue and projections of the plan.

For TIF, TRID and LERTA projects, applicants must first demonstrate approval by the City and County for their application. In instances where preferential land assessment is denied due to conditions pertaining to the purchase of the property from a taxing jurisdiction, the District may consider approval of the application.

The Board reserves the right to conduct a public hearing and hold such other proceedings as it solely shall deem necessary prior to final approval of any preferential land assessment program.

The following are the District's tax abatement programs:

- 3-year Act 42 – available Citywide for residential properties for sale or rental;
- 10-year Act 42 Enhanced – available in 28 defined Targeted Growth zones for residential properties for sale or rental;
- 10-year Residential LERTA – available in 4 defined areas for residential properties rental or hotels;
- 10-year Residential Enhanced LERTA – available in 4 defined areas for residential properties separately assessed units.

The District’s tax abatement agreements do not contain recapture provisions for non-compliance. There were no amounts received or receivable from other governments in association with the forgone taxes. The District did not make other commitments other than to reduce taxes as part of the tax abatement agreements.

During 2018, real estate tax abatements were as follows:

Act 42	\$	68,358
Act 42 Enhanced		801,788
Residential LERTA		1,214,079
Residential Enhanced LERTA		532,942
TRID		<u>650,963</u>
Total tax abatements	\$	<u>3,268,130</u>

Other tax arrangements include the following:

- Tax Increment Financing – Real estate tax revenue is diverted to another entity to cover bond payments for debt used for redevelopment and other community improvement projects.
- Homestead – Exemption for first \$29,910 of assessed value for residential property that is owner occupied. The Homestead application must be filed at the Allegheny County Office of Property Assessment.

During 2018, other real estate tax arrangements as defined above resulted in the following forgone tax amounts:

Homestead Exemption	\$	15,580,315
Tax Increment Financing		<u>3,663,241</u>
Total other tax arrangements	\$	<u>19,243,556</u>

- v. **Due from Other Funds** — 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 fund financial statements.
- vi. **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.
- vii. **Prepays** — The District uses specific identification methods to record insurance prepayments in governmental funds.

- viii. **Capital Assets** — Capital assets, which include property, plant, equipment, and intangibles, are reported in the applicable governmental-type or business-type activity columns in the government-wide and proprietary fund 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 acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

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

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

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

- ix. **Deferred Inflows of Resources, Deferred Outflows of Resources 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 represents an acquisition of resources that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include the following:

- In the General Fund, deferred inflows-unavailable relate to property tax receivables that were levied in the current and prior years and earned income tax receivables on wages in the current year that will not be available to pay liabilities of the current period. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet.
- The District’s receipt of State gaming revenue to be used for 2019 Homestead reductions for property taxes is recorded as deferred inflows-advanced revenue on both the statement of net position and the governmental funds balance sheet.

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 resources that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources include the following:

- The deferred charge on refunding is reported in the government-wide statement of net position as a deferred outflow. 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 conjunction with pension and other post-employment benefits (OPEBs) accounting requirements, the effect of the change in the District's proportion, the net difference between expected and actual investment earnings, differences between expected and actual experience, changes in assumptions, and payments made to PSERS subsequent to the measurement date are recorded as a deferred inflow or outflow of resources related to pensions and OPEBs (as applicable) on the government-wide financial statements. These amounts are determined based on the actuarial valuations performed for the pension and OPEB plans. Note 6d through 6f present additional information about these plans.

Unearned revenues represent grant funds received prior to expenditure and are reported on both the statement of net position and the governmental funds balance sheet.

- x. **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, 2018, is based on whether the employee is qualified to receive retirement pay or resignation pay at December 31, 2018.

In addition, employees in certain administrative positions earn terminal vacation days. They may accumulate these days as a one-time allotment to a maximum of 25 days, which will be

paid upon retirement or resignation from the District. This terminal leave benefit has been eliminated for new school administrators promoted or hired after January 1, 2000.

Severance pay for food service employees is accrued in the proprietary fund. The current portion is based on the amount estimated to be paid in 2018.

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. The 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. **Postemployment Benefits** — In the government-wide financial statements, long-term liabilities related to postemployment benefits, including pensions and health insurance, are calculated based on actuarial valuations as described in Notes 6d through 6f.
- 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 the current period.

In governmental funds, bond issuances, 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, 2018, 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, 2018, the District had restrictions for scholarships and legally restricted construction funds via debt covenants as described in the governmental funds 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 District currently has a stabilization fund for one-time capital project or emergency operational expenditures, which was authorized by Policy #721, Fund Balance and Stabilization Fund, revised on July 24, 2013. The Board has also committed funds for future retirement benefits and various General Fund and capital projects contracts.
- 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, 2018, are described in the governmental funds 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 budgeted expenditures, the excess shall be specifically designated for one or more of the following: subsequent years expenditure increases; subsequent years revenue reductions; or 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, 2018, represent funds for Workers’ Compensation liability and scholarships.
- Unrestricted — This component of net position consists of net position that does not meet the definition of “restricted” or “in capital assets.”

- f. **Interest Expense** — The District accounts for interest on its debt as an expense of the period in which it is incurred. There is no capitalized interest on debt included as part of the cost of the asset.
- g. **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.
- h. **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.
- i. **Newly Adopted Accounting Pronouncements** — GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this statement have been adopted and incorporated into these financial statements and resulted in a reduction of net position as of January 1, 2018 of \$140,276,115. The Net OPEB Liability is discussed further in Notes 6d and 6f.

GASB Statement No. 85, “Omnibus 2017,” addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurements and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The provisions of this statement have been adopted and incorporated into these financial statements.

GASB Statement No. 86, “Certain Debt Extinguishment Issues,” improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The provisions of this statement have been adopted and incorporated into these financial statements.

- j. **Recent Accounting Pending Pronouncements** — GASB has issued statements that will become effective in future years including Statement Nos. 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 87 (Leases), 88 (Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period) 90 (Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61) and 91 (Conduit Debt Obligations). Management has not yet determined the impact of these statements on the 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, 2018	\$ 114,930,107
Deduct outstanding:	
Committed contracts	(3,040,795)
Assigned purchase orders	<u>(2,424,289)</u>
Budgetary basis — fund balance — December 31, 2018	<u><u>\$ 109,465,023</u></u>

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND 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 a 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, notes payable, and post employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ 281,329,309
Compensated absences	10,711,609
Notes payable	13,523,530
Premium on issuance (to be amortized as interest expense)	16,215,318
Less discount on issuance (to be amortized as interest expense)	(34,363)
Less deferred charge on refunding	(6,917,035)
Less deferred charge for insurance costs (to be amortized over life of debt)	(390,567)
Less deferred outflows of resources for pension	(97,397,115)
Less deferred outflows of resources for OPEB	(4,409,786)
Accrued interest payable	4,833,663
Obligations under leases	7,724,013
Net OPEB liability	114,713,303
Net pension liability	1,000,087,000
Deferred inflows of resources for pension	15,566,000
Deferred inflows of resources for OPEB	11,426,023
Termination benefits	123,311
	<hr/>
Net adjustment to reduce fund balance — total governmental funds to arrive at net position — governmental activities	<u><u>\$ 1,367,104,213</u></u>

- b. ***Explanation of Certain Differences Between the Governmental Funds 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 difference are as follows:

Capital outlays	\$ 27,696,454
Depreciation expense and changes in accumulated depreciation	<u>(29,786,057)</u>
	<hr/>
Net adjustment to decrease net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (2,089,603)</u></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 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>\$ (1,092,128)</u>

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 prepaid insurance, 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 difference are as follows:

Net proceeds/financing received — issuance of general obligation bonds payable, debt refunding, and capital leases	\$ (25,797,715)
Repayment — to bondholders and lessors	<u>37,355,069</u>
Net adjustments to increase net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 11,557,354</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 difference are as follows:

Accrued expenses	\$ 44,995,698
Amortization of premium	2,887,704
Amortization of bond discount, issuance prepaid insurance and deferred change on refunding	<u>(1,706,919)</u>
Net adjustments to increase net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 46,176,483</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 a 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 difference are as follows:

Internal receivable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — prior years	\$ 56,130
Internal receivable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — current year	<u>25,271</u>
Net adjustment to increase net position — total enterprise funds to arrive at net position — business-type position activities	<u>\$ 81,401</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 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 2018. There were no supplemental budget appropriations in 2018, except for the 2017 carry over encumbrances.

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 assigned 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 funds.

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

5. FUND INFORMATION

- a. ***Deposits and Investments*** — The District reports deposits and investments in accordance with GASB Codification Section 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, 2018.

A summary of deposits and investments with financial institutions at December 31, 2018, is as follows:

Deposits and Investments	Book Balance
General Fund	\$ 130,011,594
Capital Projects Funds	16,280,195
Special Revenue Funds	5,905,664
Nonmajor Governmental Funds	2,611,282
Food Service Fund	660,976
Internal Service Funds	45,531,326
OPEB Trust	14,138,244
Private Purpose Trusts	52,423
Fiduciary Funds	863,516
	<hr/>
Total deposits and investments	<u><u>\$ 216,055,220</u></u>

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), 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, short term commercial paper issued by a public corporation, or banker's acceptances. The statutes allow pooling of governmental funds for investment purposes.

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, 2018, \$105,068,867 of the District's \$121,037,441 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><u>\$ 105,068,867</u></u>
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As of December 31, 2018, the District had the following investments:

	Maturity Date	Fair Value
Unrestricted Investments		
Money market funds:		
PA School District Liquid Asset Fund (PSDLAF)	n/a	\$ 2,724,879
PA Local Government Investment Trust — Class (PLGIT)	n/a	23,067,345
PLGIT — ARM	60 days or less	13,798,475
PA INVEST	60 days or less	21,194,754
Federated Government Obligations Fund	36 days average	247,380
PNC Government Money Market Fund	60 days or less	3,681,048
FNB Wealth Management	60 days or less	1,189,777
Nonnegotiable certificates of deposit:		
PLGIT — 2.50%	03/15/19	2,000,000
PLGIT — 2.95%	09/13/19	2,000,000
PSDLAF — 2.10%	04/18/19	2,000,000
PSDLAF — 2.25%	06/13/19	6,000,000
PSDLAF — 2.25%	06/27/19	1,000,000
PSDLAF — 2.20%	01/07/19	1,000,000
PSDLAF — 2.48%	12/06/19	5,000,000
PSDLAF — 2.47%	12/12/19	5,000,000
First Natl — 2.23%	09/11/19	1,021,383
First Commonwealth — 1.20%	01/18/19	5,065,323
Various - Each Certificate Under \$250,000 — 1.50% — 3.05%	Various - 12/30/21	14,690,000
FNB Wealth Management Municipal Bond Portfolio (Level 2)	Various	958,887
Repurchase agreement	01/01/19	18,055,152
Total unrestricted investments		<u>\$ 129,694,403</u>
Restricted Investments		
Money market funds:		
PA OPEB Trust		\$ 14,138,244
PA School Liquid Asset Fund (PSDLAF)		39,099
Total restricted investments		<u>\$ 14,177,343</u>

Restricted cash as of December 31, 2018, in the amount of \$6,246,955 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, 2018, 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 — Prime	AAAm	N/A
PLGIT — ARM	AAAm	N/A
PA INVEST	AAAm	N/A
Federated Government Obligations Fund	AAAm	N/A
FNB Daily Money Market	AAA	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. Treasuries 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 up to 20% of a bank’s total capital and surplus. As of December 31, 2018, the repurchase agreement was 10% 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.

PSDLAF and PLGIT — PSDLAF and 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.

The District is invested in PLGIT - Class shares, which require no minimum balance, no minimum initial investment, and have a one day minimum investment period. At December 31, 2018, PLGIT carried an AAAm rating and had an average maturity of less than one year.

The District is invested in PLGIT/PLUS – Class shares, which require a minimum investment of \$50,000, a minimum investment period of thirty days, and has a premature withdrawal penalty. At December 31, 2018, PLGIT carried an AAAm rating and had an average maturity of less than one year.

The District is invested in PLGIT/ARM, which require a minimum investment of \$50,000 and limits redemptions or exchanges to two per calendar month. However, there is no minimum investment period. At December 31, 2018, PLGIT ARM carried an AAAm rating and had an average maturity of less than one year.

The District is invested in PLGIT/PRIME, which is a variable rate investment portfolio which requires no minimum balance, no minimum initial investment, and limits redemptions or exchanges to two per calendar month. At December 31, 2018, PLGIT carried an AAAm rating and had an average maturity of less than one year.

The District is invested in PSDLAF Max Series which uses a principal investment strategy of investing in short-term money-market instruments and maintaining a constant net asset value (NAV) of \$1.00 per share. Investments (other than direct deposits of state aid payments) are to be deposited for a minimum of fourteen (14) days. At December 31, 2018 PSDLAF carried an AAAm rating.

PA INVEST — PA INVEST is a diversified investment portfolio open to local governments of the Commonwealth of Pennsylvania. PA 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.

The District invested in PA INVEST which offers two rated pools with short-term maturity as well as periodic custom investment opportunities for longer-term investment needs. At December 31, 2018 PA INVEST carries an AAAm rating.

Other Postemployment Benefit Trust Fund – The Other Postemployment Benefit Trust Fund (OPEB Trust) investments are held separately from those of other District funds. Investments of the plan are reported at fair value. The OPEB Trust is invested in a master trust fund which holds investments to fund future health payments on behalf of the District’s employees. The District is allocated a share of the investments held in the master trust based on a net asset value per share. The fair value of the District’s portion of the trust is \$14,138,244 at December 31, 2018. The OPEB Trust funds are not insured.

Investment allocations of the master trust are as follows as of December 31, 2018: Fixed income – 70.3%; Domestic Equity – 20.0%; International Equity – 9.7%.

- b. **Receivables** — Receivables as of December 31, 2018, 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	Capital Project Funds	Special Revenue Fund	Other Governmental Funds	Food Service	Internal Service Funds	Total
Receivables — taxes:							
Real estate	\$ 39,800,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,800,177
Earned income	30,366,627	-	-	-	-	-	30,366,627
Due from other governments:							
Commonwealth of Pennsylvania	16,649,358	-	1,965,823	-	4,775,591	-	23,390,772
City of Pittsburgh	2,305,304	-	-	-	-	-	2,305,304
Other receivables	463,940	-	97,764	-	-	99,329	661,033
Interest	480,469	-	-	-	540,757	41,597	1,062,823
Gross receivables	90,065,875	-	2,063,587	-	5,316,348	140,926	97,586,736
Less allowance for uncollectibles	8,640,000	-	-	-	-	-	8,640,000
Net receivables	\$ 81,425,875	\$ -	\$ 2,063,587	\$ -	\$ 5,316,348	\$ 140,926	\$ 88,946,736

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. As of December 31, 2018, 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
Earned income taxes receivable	\$ -	\$ 4,493,996	\$ -
State property tax relief (General Fund)	15,578,532	-	-
Delinquent property taxes receivable (General Fund)	-	29,737,603	-
Grant drawdowns prior to meeting all eligibility requirements (Special Revenue Funds and General Fund)	-	-	372,505
Total deferred/unearned revenue for governmental funds	\$ 15,578,532	\$ 34,231,599	\$ 372,505

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

- c. **Interfund Receivables, Payables, and Transfers** — The composition of interfund balances as of December 31, 2018, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 146,530	\$ -
Special Revenue Fund	-	146,530
	<u>146,530</u>	<u>146,530</u>
Total	<u>\$ 146,530</u>	<u>\$ 146,530</u>

This balance includes the amount of working capital loans made to the Special Revenue Fund, which the General Fund expects to collect in the subsequent year.

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

	Transfers — In			Total
	General Fund	Capital Projects	Special Revenue Fund	
Transfers — out:				
General Fund	\$ -	\$ 214,880	\$ 95,768,943	\$ 95,983,823
Internal Service	-	-	194,969	194,969
Special Revenue Funds	966,052	-	-	966,052
	<u>966,052</u>	<u>-</u>	<u>-</u>	<u>966,052</u>
Total transfers — in	<u>\$ 966,052</u>	<u>\$ 214,880</u>	<u>\$ 95,963,911</u>	<u>\$ 97,144,844</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 in special revenue funds; and 3) General Fund transfer for capital improvements.

d. **Capital Assets** — Capital asset activities for the year ended December 31, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets — not being depreciated:				
Land	\$ 23,847,664	\$ -	\$ -	\$ 23,847,664
Construction in progress	-	-	-	-
Total capital assets — not being depreciated	<u>23,847,664</u>	<u>-</u>	<u>-</u>	<u>23,847,664</u>
Capital assets — being depreciated:				
Land improvements	16,184,621	2,255,206	-	18,439,827
Buildings	401,036,622	-	-	401,036,622
Building improvements	397,741,840	21,430,168	(1,112)	419,170,896
Furniture, fixtures, machinery, and equipment	<u>94,845,988</u>	<u>4,011,080</u>	<u>(2,934,129)</u>	<u>95,922,939</u>
Total capital assets — being depreciated	<u>909,809,071</u>	<u>27,696,454</u>	<u>(2,935,241)</u>	<u>934,570,284</u>
Total at historical cost	<u>933,656,735</u>	<u>27,696,454</u>	<u>(2,935,241)</u>	<u>958,417,948</u>
Less accumulated depreciation for:				
Land improvements	(7,775,119)	(846,899)	-	(8,622,018)
Buildings	(260,768,899)	(8,225,624)	-	(268,994,523)
Building improvements	(134,968,772)	(15,943,997)	1,112	(150,911,657)
Furniture, fixtures, machinery, and equipment	<u>(79,231,123)</u>	<u>(4,769,537)</u>	<u>1,842,001</u>	<u>(82,158,659)</u>
Total accumulated depreciation	<u>(482,743,913)</u>	<u>(29,786,057)</u>	<u>1,843,113</u>	<u>(510,686,857)</u>
Total capital assets — being depreciated — net	<u>427,065,158</u>	<u>(2,089,603)</u>	<u>(1,092,128)</u>	<u>423,883,427</u>
Governmental activities capital assets — net	<u>\$ 450,912,822</u>	<u>\$ (2,089,603)</u>	<u>\$ (1,092,128)</u>	<u>\$ 447,731,091</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	<u>43,878</u>	<u>-</u>	<u>-</u>	<u>43,878</u>
Capital assets — being depreciated:				
Buildings	15,070,740	-	-	15,070,740
Furniture, fixtures, machinery, and equipment	<u>6,100,791</u>	<u>356,854</u>	<u>(338,426)</u>	<u>6,119,219</u>
Total capital assets — being depreciated	<u>21,171,531</u>	<u>356,854</u>	<u>(338,426)</u>	<u>21,189,959</u>
Total at historical cost	<u>21,215,409</u>	<u>356,854</u>	<u>(338,426)</u>	<u>21,233,837</u>
Less accumulated depreciation for:				
Buildings	(6,903,624)	(352,194)	-	(7,255,818)
Furniture, fixtures, machinery, and equipment	<u>(5,735,788)</u>	<u>(128,389)</u>	<u>338,426</u>	<u>(5,525,751)</u>
Total accumulated depreciation	<u>(12,639,412)</u>	<u>(480,583)</u>	<u>338,426</u>	<u>(12,781,569)</u>
Total capital assets — being depreciated — net	<u>8,532,119</u>	<u>(123,729)</u>	<u>-</u>	<u>8,408,390</u>
Business-type activities capital assets — net	<u>\$ 8,575,997</u>	<u>\$ (123,729)</u>	<u>\$ -</u>	<u>\$ 8,452,268</u>

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

Governmental funds:	
Instruction	\$ 22,971,588
Instruction student support	5,732,633
Administrative and financial support service	263,236
Operation and maintenance of plant services	543,671
Facilities, construction and improvement services	163,402
Student activities	63,519
Community services	<u>48,008</u>
	<u><u>\$ 29,786,057</u></u>

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

Building	Carrying Value	Year of Closing	Future Use
Knoxville			
Elementary/Middle	\$ 1,755,603	July 1, 2006	May reopen as classroom space
Belmar Elementary	2,108,687	July 1, 2011	May reopen as classroom space
Fort Pitt Elementary	2,401,901	July 1, 2012	May reopen as classroom space
Northview Elementary	2,063,803	July 1, 2012	May reopen as classroom space
Arlington Elementary	<u>2,470,552</u>	July 1, 2016	May reopen as classroom space
	<u><u>\$ 10,800,546</u></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 \$11,373,674.

e. **Construction Commitments** — As of December 31, 2018, the District had no committed construction projects.

f. **Long-Term Debt**

General Obligation Bonds — In 2018, the District issued General Obligation Bonds Series 2018 in the amount of \$23,880,000 to fund various capital projects. The Bonds will mature in September 2038. In addition, the original amount of current outstanding general obligation bonds issued in prior years was \$288,675,000. 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 5.219%, hence, a net rate after reimbursement of 1.276%. 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 5.219%, hence, a net rate after reimbursement of 1.276%. 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 receives a direct payment reimbursement tax credit of 5.117% of debt service from the federal government, hence, a net rate of 1.733%. 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 receives a direct payment reimbursement of 35% of debt service from the federal government.

Advance Refunding — In 2018, the District did not issue any refunding series.

QZAB — 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, and received a 10% in-kind matching contribution of \$560,800, from a corporation in 2006. The in-kind contribution was designated for capital expenditures that are energy efficient.

Cash Defeased Bonds — In 2018, the District did not defease any bonds.

Legal Debt Margin — The District is subject to legal debt margin. This amount was \$1,600,884,123 for 2018.

Board Actions in Anticipation of Future Debt Offerings — At the December 2018 Board of Directors meeting, the Board authorized the arrangement for capital borrowing of \$43,657,900 for 2019.

General obligation bonds and notes payable at December 31, 2018, are summarized as follows:

Bonds	Original Interest Rates	Original Maturity Range	Issued	Amount Outstanding	Due within One Year
2009 A Refunding Bonds	3.00-5.00	2009-2019	\$ 28,570,000	\$ 2,425,000	\$ 2,425,000
2010 Refunding Series A	0.6-5.00	2010-2022	30,975,000	16,365,000	3,890,000
2010 GOB Series C	0.6-4.00	2010-2030	6,000,000	4,115,000	285,000
2012 Refunding	2.00-5.00	2012-2024	71,130,000	41,640,000	14,095,000
2012 Series B	2.00-4.00	2012-2022	5,000,000	2,240,000	525,000
2014 Refunding Series A	1.00-5.00	2014-2025	10,070,000	8,350,000	-
2014 Refunding Series B	1.00-5.00	2014-2025	26,670,000	23,230,000	2,885,000
2014 GOB Series C	2.00-5.00	2014-2034	9,995,000	8,475,000	390,000
2015 Refunding	0.6-5.00	2015-2027	25,750,000	23,815,000	2,020,000
2015 GOB	2.00-5.00	2015-2035	21,215,000	19,485,000	810,000
2016 GOB	2.00-5.00	2016-2036	20,590,000	19,990,000	735,000
2017 Refunding	1.70-3.00	2017-2023	8,710,000	8,705,000	5,000
2017 GOB	3.00-5.00	2017-2037	24,000,000	24,000,000	300,000
2018 GOB	4.00-5.00	2018-2038	23,880,000	23,880,000	-
Total			<u>312,555,000</u>	<u>226,715,000</u>	<u>28,365,000</u>
2006 QZAB	1.38	2006-2022	5,608,000	1,519,309	372,055
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	10,560,000	960,000
Total			<u>67,663,000</u>	<u>54,614,309</u>	<u>1,332,055</u>
Notes					
2010 QSCB SPSBA Series A*	6.50	2010-2028	9,578,000	5,498,824	549,882
2010 QZAB SPSBA Series B*	6.50	2010-2028	13,972,000	8,024,706	802,471
Total			<u>23,550,000</u>	<u>13,523,530</u>	<u>1,352,353</u>
Total outstanding principal			<u>\$ 403,768,000</u>	<u>\$ 294,852,839</u>	<u>\$ 31,049,408</u>
Add interest payable in future years				<u>107,303,164</u>	
Total				<u>\$ 402,156,003</u>	

* Issue does have a Federal Tax Credit subsidy

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

Years Ending December 31	Principal	Interest
2019	\$ 31,049,408	\$ 14,480,350
2020	30,999,542	13,551,070
2021	30,424,747	12,296,748
2022	27,970,024	10,938,956
2023	24,997,353	9,701,168
2024-2028	88,996,765	35,064,574
2029-2033	37,265,000	9,170,803
2034-2038	<u>23,150,000</u>	<u>2,099,494</u>
Total	<u>\$ 294,852,839</u>	<u>\$ 107,303,163</u>

Changes in long-term liabilities:

	Beginning	Additions	Reductions	Ending	Due within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 234,265,000	\$ 23,880,000	\$ (31,430,000)	\$ 226,715,000	\$ 28,365,000
QZABs	13,406,300	-	(1,326,990)	12,079,310	1,332,055
Notes payable	14,875,882	-	(1,352,353)	13,523,529	1,352,353
Taxable	<u>42,535,000</u>	<u>-</u>	<u>-</u>	<u>42,535,000</u>	<u>-</u>
Total before premium/discount	305,082,182	23,880,000	(34,109,343)	294,852,839	31,049,408
Add (less) deferred amounts:					
Premium on issuance	17,185,307	1,917,715	(2,887,704)	16,215,318	2,887,704
Discount on issuance	<u>(37,487)</u>	<u>-</u>	<u>3,124</u>	<u>(34,363)</u>	<u>-</u>
Total general obligation bonds and notes payable	322,230,002	25,797,715	(36,993,923)	311,033,794	33,937,112
Compensated absences	15,774,812	5,386,344	(4,227,888)	16,933,268	6,250,573
Net OPEB liability	180,348,718	-	(65,635,415)	114,713,303	-
Net pension liability	1,005,103,000	88,569,775	(93,585,775)	1,000,087,000	-
Termination benefits	272,942	190,133	(274,618)	188,457	65,146
Workers' compensation reserve	7,079,087	1,672,096	(2,465,129)	6,286,054	1,800,000
Capital leases	<u>10,969,739</u>	<u>-</u>	<u>(3,245,726)</u>	<u>7,724,013</u>	<u>2,772,882</u>
Governmental activities long-term liabilities	<u>\$ 1,541,778,300</u>	<u>\$ 121,616,063</u>	<u>\$ (206,428,474)</u>	<u>\$ 1,456,965,889</u>	<u>\$ 44,825,713</u>
Business-type activities:					
Compensated absences	<u>\$ 519,414</u>	<u>\$ 86,798</u>	<u>\$ (84,442)</u>	<u>\$ 521,770</u>	<u>\$ 108,905</u>

Since internal service funds predominantly serve the governmental funds, their long-term liability for workers' compensation reserve and postemployment benefits are included in the above totals.

For the governmental activities: claims and judgments, postemployment health benefits, and pension benefits have been liquidated by the general fund in prior years and thus are only recorded as governmental activities. Compensated absences are recorded as either governmental or business-type activities, as applicable.

- g. **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>\$ 6,286,054</u>
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- h. **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.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 21,094,309
Less accumulated depreciation	<u>13,989,668</u>
Total	<u>\$ 7,104,641</u>

The future minimum lease obligations as of December 31, 2018, are as follows:

Years Ending December 31	Governmental Activities
2019	\$ 2,999,360
2020	2,999,360
2021	<u>2,120,972</u>
Total minimum lease payments	\$ 8,119,692
Less amount representing interest	<u>(395,679)</u>
Present value of minimum lease payments	<u>\$ 7,724,013</u>

6. OTHER INFORMATION

- a. **Risk Management** — The District is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contracts; disagreements arising from the interpretation of laws or regulations; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for unemployment compensation, casualty losses, public liability, fire damage, workers' compensation (see Note 6b), and self insurance health care. Under these self-insurance programs, the District maintains funds to provide for anticipated losses. Total assets less current liabilities available in the Internal Service Funds at December 31, 2018, are as follows:

Worker's compensation	\$ 10,104,214
Unemployment compensation	5,354,202
Comprehensive general liability	1,501,146
Self-insurance health care	23,574,138

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 \$3,242,762.

Not included in the table above for the workers' compensation fund is the long-term portion of the claims reserve, which was \$4,486,054 as of December 31, 2018.

The funds for unemployment and workers' compensation are funded based on a percentage of gross payrolls, which was 0.04% and 1.05%, respectively, from January 1, 2018 to June 30, 2018 and 0.20% and 0.85%, respectively, from July 1, 2018 to December 31, 2018. The comprehensive general liability and Capital Emergency (Stabilization) funds are funded from transfers made from the General Fund as considered necessary.

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 \$750,000.

The workers' compensation reserve (the "Reserve") for unpaid claims and claims incurred but not yet reported was based on an updated actuarial calculation as of June 30, 2018, which utilized a discount rate of 3.5%. The Reserve was reviewed through December 31, 2018 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 \$6,286,054, at December 31, 2018. The expense is based on a percentage of gross payrolls for the year. The contribution rate is 0.85% of gross at December 31, 2018.

Changes in the Reserve claims liability in fiscal 2018 and 2017 are as follows:

		Liability Beginning of Year		Claims and Changes in Estimates		Claim Payments		Liability End of Year
2017	\$	7,772,616	\$	1,781,454	\$	(2,474,983)	\$	7,079,087
2018		7,079,087		1,672,096		(2,465,129)		6,286,054

c. **Subsequent Events** – Subsequent events to report for the 2018 statement have been evaluated through the independent auditor’s report date.

d. **Public School Employees’ Retirement System:**

i. **Plan Description** – PSERS administers a governmental cost-sharing, multi-employer defined benefit pension plan (Pension Plan) and a governmental cost-sharing, multi-employer defined benefit Health Insurance Premium Assistance Program OPEB plan (Premium Assistance) to public school employees of the Commonwealth of Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Employees eligible for PSERS benefits include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

Retirees can participate in the Premium Assistance if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the PSERS Health Options Program or an employer-sponsored health insurance program.

ii. **Summary of Significant Accounting Policies** – For purposes of measuring the net pension liability, the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions or OPEBs, pension expense, and OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS’ fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability and the net OPEB liability are recorded as governmental activities expected to be paid from the General Fund.

- iii. **Benefits Provided – Pension Plan** – Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes: Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member’s final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member’s right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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

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

- iv. **Benefits Provided – Premium Assistance** – Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or PSERS’ Health Options Program. As of December 31, 2018, there were no assumed future benefit increases to participating eligible retirees.
- v. **Member Contributions** – The following illustrates the member’s contribution as a percent of the member’s qualifying compensation:

Active members who joined PSERS prior to July 22, 1983:

Membership Class T-C	5.25%
Membership Class T-D	6.50%

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:

Membership Class T-C	6.25%
Membership Class T-D	7.50%

Members who joined PSERS after June 30, 2001, and before July 1, 2011:

Membership Class T-D	7.50%
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Members who joined PSERS after June 30, 2011:

Membership Class T-E*	7.50%
Membership Class T-F**	10.30%

*Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.

**Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

- vi. **Employer Contributions** – The District’s contractually required PSERS contribution rate was 32.57% from January 1, 2018 to June 30, 2018 and 33.43% from July 1, 2018 to December 31, 2018 of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. This rate is composed of a 31.74% and 32.60% rate for the Pension Plan and a 0.83% rate for the Premium Assistance for the periods January 1, 2018 to June 30, 2018 and July 1, 2018 to December 31, 2018, respectively. The combined contribution rate will increase to 34.29% in 2019 and is projected to grow to 36.32% by 2023.

The District remits contributions to PSERS on a quarterly basis. Approximately \$27,745,000 is owed to PSERS as of December 31, 2018, which represents the District’s required contribution for the 4th quarter payroll. The District’s contributions which were recognized by PSERS for the year ended December 31, 2018 were as follows:

Pension Plan	\$	93,505,397
Premium Assistance		<u>2,416,570</u>
Total	\$	<u>95,921,967</u>

In accordance with Act 29, the Commonwealth of Pennsylvania reimburses school districts for at least one-half of contributions made to PSERS. The District recorded reimbursements from the Commonwealth approximating \$39 million during the current year. Because the Commonwealth payments are received as a reimbursement, and are not made directly to PSERS, they do not qualify as a special funding situation.

vii. **Proportionate Share**

The District's proportion of PSERS' net pension liability and PSERS' net OPEB liability were calculated utilizing the District's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. At June 30, 2018 (measurement date), the District's proportion was 2.083%, which was an increase of 0.048% from its proportion measured as of June 30, 2017.

- e. **Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** – At December 31, 2018, the District reported a liability of \$1,000,087,000 for its proportionate share of PSERS' net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2017 to June 30, 2018.

For the year ended December 31, 2018, the District recognized pension expense of \$57,487,000. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,051,000	\$ 15,480,000
Changes in assumptions	18,634,000	-
Net difference between projected and actual earnings on pension plan investments	4,902,000	-
Changes in proportion	23,306,000	86,000
District contributions subsequent to the measurement date	<u>42,504,115</u>	<u>-</u>
Total	<u>\$ 97,397,115</u>	<u>\$ 15,566,000</u>

\$42,504,115 reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	
2019	\$ 28,645,000
2020	18,514,000
2021	(4,012,000)
2022	<u>(3,820,000)</u>
Total	<u>\$ 39,327,000</u>

- i. **Actuarial Assumptions** – The total pension liability as of June 30, 2018 was determined by rolling forward PSERS’ total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:
- Actuarial cost method – Entry Age Normal – level % of pay
 - Investment return – 7.25%, includes inflation at 2.75%
 - Salary increases – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases
 - Mortality rates were based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- ii. **Changes in Benefit Terms and Changes in Assumptions** – There were no changes between the June 30, 2018 and June 30, 2017 valuations.
- iii. **Pension Plan Investments** – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public entity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<u>100.0%</u>	

For the year ended June 30, 2018, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was 9.30%.

- iv. **Discount Rate** – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current contribution rate and that the contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.
- v. **Sensitivity of the District’s Proportionate Share of PSERS’ Net Pension Liability to Changes in the Discount Rate** – The following presents the District’s proportionate share of PSERS’ net pension liability calculated using the discount rates described above, as well as what the District’s proportionate share of PSERS’ net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of PSERS' net pension liability	\$ 1,239,682,000	\$ 1,000,087,000	\$ 797,503,000

- vi. **Pension Plan Fiduciary Net Position** – Detailed information about PSERS’ fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found on the PSERS website at www.psers.pa.gov.
- f. **Net OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB for the PSERS Plan** – The District maintains two separate OPEB plans – the Premium Assistance previously described in Note 6d and the School District of Pittsburgh Retiree Health Plan (Retiree Health Plan) described below. At December 31, 2018, the District reported a net OPEB liability composed of the following:

District's proportionate share of PSERS' net OPEB liability	\$ 43,436,000
District's net OPEB liability for the Retiree Health Plan	71,277,303
Net OPEB liability	\$ 114,713,303

PSERS’ net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate PSERS’ net OPEB liability was determined by rolling forward PSERS’ total OPEB liability as of June 30, 2017 to June 30, 2018. The Retiree Health Plan’s total OPEB liability was measured as of November 1, 2017, and the total OPEB liability used to calculate the Retiree Health Plan’s net OPEB

liability was determined by rolling forward the Retiree Health Plan's total OPEB liability as of November 1, 2017, to December 31, 2018.

For the year ended December 31, 2018, the District recognized OPEB expense as follows:

OPEB expense related to PSERS	
Premium Assistance	\$ (127,000)
OPEB expense related to the	
Retiree Health Plan	<u>(56,626,086)</u>
Total OPEB expense	<u><u>\$ (56,753,086)</u></u>

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources:	PSERS Premium Assistance	Retiree Health Plan	Total Deferred Outflows of Resources
Differences between expected and actual experience	\$ 268,000	\$ -	\$ 268,000
Changes in assumptions	687,000	-	687,000
Net difference between projected and actual earnings on pension plan investments	73,000	1,211,494	1,284,494
Changes in proportion	1,115,000	-	1,115,000
District contributions subsequent to the measurement date	<u>1,055,292</u>	<u>-</u>	<u>1,055,292</u>
Total	<u><u>\$ 3,198,292</u></u>	<u><u>\$ 1,211,494</u></u>	<u><u>\$ 4,409,786</u></u>

Deferred Inflows of Resources:	PSERS Premium Assistance	Retiree Health Plan	Total Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 907,233	\$ 907,233
Changes in assumptions	1,646,000	8,872,790	10,518,790
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 1,646,000</u></u>	<u><u>\$ 9,780,023</u></u>	<u><u>\$ 11,426,023</u></u>

\$1,055,292 reported as deferred outflows of resources resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2019	\$ (2,368,800)
2020	(2,368,800)
2021	(2,368,800)
2022	(1,293,129)
2023	24,000
2024	<u>304,000</u>
Total	<u>\$ (8,071,529)</u>

- i. **Actuarial Assumptions** – The total OPEB liability as of June 30, 2018 was determined by rolling forward PSERS’ total OPEB liability as of the June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:
 - Actuarial cost method – Entry Age Normal – level % of pay
 - Investment return – 2.98% - S&P 20-year Municipal Bond Rate
 - Salary increases – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases
 - Premium Assistance reimbursement is capped at \$1,200 per year
 - Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year
 - Mortality rates were based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
 - Participation rate –
 - Eligible retirees will elect to participate pre-age 65 at 50%
 - Eligible retirees will elect to participate post-age 65 at 70%

- ii. **Changes in Benefit Terms** – There were no changes in benefit terms for the Premium Assistance.

- iii. **OPEB Plan Investments** – Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Employer contribution rates are established to provide reserves in the Health Insurance Account that are sufficient for the payment of the Premium

Assistance for each succeeding year. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.03%
US Core Fixed Income	92.8	1.2
Non-US Developed Fixed	1.3	0.04
	100.0%	

For the year ended June 30, 2018, the annual money-weighted rate of return on the Premium Assistance plan investments, net of plan investment expenses, was 1.63%.

- iv. **Discount Rate** – The discount rate used to measure the net OPEB liability was 2.98%. Under the Premium Assistance plan’s funding policy, contributions are structured for short-term funding of the Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of the Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of the Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a “pay-as-you-go” plan. A discount rate of 2.98%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability. This previous discount rate used as of June 30, 2017 was 3.13%.
- v. **Sensitivity of the District’s Proportionate Share of PSERS’ Net OPEB Liability to Changes in the Discount Rate** – The following presents the District’s proportionate share of PSERS’ net OPEB liability calculated using the discount rates described above, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
District's proportionate share of PSERS' net OPEB liability	\$ 49,398,000	\$ 43,436,000	\$ 38,487,000

- vi. **Sensitivity of the District’s Proportionate Share of PSERS’ Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** – Healthcare cost trend rates were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees’ Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200.

The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on the healthcare cost trends as depicted below.

The following presents the District's proportionate share of PSERS' net OPEB liability calculated using current healthcare cost trend rates as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Trend	1% Increase
District's proportionate share of PSERS' net OPEB liability	<u>\$ 43,427,000</u>	<u>\$ 43,436,000</u>	<u>\$ 43,443,000</u>

vii. **OPEB Plan Fiduciary Net Position** – Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found on the PSERS website at www.psers.pa.gov.

g. **Net OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB for the Retiree Health Plan**

i. **Plan Description** – The District administers a single-employer defined benefit health care plan, the School District of Pittsburgh Retiree Health Plan (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 and do not exceed \$1,000. Benefit provisions are established through negotiations between the District and various unions.

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	1,844
Inactive employees entitled to but not yet receiving benefit payments	288
Active employees	<u>3,894</u>
Total employees	6,026
Spouses of inactive employees currently receiving benefit payments	<u>179</u>
Total participants	<u><u>6,205</u></u>

- ii. **Benefits Provided** – 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.
- iii. **Contributions** – Employee contribution requirements are negotiated with each 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. The District contributed \$7,019,179 toward actual claims paid for eligible retired plan members and their dependents. The District contributions are paid from the Self-Insurance Health Care Fund on a pay-as-you-go basis.
- iv. **Changes in the Total OPEB Liability** – The changes in the total OPEB liability for the District’s Retiree Health Plan for the year ended December 31, 2018 were as follows:

	Increases/Decreases		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Total OPEB liability, January 1, 2018	\$ 153,569,218	\$ 14,683,500	\$ 138,885,718
Changes for the year:			
Service cost	5,868,788	-	5,868,788
Interest on the total OPEB liability	6,987,152	-	6,987,152
Changes of benefit terms	(61,493,736)	-	(61,493,736)
Differences between expected and actual experience	(1,159,242)	-	(1,159,242)
Changes of assumptions	(11,337,454)	-	(11,337,454)
Employer contributions	-	7,019,179	(7,019,179)
Investment income	-	(416,434)	416,434
Investment expenses	-	(128,822)	128,822
Benefit payments	(7,019,179)	(7,019,179)	-
Total OPEB liability, December 31, 2018	<u>\$ 85,415,547</u>	<u>\$ 14,138,244</u>	<u>\$ 71,277,303</u>

v. **Actuarial Assumptions** – The total OPEB liability was determined as of the November 1, 2017 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

- Amortization period — 30 years
- Amortization method — level dollar, open amortization
- Actuarial cost method — entry age normal
- Actuarial value of assets – market value as of the valuation date
- Mortality – Base Tables:
 - Postretirement:
 - Healthy Males: The Society of Actuaries (SOA) RP-2014 male table adjusted to 2006, using the SOA MP-2014 improvement scale, and then projected to 2015.
 - Healthy Females: The SOA RP-2014 female table adjusted to 2006 using the SOA MP-2014 improvement scale; then projected to 2013, adjusted for credibility, and then projected to 2015.
 - Disabled Males: The SOA RP-2014 male disabled mortality table, adjusted to 2006, using the SOA MP-2014 improvement scale, and then projected to 2015.
 - Disabled Females: The SOA RP-2014 female disabled mortality table, adjusted to 2006 using the SOA MP-2014 improvement scale, and then projected to 2015.
 - Pre-Retirement:
 - Active Males: The SOA RP-2014 male table, adjusted to 2006 using the SOA MP-2014 improvement scale; then projected to 2013 and adjusted for credibility.
 - Active Females: The SOA RP-2014 female table, adjusted to 2006 using the SOA MP-2014 improvement scale; and then projected to 2013 and adjusted for credibility.

vi. **Changes in Actuarial Assumptions**

The following actuarial assumptions were revised for the November 1, 2017 valuation:

- The results of the PSERS Experience Study for the period 2010-2015 were incorporated into the valuation and the following assumptions were revised:
 - Base mortality for postretirement healthy and disabled lives and for preretirement active employees.
 - Retirement rates for both early and superannuation retirement with modifications.
 - Separation from services for both disability and other withdrawal.
- The mortality assumption has been revised to reflect updated factors for future mortality improvement.

- The trend rate assumption has been revised to reflect higher expected short-term healthcare cost increases for the valuation year.
- The number of active participants assumed to be covered in retirement, before Medicare eligibility, has been revised to reflect recent plan experience.
- The number of active participants assumed to elect coverage for their spouse in retirement has been revised to reflect recent plan experience.

The following actuarial assumptions were revised for the December 31, 2018 reporting period:

- The discount rate changed from 4.50% at December 31, 2017 to 6.25% at December 31, 2018.
- The short-term medical and prescription drug trend was revised to consider the restructured health care options and more recent trend data.
- Expected annual cost were increased by approximately 3% because of the network management shift.
- The expected rate of return on plan assets changed from 6.60% at December 31, 2017 to 6.22% as of December 31, 2018.

vii. **Changes in Benefit Terms** – The following benefit terms were revised for the December 31, 2018 reporting period:

- A shift in network management from an HMO/PPO split to full PPO in 2019.
- Disclosure to a majority of plan participants that benefit changes will occur if it becomes apparent that the plan benefits will trigger the 40% excise tax on high cost plans under Affordable Care Act.

viii. **Investment Policy** – The plan’s policy regarding the allocation of invested assets is established and may be amended by the District’s board of directors. Plan assets are managed with a long-term objective to supplement the funding for the benefits provided through the OPEB plan. There were no investment policy changes during 2018.

ix. **Long-Term Expected Rate of Return** – The long-term expected rate of return on the Plan’s investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2018:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.7%	6.5%
International Equity	11.5%	6.6%
Fixed Income	66.6%	2.0%
Cash Equivalent	0.2%	0.0%
	<u>100.0%</u>	

- x. **Rate of Return** – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2018, the annual money-weighted rate of return on the Plan's investments, net of investment expense, was -2.86%.
- xi. **Discount Rate** – The discount rate used to measure the December 31, 2018 the Net OPEB liability was 6.25%. The Retiree Health Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Retiree Health Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.
- xii. **Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate** – The following presents the District's total OPEB liability calculated using the discount rate described above, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's Net OPEB liability	<u>\$ 77,297,605</u>	<u>\$ 71,277,303</u>	<u>\$ 65,676,597</u>

- xiii. **Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The following presents the District's total OPEB liability calculated using current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Trend	1% Increase
District's Net OPEB liability	<u>\$ 63,984,067</u>	<u>\$ 71,277,303</u>	<u>\$ 79,750,393</u>

h. 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 2018, but were not completed as of December 31, 2018. Also, the District has issued purchase order commitments for various funds as follows:

	General Fund	Capital Project Funds	Total
Restricted— Bond Fund			
Contracts and unspent proceeds	\$ -	\$ 10,085,975	\$ 10,085,975
Committed — contracts	3,040,795	1,275,836	4,316,631
Assigned — purchase orders	<u>2,424,289</u>	<u>-</u>	<u>2,424,289</u>
Total	<u>\$ 5,465,084</u>	<u>\$ 11,361,811</u>	<u>\$ 16,826,895</u>

- i. **Labor Relations** — Six bargaining units represent District employees. The largest unit is composed of the Pittsburgh Federation of Teachers Local 400 for Teachers and Other Professional Employees (Federation). In addition to teachers, the Federation also represents approximately 570 paraprofessionals and 23 technical-clerical employees. At a special legislative Board meeting held on April 18, 2018, the Board ratified a three-year agreement through June 30, 2020 for all three Federation represented units. The agreement includes step movements, and a 2% increase on all salary schedules. The agreements representing the Secretarial/Clerical and Custodial/Building Trades employees were renewed for the period January 1, 2018 through December 31, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2018**

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS FOR THE RETIREE HEALTH PLAN
FOR THE YEARS ENDED DECEMBER 31 - LAST 10 YEARS***

	<u>2018</u>	<u>2017</u>
Total OPEB Liability:		
Service cost	\$ 5,868,788	\$ 4,553,926
Interest	6,987,152	7,528,964
Changes of benefit terms	(61,493,736)	-
Differences between expected and actual experience	(1,159,242)	418,288
Changes of assumptions	(11,337,454)	12,329,571
Benefit payments, including refunds of member contributions	(7,019,179)	(7,195,732)
Net Changes in Total OPEB Liability	(68,153,671)	17,635,017
Total OPEB Liability - Beginning	<u>153,569,218</u>	<u>135,934,201</u>
Total OPEB Liability - Ending (a)	<u>\$ 85,415,547</u>	<u>\$ 153,569,218</u>
Plan Fiduciary Net Position:		
Contributions - District	\$ 7,019,179	\$ 7,195,732
Net investment income	(545,256)	1,219,335
Benefit payments, including refunds of member contributions	(7,019,179)	(7,195,732)
Net Change in Plan Fiduciary Net Position	(545,256)	1,219,335
Plan Fiduciary Net Position - Beginning	<u>14,683,500</u>	<u>13,464,165</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 14,138,244</u>	<u>\$ 14,683,500</u>
Net OPEB Liability - Ending (a-b)	<u>\$ 71,277,303</u>	<u>\$ 138,885,718</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>16.55%</u>	<u>9.56%</u>

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE RETIREE HEALTH PLAN
FOR THE YEARS ENDED DECEMBER 31 - LAST 10 YEARS***

	<u>2018</u>	<u>2017</u>
Schedule of District's Contributions		
Contractually or statutorily required contributions	\$ 7,019,179	\$ 7,195,732
Contributions in relation to contractually or statutorily required contributions	<u>7,019,179</u>	<u>7,195,732</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Investment Returns		
Annual money-weighted rate of return, net of investment expense	-2.86%	2.62%

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF PSERS' NET OPEB LIABILITY FOR THE YEARS ENDED DECEMBER 31 - LAST 10 YEARS*

	<u>2018</u>
District's proportion of PSERS' net OPEB liability	2.08%
District's proportionate share of PSERS' net OPEB liability	\$ 43,436,000
District's covered payroll	\$ 280,543,582
District's proportionate share of PSERS' net OPEB liability as a percentage of its covered payroll	15.48%
PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability	5.56%

*The amounts presented for each year were determined as of the measurement date, which is June 30. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO PSERS' PREMIUM ASSISTANCE
FOR THE YEARS ENDED DECEMBER 31 - LAST 10 YEARS***

	<u>2018</u>
Contributions recognized by PSERS	\$ 2,416,570
District's covered payroll	\$ 284,317,128
Contributions as a percentage of covered payroll	0.85%

*The amounts presented for each year were determined as of December 31. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF PSERS' NET PENSION LIABILITY
FOR THE YEARS ENDED DECEMBER 31 - LAST 10 YEARS***

	2018	2017	2016	2015
District's proportion of PSERS' net pension liability	2.083%	2.035%	2.019%	2.010%
District's proportionate share of PSERS' net pension liability	\$ 1,000,087,000	\$ 1,005,103,000	\$ 1,000,949,000	\$ 870,638,000
District's covered payroll	\$ 280,543,582	\$ 270,952,877	\$ 261,583,154	\$ 258,611,741
District's proportionate share of PSERS' net pension liability as a percentage of its covered payroll	356.48%	370.95%	382.65%	336.66%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	54.00%	51.84%	50.14%	54.36%

* The amounts presented for each year were determined as of the measurement date, which is June 30. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO PSERS' PENSION PLAN
FOR THE YEARS ENDED DECEMBER 31 - LAST 10 YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions recognized by PSERS	\$ 93,505,397	\$ 82,468,286	\$ 71,552,379	\$ 60,773,351
District's covered employee payroll	284,317,128	276,669,586	267,692,741	259,592,860
Contributions as a percentage of covered payroll	32.89%	29.81%	26.73%	23.41%

* The amounts presented for each year were determined as of December 31. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

1. FACTORS AND TRENDS IN ACTUARIAL ASSUMPTIONS USED UNDER GASB NO. 75 FOR THE RETIREE HEALTH PLAN

Actuarial Valuation as of November 1, 2017

No changes in actuarial methods from the previous actuarial valuation date.

The actuarial assumptions were as follows:

- Base mortality for postretirement health and disabled lives and for preretirement active employees
- Retirement rates for both early and superannuation retirement with modifications
- Separation from services for both disability and other withdrawal
- Mortality assumption has been revised to reflect updated factors for future mortality improvement
- Trend rate assumption has been revised to reflect higher expected short-term healthcare cost increases
- Discount rate was decreased to 3.75%
- Number of active participants assumed to be covered in retirement was revised to reflect recent plan experience
- Number of active participants assumed to elect spouse coverage was revised to reflect recent plan experience

Changes in Assumptions as of December 31, 2017

- Actuarial method changed from projected unit credit to entry age normal
- The fund is projected to be exhausted in 2038 (crossover point). The discount rate used is 4.50%.

Changes in Assumptions as of December 31, 2018

- The discount rate changed from 4.50% to 6.25%.
- The short-term medical and prescription drug trend was revised to consider the restructured health care options and more recent trend data
- Expected annual cost were increased by approximately 3% because of the network management shift
- The expected rate of return on plan assets changed from 6.60% to 6.22%

2. FACTORS AND TRENDS IN ACTUARIAL ASSUMPTIONS USED UNDER GASB NO. 75 FOR THE PSERS PREMIUM ASSISTANCE (OPEBS)

Actuarial Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contributions calculated as of the June 30, 2016 actuarial valuation were made during the year ended December 31, 2018. The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEBS required supplementary schedules:

- Cost method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method: Market value
- Participation rate: 63% of eligible retirees are assumed to elect Premium Assistance
- Mortality rates: Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

Changes in Benefit Terms

None

Changes in Assumptions

The discount rate used to measure the total OPEB liability decreased from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018.

3. FACTORS AND TRENDS IN ACTUARIAL ASSUMPTIONS USED UNDER GASB NO. 68 FOR THE PSERS PENSION PLAN

Actuarial Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contributions calculated as of the June 30, 2016 actuarial valuation were made during the year ended December 31, 2018. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

- Investment return: 7.25%, includes inflation at 2.75%
- Salary increases: Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases

- Benefit payments: No postretirement benefit increases assumed in the future
- Mortality rates: Based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Changes in Benefit Terms

With the passage of Act 5, Class T-E and T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes in Assumptions Used in the Measurement of PSERS' Total Pension Liability (Beginning June 30, 2017)

None

Changes in Assumptions Used in the Measurement of PSERS' Total Pension Liability (Beginning June 30, 2016)

The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.

Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

The General Fund is the principal fund of the District and is used to account for and report all financial resources not accounted for and reported in another fund.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**BUDGET COMPARISON SCHEDULE
LEGAL LEVEL OF BUDGETARY CONTROL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Final Budgeted Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Uncommitted Appropriations</u>
100 Personnel services — salaries	\$ 199,055,381	\$ 199,055,381	\$ -	\$ -
200 Personnel services — employee benefits	124,248,908	124,248,908	-	-
300 Purchased professional and technical services	91,818,757	88,353,038	3,124,180	341,540
400 Purchased property services	5,576,473	5,263,990	158,529	153,955
500 Other purchased services	128,183,960	127,479,170	704,786	-
600 Supplies	22,803,272	19,985,070	305,099	2,513,103
700 Property	8,686,778	7,304,782	1,172,490	209,505
800 Other objects	17,770,849	17,628,364	-	142,485
900 Other financing uses	34,826,818	34,414,623	-	412,195
	<u>\$ 632,971,196</u>	<u>\$ 623,733,326</u>	<u>\$ 5,465,084</u>	<u>\$ 3,772,783</u>
Budgetary basis				
Transfer for Special Education budgeted as expenditures		(78,259,274)		
Transfer for Special Revenue Fund Indirect Costs budgeted as expenditures		(17,509,668)		
Transfer for Other Governmental Funds, Capital Projects, and Internal Service Fund not budgeted		(214,880)		
Tax refunds budgeted as expenditures		<u>(2,569,669)</u>		
GAAP expenditures		<u>\$ 525,179,835</u>		

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 obligation debt.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2018**

	Debt Service Fund	Special Revenue Funds		Total
		Special Trust Fund	Westinghouse Scholarship	
ASSETS				
Cash	\$ 2,147,844	\$ 63,023	\$ 396,760	\$ 2,607,627
Investments	-	-	3,655	3,655
TOTAL ASSETS	<u>\$ 2,147,844</u>	<u>\$ 63,023</u>	<u>\$ 400,415</u>	<u>\$ 2,611,282</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 2,250	\$ 2,250
FUND BALANCE				
Restricted for — scholarships	\$ -	\$ -	\$ 398,165	\$ 398,165
Assigned to:				
Debt service	2,147,844	-	-	2,147,844
Special trust	-	63,023	-	63,023
TOTAL FUND BALANCE	<u>\$ 2,147,844</u>	<u>\$ 63,023</u>	<u>\$ 398,165</u>	<u>\$ 2,609,032</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, 2018**

	Debt Service Fund	Special Revenue Funds		Total
		Special Trust Fund	Westinghouse Scholarship	
REVENUES:				
Investment income	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES:				
Instruction:				
Other instructional programs	-	-	7,043	7,043
Support services:				
Administration	3,500	10,000	-	13,500
Total Expenditures	3,500	10,000	7,043	20,543
CHANGE IN FUND BALANCES	(3,500)	(10,000)	(7,043)	(20,543)
FUND BALANCES — January 1, 2018	2,151,344	73,023	405,208	2,629,575
FUND BALANCES — December 31, 2018	<u>\$ 2,147,844</u>	<u>\$ 63,023</u>	<u>\$ 398,165</u>	<u>\$ 2,609,032</u>

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.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AS OF DECEMBER 31, 2018**

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
ASSETS						
CURRENT ASSETS:						
Cash	\$ 2,737,715	\$ 5,354,202	\$ 1,501,146	\$ 120,986	\$ 12,847,367	\$ 22,561,416
Investments	3,006,327	-	-	-	13,677,529	16,683,856
Interest receivable	8,104	-	-	-	33,493	41,597
Other receivables	88,021	-	-	-	11,308	99,329
Total current assets	<u>5,840,167</u>	<u>5,354,202</u>	<u>1,501,146</u>	<u>120,986</u>	<u>26,569,697</u>	<u>39,386,198</u>
NONCURRENT ASSETS:						
Restricted cash	6,246,955	-	-	-	-	6,246,955
Restricted investments	39,099	-	-	-	-	39,099
Total noncurrent assets	<u>6,286,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,286,054</u>
TOTAL ASSETS	<u><u>\$ 12,126,221</u></u>	<u><u>\$ 5,354,202</u></u>	<u><u>\$ 1,501,146</u></u>	<u><u>\$ 120,986</u></u>	<u><u>\$ 26,569,697</u></u>	<u><u>\$ 45,672,252</u></u>
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	\$ 210,358	\$ -	\$ -	\$ -	\$ 2,995,559	\$ 3,205,917
Accrued salaries	11,649	-	-	-	-	11,649
Current portion of workers' compensation reserve	1,800,000	-	-	-	-	1,800,000
Total current liabilities	<u>2,022,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,995,559</u>	<u>5,017,566</u>
NONCURRENT LIABILITIES:						
Workers' compensation reserve	4,486,054	-	-	-	-	4,486,054
Total noncurrent liabilities	<u>4,486,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,486,054</u>
TOTAL LIABILITIES	<u>6,508,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,995,559</u>	<u>9,503,620</u>
NET POSITION — Unrestricted	<u><u>\$ 5,618,160</u></u>	<u><u>\$ 5,354,202</u></u>	<u><u>\$ 1,501,146</u></u>	<u><u>\$ 120,986</u></u>	<u><u>\$ 23,574,138</u></u>	<u><u>\$ 36,168,632</u></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, 2018**

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
OPERATING REVENUES — contributions	\$ 2,508,150	\$ 590,208	\$ -	\$ 18,520	\$ 62,563,311	\$ 65,680,189
OPERATING EXPENSES:						
Support services — administration	-	-	877,607	-	-	877,607
Support services — central:						
Employee salaries, benefits, insurance, and supplies	364,896	15,333	3,376	-	-	383,605
Benefit payments	1,672,096	235,338	-	-	60,885,525	62,792,959
Claims and judgments	-	-	1,184	-	-	1,184
Total operating expenses	2,036,992	250,671	882,167	-	60,885,525	64,055,355
OPERATING GAIN (LOSS)	471,158	339,537	(882,167)	18,520	1,677,786	1,624,834
NONOPERATING REVENUES — investment earnings	99,861	-	-	-	96,765	196,626
INCOME (LOSS) BEFORE TRANSFERS	571,019	339,537	(882,167)	18,520	1,774,551	1,821,460
TRANSFERS IN / (OUT)	-	-	(194,969)	-	-	(194,969)
CHANGE IN NET POSITION	571,019	339,537	(1,077,136)	18,520	1,774,551	1,626,491
NET POSITION — January 1, 2018	5,047,141	5,014,665	2,578,282	102,466	21,799,587	34,542,141
NET POSITION — December 31, 2018	\$ 5,618,160	\$ 5,354,202	\$ 1,501,146	\$ 120,986	\$ 23,574,138	\$ 36,168,632

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Contributions	\$ 2,508,150	\$ 590,208	\$ -	\$ 18,520	\$ 62,563,311	\$ 65,680,189
Payments to suppliers	-	-	(897,963)	-	-	(897,963)
Payments to claimants	(2,498,593)	(235,338)	(1,184)	-	(60,622,363)	(63,357,478)
Payments to employees	(371,181)	(15,333)	(3,376)	-	-	(389,890)
Net cash provided by (used in) operating activities	(361,624)	339,537	(902,523)	18,520	1,940,948	1,034,858
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES — Transfers to/from other funds						
	-	-	(194,969)	-	-	(194,969)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	94,079	-	-	-	86,685	180,764
Sale (purchase) of investments	3,953,528	-	-	-	(92,245)	3,861,283
Net cash provided by (used in) investing activities	4,047,607	-	-	-	(5,560)	4,042,047
INCREASE (DECREASE) IN CASH	3,685,983	339,537	(1,097,492)	18,520	1,935,388	4,881,936
CASH — January 1, 2018 (including \$2,218,420 included in restricted assets)	5,298,687	5,014,665	2,598,638	102,466	10,911,979	23,926,435
CASH — December 31, 2018 (including \$6,246,955 included in restricted assets)	<u>\$ 8,984,670</u>	<u>\$ 5,354,202</u>	<u>\$ 1,501,146</u>	<u>\$ 120,986</u>	<u>\$ 12,847,367</u>	<u>\$ 28,808,371</u>
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating gain (loss)	\$ 471,158	\$ 339,537	\$ (882,167)	\$ 18,520	\$ 1,677,786	\$ 1,624,834
Changes in assets and liabilities:						
Other receivables	(88,021)	-	-	-	172,075	84,054
Accounts payable	54,557	-	(20,356)	-	91,087	125,288
Accrued salaries	(6,285)	-	-	-	-	(6,285)
Workers' compensation reserve	(793,033)	-	-	-	-	(793,033)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (361,624)</u>	<u>\$ 339,537</u>	<u>\$ (902,523)</u>	<u>\$ 18,520</u>	<u>\$ 1,940,948</u>	<u>\$ 1,034,858</u>

AGENCY FUNDS

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

STUDENT ACTIVITIES FUNDS	Balance at January 1, 2018	Additions	Deductions	Balance at December 31, 2018
ASSETS				
Cash	\$ 803,456	\$ 2,383,263	\$ (2,323,203)	\$ 863,516
LIABILITIES				
Accounts payable	\$ 803,456	\$ 2,383,263	\$ (2,323,203)	\$ 863,516

STATISTICAL SECTION

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.

Contents	Page
Financial Trends	
<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>	93-97
Revenue Capacity	
<i>These schedules contain information to help the reader assess the District’s most significant local revenue source – the property tax.</i>	98-103
Debt Capacity	
<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>	104-107
Demographic and Economic Information	
<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>	108-109
Operating Information	
<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>	110-115

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2009	2010	2011	2012 ^(a)	2013	2014 ^(b)	2015	2016	2017	2018 ^(c)
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 22,263,955	\$ 14,027,441	\$ 77,248,874	\$ 82,888,604	\$ 81,325,299	\$ 93,747,943	\$ 110,927,600	\$ 124,146,198	\$ 133,996,430	\$ 145,976,294
Restricted:										
Capital projects	29,185,785	48,209,857	26,741,390	24,257,688	14,308,575	4,397,245	-	-	-	-
Workers' compensation	9,360,939	8,694,871	7,401,511	8,067,407	8,357,841	8,554,591	8,287,367	7,772,626	7,079,087	6,286,054
Scholarships	-	-	404,737	402,060	402,125	402,166	402,165	402,165	405,208	398,165
Unrestricted	92,143,099	92,711,757	75,006,876	86,220,059	129,720,546	(613,199,772)	(683,452,971)	(717,030,505)	(751,423,327)	(866,245,017)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	\$ 152,953,778	\$ 163,643,926	\$ 186,803,388	\$ 201,835,818	\$ 234,114,386	\$ (506,097,827)	\$ (563,835,839)	\$ (584,709,516)	\$ (609,942,602)	\$ (713,584,504)
BUSINESS-TYPE ACTIVITIES:										
Investment in capital assets	\$ 9,632,120	\$ 9,444,693	\$ 9,132,366	\$ 8,938,446	\$ 8,511,569	\$ 8,078,273	\$ 7,696,326	\$ 7,545,477	\$ 8,575,997	\$ 8,452,268
Unrestricted	1,891,348	2,476,226	2,509,650	2,526,898	2,065,230	2,483,606	3,462,655	4,290,587	4,744,436	4,882,476
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	\$ 11,523,468	\$ 11,920,919	\$ 11,642,016	\$ 11,465,344	\$ 10,576,799	\$ 10,561,879	\$ 11,158,981	\$ 11,836,064	\$ 13,320,433	\$ 13,334,744
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 42,066,213	\$ 23,472,134	\$ 86,381,240	\$ 91,827,050	\$ 89,836,868	\$ 101,826,216	\$ 118,623,926	\$ 131,691,675	\$ 142,572,427	\$ 154,428,562
Restricted:										
Capital projects	29,185,785	48,209,857	26,741,390	24,257,688	14,308,575	4,397,245	-	-	-	-
Workers' compensation	9,360,939	8,694,871	7,401,511	8,067,407	8,357,841	8,554,591	8,287,367	7,772,626	7,079,087	6,286,054
Scholarships	-	-	404,737	402,060	402,125	402,166	402,165	402,165	405,208	398,165
Unrestricted	83,864,309	95,187,983	77,516,526	88,746,957	131,785,776	(610,716,166)	(680,000,316)	(712,739,918)	(746,678,891)	(861,362,541)
TOTAL PRIMARY GOVERNMENT NET POSITION	\$ 164,477,246	\$ 175,564,845	\$ 198,445,404	\$ 213,301,162	\$ 244,691,185	\$ (495,535,948)	\$ (552,686,858)	\$ (572,873,452)	\$ (596,622,169)	\$ (700,249,760)

(a) 2012 has been amended to reflect GASB #65

(b) 2014 has been amended to reflect GASB #68

(c) 2018 has been amended to reflect GASB #75

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENSES:										
Governmental activities:										
Instruction	\$ 359,892,900	\$ 367,624,843	\$ 368,705,063	\$ 380,972,744	\$ 358,810,259	\$ 382,170,153	\$ 436,217,437	\$ 442,659,232	\$ 454,890,810	\$ 419,608,810
Instruction student support	76,343,837	77,196,218	75,518,995	70,870,488	68,253,479	63,231,453	74,714,596	67,861,876	70,597,215	69,861,843
Administrative and financial support services	41,894,934	39,632,257	38,128,199	34,942,606	40,144,112	41,313,696	51,982,083	53,352,513	52,720,424	49,010,594
Operation and maintenance of plant services	50,554,945	50,102,490	45,550,945	44,339,221	45,513,462	48,695,238	55,071,032	52,330,948	56,049,883	53,511,469
Student transportation services	38,990,860	39,531,164	41,965,337	40,395,225	40,969,897	40,978,967	38,781,256	40,256,083	41,047,248	39,786,317
Facilities	10,313,503	9,391,546	6,273,147	3,548,719	4,726,749	3,913,433	4,686,576	3,528,096	2,428,204	3,480,114
Student activities	6,287,969	6,065,262	6,090,136	4,863,727	4,796,054	5,070,318	5,580,447	5,509,900	5,217,046	5,011,319
Community services	174,651	393,461	410,847	488,147	453,191	53,681	256,939	595,541	471,385	323,665
Food service	9,261	34,672	24,340	-	-	-	-	-	-	-
Interest on long-term debt	25,581,149	24,948,700	24,117,689	25,588,548	17,422,337	15,434,255	15,295,648	14,882,745	14,554,589	13,432,180
Total governmental activities	610,069,890	614,920,613	606,784,698	606,009,425	581,153,998	600,861,194	682,586,014	680,976,934	697,976,804	654,026,311
Business-type activities:										
Food service operations	14,997,269	15,202,951	16,182,934	15,786,992	16,468,871	16,807,538	16,588,099	17,871,176	17,923,655	18,526,497
Educational management	-	-	-	-	-	-	-	-	-	-
Total business-type activities	14,997,269	15,202,951	16,182,934	15,786,992	16,468,871	16,807,538	16,588,099	17,871,176	17,923,655	18,526,497
Total primary government	625,067,159	630,123,564	622,967,632	621,796,417	597,622,869	617,668,732	699,174,113	698,848,110	715,900,459	672,552,808
PROGRAM REVENUES:										
Governmental activities:										
Charges for services — instruction	3,900,934	3,735,342	2,991,286	3,815,824	3,930,445	2,325,206	3,156,220	4,293,385	6,542,880	6,734,546
Operating grants and contributions	93,464,939	100,337,549	106,542,663	77,057,566	101,244,617	84,614,775	83,350,244	102,181,958	87,155,820	84,689,895
Capital grants and contributions	1,145,639	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	98,511,512	104,072,891	109,533,949	80,873,390	105,175,062	86,939,981	86,506,464	106,475,343	93,698,700	91,424,441
Business-type activities:										
Charges for services — food sales	2,359,785	2,878,544	2,641,351	2,131,414	1,561,222	1,347,648	1,033,129	1,164,566	1,141,617	1,101,798
Operating grants and contributions	12,212,629	12,651,008	13,234,530	13,183,351	14,018,783	15,444,970	16,152,072	17,182,450	16,976,423	17,392,811
Total business-type activities program revenues	14,572,414	15,529,552	15,875,881	15,314,765	15,580,005	16,792,618	17,185,201	18,347,016	18,118,040	18,494,609
Total primary government program revenues	113,083,926	119,602,443	125,409,830	96,188,155	120,755,067	103,732,599	103,691,665	124,822,359	111,816,740	109,919,050
NET (EXPENSE) REVENUE:										
Governmental activities	(511,558,378)	(510,847,722)	(497,250,749)	(525,136,035)	(475,978,936)	(513,921,213)	(596,079,550)	(574,501,591)	(604,278,104)	(562,601,870)
Business-type activities	(424,855)	326,601	(307,053)	(472,227)	(888,866)	(14,920)	597,102	475,840	194,385	(31,888)
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$ (511,983,233)	\$ (510,521,121)	\$ (497,557,802)	\$ (525,608,262)	\$ (476,867,802)	\$ (513,936,133)	\$ (595,482,448)	\$ (574,025,751)	\$ (604,083,719)	\$ (562,633,758)

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL REVENUES:										
Taxes:										
Real estate	\$ 165,639,728	\$ 167,021,527	\$ 169,716,831	\$ 173,301,574	\$ 162,571,466	\$ 166,111,256	\$ 169,534,710	\$ 177,051,628	\$ 180,898,950	\$ 186,571,183
Earned income	94,278,868	96,580,035	103,534,131	101,468,207	110,783,535	115,024,230	125,232,644	120,904,738	129,029,271	134,432,723
Others	404,485	383,480	371,537	378,740	354,304	350,243	329,639	329,770	311,479	319,477
Federal and state grants and subsidies	238,629,300	246,496,380	238,940,940	249,703,582	222,617,705	248,356,557	233,699,572	248,634,332	265,111,419	270,647,094
Investment income	5,051,424	3,309,796	2,993,901	4,036,901	599,483	771,590	1,070,711	1,036,203	2,144,835	3,939,521
Miscellaneous income	6,400,064	7,817,222	4,880,807	13,954,913	11,331,261	11,385,123	8,464,262	5,880,905	2,824,885	3,326,085
Transfers	427,340	(70,570)	(27,936)	(295,462)	(250)	-	-	(199,662)	(1,275,821)	-
Total government activities	<u>510,831,209</u>	<u>521,537,870</u>	<u>520,410,211</u>	<u>542,548,455</u>	<u>508,257,504</u>	<u>541,998,999</u>	<u>538,331,538</u>	<u>553,637,914</u>	<u>579,045,018</u>	<u>599,236,083</u>
BUSINESS-TYPE ACTIVITIES:										
Investment income	923	280	214	93	71	-	-	1,581	14,163	46,199
Transfers	(427,340)	70,570	27,936	295,462	250	-	-	199,662	1,275,821	-
Total business-type activities	<u>(426,417)</u>	<u>70,850</u>	<u>28,150</u>	<u>295,555</u>	<u>321</u>	<u>-</u>	<u>-</u>	<u>201,243</u>	<u>1,289,984</u>	<u>46,199</u>
Total primary government	<u>510,404,792</u>	<u>521,608,720</u>	<u>520,438,361</u>	<u>542,844,010</u>	<u>508,257,825</u>	<u>541,998,999</u>	<u>538,331,538</u>	<u>553,839,157</u>	<u>580,335,002</u>	<u>599,282,282</u>
CHANGE IN NET POSITION:										
Governmental activities	(727,169)	10,690,148	23,159,462	17,412,420	32,278,568	28,077,786	(57,748,012)	(20,863,677)	(25,233,086)	36,634,213
Business-type activities	(851,272)	397,451	(278,903)	(176,672)	(888,545)	(14,920)	597,102	677,083	1,484,369	14,311
TOTAL PRIMARY GOVERNMENT	<u>\$ (1,578,441)</u>	<u>\$ 11,087,599</u>	<u>\$ 22,880,559</u>	<u>\$ 17,235,748</u>	<u>\$ 31,390,023</u>	<u>\$ 28,062,866</u>	<u>\$ (57,150,910)</u>	<u>\$ (20,186,594)</u>	<u>\$ (23,748,717)</u>	<u>\$ 36,648,524</u>
										(Concluded)

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2009	2010	2011 ^(a)	2012	2013	2014	2015	2016	2017	2018
GENERAL FUND:										
Reserved	\$ 3,548,327	\$ 3,492,476	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	67,972,380	69,036,774	-	-	-	-	-	-	-	-
Nonspendable	-	-	170,612	269,927	307,261	314,304	349,889	409,617	463,988	460,092
Committed	-	-	6,933,108	6,553,447	22,196,273	22,924,133	22,166,362	22,884,045	24,422,976	22,383,557
Assigned	-	-	22,448,457	10,471,624	18,097,109	27,597,380	23,792,065	16,702,390	26,937,325	34,843,565
Unassigned	-	-	52,548,417	71,663,229	73,136,786	78,377,293	86,923,714	93,606,169	80,087,911	57,242,893
Total general fund	71,520,707	72,529,250	82,100,594	88,958,227	113,737,429	129,213,110	133,232,030	133,602,221	131,912,200	114,930,107
CAPITAL PROJECTS:										
Reserved	24,365,531	22,110,291	-	-	-	-	-	-	-	-
Unreserved	4,820,254	26,099,566	-	-	-	-	-	-	-	-
Restricted	-	-	26,741,390	20,855,031	7,992,023	4,397,245	9,702,809	5,245,757	7,740,109	10,085,975
Committed	-	-	-	-	850,538	1,870,946	2,995,565	3,882,349	3,427,265	1,275,836
Assigned	-	-	663,516	3,402,657	5,466,014	6,132,860	8,798,125	7,556,510	3,281,537	2,105,829
Total capital projects	29,185,785	48,209,857	27,404,906	24,257,688	14,308,575	12,401,051	21,496,499	16,684,616	14,448,911	13,467,640
SPECIAL FUNDS:										
Unreserved	4,852,781	3,621,026	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	146,531	146,530
Assigned	-	-	-	-	-	-	-	6,733,949	5,917,093	4,316,479
Total special funds	4,852,781	3,621,026	-	-	-	-	-	6,733,949	6,063,624	4,463,009
OTHER GOVERNMENTAL FUNDS:										
Reserved	5,191	5,191	-	-	-	-	-	-	-	-
Unreserved	560,545	446,415	-	-	-	-	-	-	-	-
Restricted	-	-	404,737	402,060	402,125	402,166	402,165	402,165	405,208	398,165
Assigned	-	-	145,819	113,023	4,815,652	4,589,524	7,162,793	2,226,867	2,224,367	2,210,867
Total other governmental funds	565,736	451,606	550,556	515,083	5,217,777	4,991,690	7,564,958	2,629,032	2,629,575	2,609,032
TOTAL ALL FUNDS	\$ 106,125,009	\$ 124,811,739	\$ 110,056,056	\$ 113,730,998	\$ 133,263,781	\$ 146,605,851	\$ 162,293,487	\$ 159,649,818	\$ 155,054,310	\$ 135,469,788

(a) The District implemented GASB Statement #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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES:										
Taxes	\$ 272,514,477	\$ 265,323,836	\$ 277,216,462	\$ 268,716,062	\$ 276,842,166	\$ 283,619,068	\$ 293,937,695	\$ 302,762,421	\$ 310,474,784	\$ 321,257,976
Local nontax revenue	2,630,043	10,833,651	7,677,799	24,914,237	15,729,961	13,710,331	11,620,482	10,169,915	9,368,821	16,059,182
Federal and state grants and subsidies	333,198,409	347,526,827	345,678,755	319,744,518	331,146,993	332,971,291	332,629,306	350,816,290	352,267,239	349,338,439
Investment earnings	2,483,855	976,068	769,117	563,967	599,483	730,103	999,250	974,411	2,064,048	3,745,938
Total revenues	610,826,784	624,660,382	631,342,133	613,938,784	624,318,603	631,030,793	639,186,733	664,723,037	674,174,892	690,401,535
EXPENDITURES:										
Instruction	338,411,054	345,965,024	350,491,668	349,729,619	337,432,338	356,458,279	361,474,054	404,463,169	414,059,644	430,908,240
Support service instruction	47,036,824	46,800,516	44,839,308	42,377,082	41,429,984	39,574,812	39,194,396	45,521,198	44,423,389	52,072,463
Administration and business	57,567,589	58,467,395	58,442,147	47,219,258	54,887,662	54,071,188	56,499,043	60,707,061	58,691,510	62,263,791
Pupil health	6,288,538	6,714,603	8,898,877	7,808,347	8,984,190	8,428,528	8,603,277	9,494,670	10,942,905	12,537,663
Operation and maintenance	49,934,296	50,099,238	46,627,161	44,503,401	45,728,784	48,876,362	47,463,714	50,075,735	54,330,332	56,842,665
Transportation	38,979,412	39,525,502	41,973,598	40,397,190	40,973,160	40,983,089	38,614,822	40,189,432	41,095,873	39,862,021
Operation of noninstructional services	6,706,366	6,477,685	6,807,541	5,249,755	5,180,752	5,433,551	5,359,136	5,799,667	5,485,868	5,683,772
Facilities — capital outlay	42,189,499	34,934,141	26,465,287	19,379,285	15,612,673	19,774,374	21,397,755	41,950,021	29,223,895	27,695,038
Facilities — noncapital outlay	6,036,703	1,504,316	880,021	(477,942)	(32,332)	(639,763)	1,300,750	(8,593,381)	(962,297)	(697,197)
Debt service principal and interest:										
Principal	34,845,747	35,458,134	37,065,702	36,762,657	42,497,321	38,472,050	38,483,949	34,574,420	30,914,348	34,109,343
Interest	23,668,629	24,261,943	22,027,296	21,242,131	20,542,129	17,497,178	16,758,523	15,924,774	15,024,022	14,807,930
Other charges	4,944,404	5,240,846	4,157,522	3,076,852	3,356,152	4,307,056	3,492,886	3,125,668	316,395	96,926
Total expenditures	656,609,061	655,449,343	648,676,128	617,267,635	616,592,813	633,236,704	638,642,305	703,232,434	703,545,884	736,182,655
EXCESS OF REVENUES OVER/ UNDER EXPENDITURES	(45,782,277)	(30,788,961)	(17,333,995)	(3,328,851)	7,725,790	(2,205,911)	544,428	(38,509,397)	(29,370,992)	(45,781,120)
OTHER FINANCING SOURCES (USES):										
Issuance of general obligation bonds	42,535,000	49,070,000	-	5,000,000	-	9,995,000	21,215,000	20,590,000	24,000,000	23,880,000
Premium on refunding	33,460,000	37,635,000	9,995,000	71,130,000	-	3,222,496	3,175,970	-	889,093	-
Premium on general obligation bonds	2,094,295	5,287,951	(21,483)	9,944,668	-	378,833	1,164,174	1,226,239	1,626,539	1,917,715
Issuance of refunding bonds	-	-	-	-	-	36,740,000	25,750,000	-	8,710,000	-
Issuance of QZAB	-	-	-	-	-	-	-	-	-	-
Debt service (payments to refunded bond escrow agent)	(34,029,604)	(42,498,310)	(9,750,498)	(80,059,491)	-	(42,091,668)	(28,675,926)	-	(9,599,093)	-
Other capital leases	-	-	2,173,989	4,509,890	2,324,301	6,926,213	365,700	13,802,396	-	-
Sale of or compensation for capital assets	1,270,639	51,619	634,240	774,188	11,482,942	1,577,107	248,290	1,406,754	379,011	203,915
Transfers in	23,656,159	21,684,483	20,698,731	23,731,631	34,811,370	29,029,304	31,727,233	32,363,404	19,427,831	18,885,568
Transfers out	(23,228,819)	(21,755,052)	(21,151,667)	(28,027,093)	(36,811,620)	(30,229,304)	(39,827,233)	(33,523,066)	(20,657,897)	(18,690,600)
Total other financing sources	45,757,670	49,475,691	2,578,312	7,003,793	11,806,993	15,547,981	15,143,208	35,865,727	24,775,484	26,196,598
NET CHANGE IN FUND BALANCES	\$ (24,607)	\$ 18,686,730	\$ (14,755,683)	\$ 3,674,942	\$ 19,532,783	\$ 13,342,070	\$ 15,687,636	\$ (2,643,670)	\$ (4,595,508)	\$ (19,584,522)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	9.52 %	9.51 %	9.50 %	9.70 %	10.49 %	9.12 %	8.95 %	7.64 %	6.81 %	6.90 %

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
2009	\$ 159,517,055	\$ 6,122,673	\$ 94,278,868	\$ 5,392	\$ 399,091	\$ 260,323,079
2010	159,966,438	7,055,089	96,580,035	4,321	379,159	263,985,042
2011	160,750,157	8,966,674	103,534,131	631	370,906	273,622,499
2012	165,594,664	7,706,910	101,468,207	-	378,740	275,148,521
2013	151,666,977	10,904,489	110,783,535	2,965	351,339	273,709,305
2014	156,014,965	10,096,291	115,024,230	206	350,037	281,485,729
2015	158,342,753	11,191,957	125,232,644	30	329,609	295,096,993
2016	163,086,053	13,965,575	120,904,738	-	329,770	298,286,136
2017	168,307,547	14,915,327	129,029,271	-	311,479	312,563,624
2018	171,455,459	15,115,724	134,432,723	24	319,453	321,323,383

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 ^(a)	Earned Income Tax	Mercantile Tax ^(b)	Real Estate Transfer Tax	Public Utility Realty Tax	Total
2009	\$ 163,984,723	\$ 94,278,868	\$ 5,392	\$ 6,122,673	\$ 399,091	\$ 264,790,747
2010	161,280,364	96,580,035	4,321	7,055,089	379,159	265,298,968
2011	164,344,120	103,534,131	631	8,966,674	370,906	277,216,462
2012	167,247,855	101,468,207	-	7,706,910	378,740	276,801,712
2013	154,799,838	110,783,535	2,965	10,904,489	351,339	276,842,166
2014	158,148,304	115,024,230	206	10,096,291	350,037	283,619,068
2015	162,960,019	119,456,080	30	11,191,257	329,609	293,936,995
2016	165,114,071	123,353,005	-	13,965,575	329,770	302,762,421
2017	168,884,866	128,687,036	-	14,915,327	311,479	312,798,708
2018	174,783,209	133,609,259	24	15,115,724	319,429	323,827,645

(a) The decrease in 2013 reflects the new state property tax reduction allocation program.

(b) 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.

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY ^(a)

LAST TEN FISCAL YEARS

(Amounts in thousands)

Fiscal Year	City of Pittsburgh and Mt. Oliver Borough (Values Assessed in Thousands) ^(b)					Estimated Actual Taxable Value	Total Assessed Value to Total Estimated Actual Value ^(c)	Total Average Direct Rate
	Assessed Value Residential	Assessed Value Commercial	Total Assessed Value	Less Tax-Exempt Real Property	Total Taxable Assessed Value			
2009	\$ 7,348,092	\$ 14,068,732	\$ 21,416,824	\$ 7,985,191	\$ 13,431,633	\$ 15,581,941	0.862	13.92
2010	7,359,741	14,049,120	21,408,861	8,115,436	13,293,425	15,553,307	0.855	13.92
2011	7,394,893	14,657,384	22,052,277	8,519,619	13,532,658	15,833,210	0.855	13.92
2012	7,399,525	15,054,547	22,454,072	8,742,618	13,711,454	16,042,401	0.855	13.92
2013 ^(d)	10,408,915	22,610,396	33,019,311	12,714,616	20,304,695	20,304,695	1.000	9.65
2014	10,235,792	20,960,046	31,195,838	12,464,686	18,731,152	18,731,152	1.000	9.84
2015	10,380,472	20,908,046	31,288,518	12,535,072	18,753,446	18,753,446	1.000	9.84
2016	10,523,335	21,114,724	31,638,059	12,314,232	19,323,827	22,222,401	0.870	9.84
2017	10,609,141	21,257,418	31,866,559	12,224,697	19,641,862	22,588,141	0.870	9.84
2018	10,727,275	20,861,859	31,589,134	11,509,052	20,080,082	23,092,094	0.870	9.84

(a) Figures in U.S. dollars.

(b) City of Pittsburgh, Department of Finance, Division of Real Estate Property — updated levy.

(c) Pennsylvania State Tax Equalization Board (www.steb.state.pa.us) and Pennsylvania Department of Revenue Common Level Ratio.

(d) Allegheny County performed 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			Total Direct Tax Rate ^(a)	
		City of Pittsburgh Millage	Mt. Oliver Borough Millage	Allegheny County Millage	Total Millage City Resident ^(b)	Total Millage Mt. Oliver Resident ^(c)
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 ^(d)	9.650	7.560	13.500	4.730	21.940	27.880
2014	9.840	7.560	13.500	4.730	22.130	28.070
2015	9.840	8.060	13.500	4.730	22.630	28.070
2016	9.840	8.060	13.500	4.730	22.630	28.070
2017	9.840	8.060	13.500	4.730	22.630	28.070
2018	9.840	8.060	13.500	4.730	22.630	28.070

(a) Overlapping rates are those of local and county governments that apply to property owners within the District.

(b) Determined by adding District, Average City of Pittsburgh and Allegheny County Millage.

(c) Determined by adding District, Mount Oliver Borough and Allegheny County Millage.

(d) Allegheny County performed 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: Allegheny County municipal website (www.alleghenycounty.us/munimap)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**PRINCIPAL PROPERTY TAXPAYERS
2018 AND NINE YEARS AGO**

Taxpayer	2018			2009		
	Taxable Assessed Value ^(a)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
PNC	\$ 428,789,900	1	2.14 %	\$ 175,000,000	4	1.30 %
500 Grant St. Assoc/Mellon Bank	318,444,600	2	1.59	341,829,200	1	2.54
Holdings Acquisition Co LP	251,136,700	3	1.25	-	-	-
Buncher Company	238,026,200	4	1.19	191,740,374	2	1.43
600 GS Prop LP	233,211,300	5	1.16	167,313,200	5	1.25
HRLP Fourth Avenue LLC	179,400,000	6	0.89	-	-	-
Pittsburgh CBD LLC	132,075,350	7	0.66	-	-	-
IX Liberty Center Owner LP	120,000,000	8	0.60	-	-	-
Hertz Gateway Center LP	91,750,000	9	0.46	45,700,000	9	0.34
Liberty Avenue Holdings LLC	79,000,000	10	0.39	49,210,000	8	0.37
Market Assoc. Limited	-	-	-	185,000,000	3	1.38
Oxford Development	-	-	-	116,110,300	6	0.86
Grant Liberty Dev. Group	-	-	-	110,000,000	7	0.82
Harrahs Forest City Assoc.	-	-	-	39,036,900	10	0.29
	<u>\$ 2,071,834,050</u>			<u>\$ 1,420,939,974</u>		
Total Taxable Assessed Value	<u>\$ 20,080,082,000</u>			<u>\$ 13,431,633,000</u>		

(a) Allegheny County performed reassessments of all real property in 2013

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) ^(a)	Adjusted Levy ^(b)	Collected within the Fiscal Year of the Levy Amount	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date	
						Amount	Percentage of Levy
2009	\$ 11,784.7	\$ 164,044,094	\$ 157,206,287	95.83 %	\$ 6,960,921	\$ 164,167,208	100.03 %
2010	11,787.9	164,088,430	155,802,011	94.95	6,338,708	162,140,719	98.76
2011	11,954.5	166,407,623	158,769,241	95.41	6,611,941	165,381,182	99.29
2012	12,217.6	170,069,937	159,318,698	93.68	6,573,714	165,892,412	97.41
2013	16,207.1	156,398,875	152,027,206	97.20	5,197,048	157,224,254	100.30
2014	16,211.6	159,522,560	152,331,919	95.49	5,046,481	157,378,400	98.29
2015	16,523.6	162,592,276	155,539,550	95.66	3,440,044	158,979,594	97.24
2016	17,077.2	168,039,758	161,384,672	96.04	2,948,566	164,333,238	97.79
2017	17,287.8	170,112,154	163,630,093	96.19	3,353,582	166,983,675	98.16
2018	17,796.4	175,116,697	168,447,786	96.19	-	168,447,786	96.19

(a) Original taxable valuation plus adjustments less exonerations and refunds

(b) 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 ^(b) of Property	Total Outstanding Debt Per Capita	(Net) General Bonded Debt Per Capita	Total Outstanding Debt as a Percentage of Personal Income ^(c)
	(Net) General Obligation Bonds ^(a)	Capital Leases					
2009	\$ 482,643,574	\$ 5,178,368	\$ 487,821,942	3.10 %	\$ 1,440.99	\$ 1,425.69	0.20 %
2010	496,589,687	5,817,370	502,407,057	3.19	1,625.34	1,606.53	0.20
2011	458,623,303	6,376,540	464,999,843	2.90	1,504.33	1,483.70	0.21
2012	426,748,532	6,557,544	433,306,076	2.66	1,401.80	1,380.59	0.23
2013	393,289,363	6,373,885	399,663,248	1.94	1,292.96	1,272.34	0.28
2014	362,801,715	8,689,049	371,490,764	1.94	1,201.82	1,173.71	0.31
2015	346,024,253	6,524,215	352,548,468	1.85	1,140.54	1,119.45	0.33
2016	330,257,876	14,461,206	344,719,082	1.49	1,115.21	1,068.43	0.35
2017	322,230,002	10,969,739	333,199,741	1.43	1,077.94	1,042.45	0.36
2018	311,033,794	7,724,013	318,757,807	1.51	978.87	953.89	0.35

(a) Presented net of original issuance discount, premiums, and deferred outflows related to debt.

(b) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 100 for property value data.

(c) See the Schedule of Demographic and Economic Statistics on page 108 for Total Personal Income.

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**RATIOS OF ANNUAL DEBT SERVICE EXPENDITURES
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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
2014	38,472,050	17,497,178	55,969,228	633,236,704	8.84
2015	38,486,855	16,755,617	55,242,472	726,185,408	7.61
2016	34,574,420	15,924,774	50,499,194	703,232,434	7.18
2017	30,914,348	15,024,022	45,938,370	703,545,884	6.53
2018	34,109,343	14,807,930	48,917,273	736,182,655	6.64

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**DIRECT AND OVERLAPPING DEBT OF GOVERNMENTAL DEBT
AS OF DECEMBER 31, 2018**

Jurisdiction	Net Debt Outstanding	Percentage Applicable to District	Amount Applicable to District
DIRECT DEBT — School District of Pittsburgh:			
General obligation bonds	\$ 281,329,309	100 %	\$ 281,329,309
Notes	13,523,530	100	13,523,530
Premium and discount	16,180,955	100	16,180,955
Capital leases	7,724,013	100	7,724,013
Total direct debt	318,757,807		318,757,807
OVERLAPPING DEBT:			
Allegheny County ^(a)	\$ 939,471,000	25 %	\$ 234,867,750
City of Pittsburgh:			
City	406,348,000	100	406,348,000
Auditorium Authority ^(b)	-	50	-
Parking Authority	51,295,000	100	51,295,000
Total overlapping debt	1,397,114,000		692,510,750
TOTAL DEBT AND OVERLAPPING DEBT	\$ 1,715,871,807		\$ 1,011,268,557

(a) Percentage of the City's residential population of the county.

(b) Based on contractual agreements.

Note: The percentage of the overlap is calculated by dividing the total revenue base of the overlapping debt by the overlapping portion of the District.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 1,133,187,826	\$ 1,140,382,642	\$ 1,141,809,645	\$ 1,155,188,600	\$ 1,160,685,897	\$ 1,166,865,779	\$ 1,170,489,505	\$ 1,194,602,047	\$ 1,227,093,661	\$ 1,282,126,315
Total net debt applicable to limit	<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>	<u>371,490,764</u>	<u>352,548,466</u>	<u>344,719,082</u>	<u>333,199,741</u>	<u>318,757,807</u>
Legal debt margin	<u>\$ 658,433,131</u>	<u>\$ 652,572,106</u>	<u>\$ 683,673,272</u>	<u>\$ 730,653,880</u>	<u>\$ 771,415,174</u>	<u>\$ 795,375,015</u>	<u>\$ 817,941,039</u>	<u>\$ 849,882,965</u>	<u>\$ 893,893,920</u>	<u>\$ 963,368,508</u>
Total net debt applicable to the limit as a percentage to debt limit	<u>41.90 %</u>	<u>42.78 %</u>	<u>40.12 %</u>	<u>36.75 %</u>	<u>33.54 %</u>	<u>31.84 %</u>	<u>30.12 %</u>	<u>28.86 %</u>	<u>27.15 %</u>	<u>24.86 %</u>

Legal Debt Margin Calculation for Fiscal Year 2017

	2015	2016	2017	Total
Total general funds	\$ 546,608,337	\$ 564,625,791	\$ 605,581,266	\$ 1,716,815,394
Less required deduction rental and sinking fund reimbursement	<u>(348,950)</u>	<u>(4,487,691)</u>	<u>(2,476,999)</u>	<u>(7,313,640)</u>
Total net general fund revenues	<u>\$ 546,259,387</u>	<u>\$ 560,138,100</u>	<u>\$ 603,104,267</u>	<u>\$ 1,709,501,754</u>
Average of three years				<u>\$ 569,833,918</u>
Multiply by 225% ^(a)				<u>225 %</u>
Debt limit				\$ 1,282,126,316
Less total net debt applicable to limit				<u>(318,757,807)</u>
Legal debt margin				<u>\$ 963,368,509</u>

(a) 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 ^(a)	Per Capita Personal Income ^(b)	Median Age	School Enrollment ^(c)	Unemployment Rate ^(d)
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
2014	309,107	115,799,024	49,049	33.5	25,504	4.80
2015	309,107	116,265,059	49,349	33.7	25,003	5.00
2016	309,107	119,431,607	50,756	32.9	24,652	5.10
2017	309,107	119,895,738	51,187	33.5	23,711	4.50
2018	309,107	125,648,500	53,849	33.5	23,152	3.80

Sources:

(a) Bureau of Economic Analysis — two-year lag

(b) U.S. Bureau of Economic Analysis — two-year lag

(c) Includes Pre-K Students

(d) U.S. Department of Labor, Bureau of Labor Statistics

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL EMPLOYERS, PITTSBURGH METROPOLITAN STATISTICAL AREA 2018 AND NINE YEARS AGO

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment ^(a)	Employees	Rank	Percentage of Total City Employment ^(a)
University of Pittsburgh Medical Center	53,000	1	16.99 %	37,000	1	12.03 %
Highmark Health	21,251	2	6.81	-	-	-
US Government	18,358	3	5.89	18,666	2	6.07
Commonwealth of Pennsylvania	16,573	4	5.31	13,661	3	4.44
PNC Financial Services Group, Inc.	13,000	5	4.17	9,150	7	2.97
University of Pittsburgh	12,338	6	3.96	11,261	5	3.66
Giant Eagle Inc.	9,764	7	3.13	8,347	8	2.71
Wal-Mart Stores	9,000	8	2.89	10,030	6	3.26
Allegheny County	7,236	9	2.32	7,194	9	2.34
BNY Mellon	7,000	10	2.24	6,668	10	2.17
West Penn Allegheny Health System	-	-	-	11,432	4	3.72

(a) Total City Employment reflects only people making more than \$12,000 annually.

Sources:

Pittsburgh Business Times 2018-2019 Book of Lists

Pittsburgh Business Times 2010 Book of Lists

City of Pittsburgh CAFR

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**STUDENT MEMBERSHIP
LAST TEN YEARS**

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Elementary school ^(a)	12,268	12,081	11,828	11,906	11,815	11,562	11,485	11,243	12,097	11,794
Middle school	5,674	5,555	5,654	5,466	5,439	5,224	5,066	4,944	2,027	1,947
Secondary school	7,617	7,166	7,054	6,912	6,652	6,736	6,575	6,538	7,759	7,380
Special education	564	524	495	565	619	581	513	561	479	705
Pre-K/Head Start	1,799	1,806	1,621	1,614	1,381	1,401	1,364	1,366	1,349	1,326
Total	<u>27,922</u>	<u>27,132</u>	<u>26,652</u>	<u>26,463</u>	<u>25,906</u>	<u>25,504</u>	<u>25,003</u>	<u>24,652</u>	<u>23,711</u>	<u>23,152</u>

(a) 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 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Number of schools:										
Elementary	39	38	38	34	34	34	34	34	34	34
Junior/middle	9	7	7	7	7	7	7	7	7	7
Senior	14	14	11	9	9	10	10	10	10	10
Special	4	4	4	3	3	3	3	3	3	3
Total public schools	66	63	60	53	53	54	54	54	54	54
Number of charter schools ^(a)	24	25	26	26	26	32	33	34	36	37
Total number of schools	90	88	86	79	79	86	87	88	90	91
School enrollment:										
Elementary	12,268	12,081	11,828	11,906	11,815	11,562	11,485	11,243	12,097	11,794
Junior/middle	5,674	5,555	5,654	5,466	5,439	5,224	5,066	4,944	2,027	1,947
Senior/special/vocational	7,617	7,166	7,054	6,912	6,652	6,736	6,575	6,538	7,759	7,380
Special	564	524	495	565	619	581	513	561	479	705
Pre-K	1,799	1,806	1,621	1,614	1,381	1,401	1,364	1,366	1,349	1,326
Total public schools	27,922	27,132	26,652	26,463	25,906	25,504	25,003	24,652	23,711	23,152
Charter schools	2,945	3,117	2,971	3,306	3,498	3,737	3,840	3,957	4,080	4,241
Total school enrollment	30,867	30,249	29,623	29,769	29,404	29,241	28,843	28,609	27,791	27,393
Number of graduates:										
Public high school	1,676	1,726	1,553	1,588	1,571	1,511	1,336	1,525	1,446	1,344
High school/charter graduates ^(b)	264	297	285	310	348	407	307	331	274	248
Total number of high school graduates	1,940	2,023	1,838	1,898	1,919	1,918	1,643	1,856	1,720	1,592

(a) Includes all charter and cyber charter schools attended by Pittsburgh students.

(b) 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 ^(a)	Enrollment ^(b)	Cost Per Pupil	Percentage Change	Expenses ^(c)	Cost Per Pupil	Change	Teaching Staff ^(d)	Pupil Teacher Ratio	Student Attendance % ^(e)
2009	\$ 549,868,483	27,922	\$ 19,693	0.86 %	\$ 625,067,159	\$ 22,386	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	23,069	(1.35)	1,942	13	92.80
2014	558,132,865	25,504	21,884	5.38	617,668,732	24,219	4.48	1,929	13	94.30
2015	583,399,833	25,003	23,333	6.62	620,774,556	24,828	2.52	1,962	13	91.40
2016	619,376,000	24,652	25,125	7.68	698,848,110	28,349	1.38	1,992	12	91.80
2017	629,345,916	23,711	26,542	5.64	683,907,364	28,843	1.75	2,048	12	91.90
2018	660,170,615	23,152	28,515	7.43	736,182,655	31,798	10.24	2,062	11	91.40

- (a) Based on fund-level financial reports — total expenditures, less capital outlay, less debt service
- (b) Enrollment based on start of school year census
- (c) Based on government-wide financial reports
- (d) Teaching staff are full-time equivalents and include academic coaches
- (e) Attendance is a yearly average

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**TOTAL NUMBER OF EMPLOYEES
LAST TEN YEARS**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration:										
Officials, administrators, and managers	106	108	93	101	102	113	119	119	130	141
Legal services	2	2	2	2	1	1	1	1	1	-
Clerical and other nonprofessionals	652	585	561	562	549	516	530	534	552	562
Total administration	760	695	656	665	652	630	650	654	683	703
Instruction:										
Principals	73	73	77	62	66	62	65	63	58	59
Supervisors and assistant principals	40	34	25	23	19	29	29	29	41	44
Teachers	2,315	2,166	2,196	1,896	1,942	1,929	1,962	1,992	2,048	2,062
Librarians	45	40	35	24	20	23	22	20	29	31
Professionals and support staff	688	599	522	423	413	385	375	392	380	368
Total instruction	3,161	2,912	2,855	2,428	2,460	2,428	2,453	2,496	2,556	2,564
Pupil affairs:										
Directors and coordinators	1	1	1	-	-	-	-	-	-	-
Attendance personnel	53	51	47	38	40	40	43	39	42	39
Guidance and psychological personnel	147	138	126	121	121	113	112	132	136	136
Total pupil affairs	201	190	174	159	161	153	155	171	178	175
Health services:										
Nurses and health workers	37	35	40	39	41	41	42	42	62	66
Dentist and hygienists	3	3	3	3	3	3	3	3	2	3
Total health services	40	38	43	42	44	44	45	45	64	69
Operation and maintenance:										
Supervisors	14	13	12	11	11	11	10	11	11	11
Operation and maintenance	375	367	347	338	329	330	333	347	335	346
Total operation and maintenance	389	380	359	349	340	341	343	358	346	357
Food service:										
Director	1	1	-	1	1	1	1	1	1	1
Salaried employees	159	155	144	126	116	101	110	114	114	114
Total food service	160	156	144	127	117	102	111	115	115	115
Total	4,711	4,371	4,231	3,770	3,774	3,698	3,757	3,839	3,942	3,983

Source: District PeopleSoft HR

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**TEACHER’S BASE SALARY
ANNUAL SCHOOL YEAR SALARY
LAST TEN FISCAL YEARS**

Year	Minimum Salary ^(a)	Median Salary	Maximum Salary ^(b)
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
2014	39,620	64,260	88,900
2015	39,620	64,260	88,900
2016	40,736	66,048	91,360
2017	41,551	67,353	93,155
2018	42,382	68,684	94,986

(a) 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

(b) 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 SQUARE FOOTAGE AND CAPACITY
LAST TEN FISCAL YEARS**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction and instruction student support:										
Elementary:										
Total schools	39	38	38	34	34	34	34	34	34	34
Total square footage	2,832,147	2,510,350	2,385,823	2,289,330	2,289,330	2,289,330	2,289,330	2,289,330	2,289,330	2,289,330
Enrollment	12,268	12,081	11,828	11,906	11,815	11,562	11,485	11,243	12,097	11,194
Functional capacity ^(a)	19,801	19,374	20,727	20,185	20,185	20,713	20,713	20,713	20,713	20,713
Percentage of capacity used	62 %	62 %	57 %	59 %	59 %	59 %	55 %	54 %	58 %	54 %
Middle:										
Total schools	9	7	7	7	7	7	7	7	7	7
Total square footage	557,300	868,508	868,508	768,525	768,525	768,525	768,525	768,525	768,525	768,525
Enrollment	5,674	5,555	5,654	5,466	5,439	5,224	5,066	4,944	2,027	1,947
Functional capacity ^(a)	3,783	3,333	3,924	3,992	3,992	3,992	3,992	3,992	3,992	3,992
Percentage of capacity used	150 %	167 %	144 %	137 %	136 %	131 %	127 %	124 %	51 %	49 %
Secondary:										
Total schools	14	14	11	9	10	11	11	10	10	9
Total square footage	3,092,014	2,868,961	2,868,961	2,244,706	2,244,706	2,244,706	2,244,706	2,244,706	2,244,706	2,244,706
Enrollment	7,617	7,166	7,054	6,912	6,652	6,736	6,575	6,538	7,759	7,380
Functional capacity ^(a)	13,765	13,934	15,017	11,536	11,536	12,227	12,659	12,659	12,659	12,659
Percentage of capacity used	55 %	51 %	47 %	60 %	58 %	55 %	52 %	52 %	61 %	58 %
Special:										
Total schools	4	4	4	3	3	5	5	5	4	7
Total square footage	313,960	400,499	400,499	436,754	436,754	436,754	436,754	436,754	436,754	436,754
Enrollment	564	524	495	565	619	581	513	561	479	705
Functional capacity ^(a)	576	576	518	746	746	746	1,224	1,224	1,224	1,224
Percentage of capacity used	98 %	91 %	96 %	76 %	83 %	78 %	42 %	46 %	39 %	58 %
Pre-K and head start:										
Enrollment	1,799	1,806	1,621	1,614	1,381	1,401	1,364	1,366	1,349	1,326
Functional capacity ^(a)	940	940	1,085	914	914	914	914	914	914	914
Percentage of capacity used	191 %	192 %	149 %	177 %	151 %	153 %	149 %	149 %	148 %	145 %
Administrative and financial support service:										
Total buildings	3	2	2	1	1	1	1	1	1	1
Total square footage	390,600	156,778	156,778	110,100	110,100	110,100	110,100	110,100	110,100	110,100
Operation and maintenance of plant services:										
Total buildings	1	1	1	1	1	1	1	1	1	1
Total square footage	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Food service:										
Total buildings	1	1	1	1	1	1	1	1	1	1
Total square footage	87,800	87,800	87,800	87,800	87,800	87,800	87,800	87,800	87,800	87,800
Grand total all buildings:										
Total buildings	71	67	64	56	57	60	60	59	58	60
Total square footage	7,343,821	6,962,896	6,838,369	6,007,215	6,007,215	6,007,215	6,007,215	6,007,215	6,007,215	6,007,215
Enrollment	27,922	27,132	26,652	26,463	25,906	25,504	25,003	24,652	23,711	22,552
Functional capacity ^(a)	38,865	38,157	41,271	37,373	37,373	38,052	39,502	39,502	39,502	39,502
Percentage of capacity used	72 %	71 %	65 %	71 %	69 %	67 %	63 %	62 %	60 %	57 %

(a) 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.

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

Source: School District of Pittsburgh, Facilities Division

OTHER INFORMATION

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2018**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Refunding Series A of 2009	10/27/2009	\$ 28,570,000	\$ 2,425,000	\$2,425,000 in 2019	4.00%	\$ 97,000	\$ 2,425,000
General Obligation Bonds, Refunding Series A of 2010	11/18/2010	\$ 30,975,000	\$ 16,365,000	\$3,890,000 in 2019 \$4,080,000 in 2020 \$4,360,000 in 2021 \$4,035,000 in 2022	5.00% 5.00% 5.00% 5.00%	\$ 818,250	\$ 3,890,000
General Obligation Bonds, Series C of 2010	11/18/2010	\$ 6,000,000	\$ 4,115,000	\$285,000 in 2019 \$290,000 in 2020 \$300,000 in 2021 \$310,000 in 2022 \$320,000 in 2023 \$330,000 in 2024 \$345,000 in 2025 \$360,000 in 2026 \$370,000 in 2027 \$385,000 in 2028 \$400,000 in 2029 \$420,000 in 2030	2.70% 3.00% 3.10% 3.25% 3.63% 3.63% 3.63% 3.63% 4.00% 4.00% 4.00% 4.00%	\$ 147,889	\$ 285,000
General Obligation Bonds, Refunding Series A of 2012	4/10/2012	\$ 71,130,000	\$ 41,640,000	\$14,095,000 in 2019 \$11,100,000 in 2020 \$7,145,000 in 2021 \$2,975,000 in 2022 \$3,130,000 in 2023 \$3,195,000 in 2024	4.00% 4.00% 5.00% 5.00% 5.00% 5.00%	\$ 1,830,050	\$ 14,095,000

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2018

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series B of 2012	4/10/2012	\$ 5,000,000	\$ 2,240,000	\$525,000 in 2019 \$550,000 in 2020 \$570,000 in 2021 \$595,000 in 2022	4.00% 4.00% 4.00% 4.00%	\$ 89,600	\$ 525,000
General Obligation Bonds, Refunding Series A of 2014	7/10/2014	\$ 10,070,000	\$ 8,350,000	\$0 in 2019 \$0 in 2020 \$0 in 2021 \$1,190,000 in 2022 \$2,350,000 in 2023 \$2,105,000 in 2024 \$2,705,000 in 2025	0.00% 0.00% 0.00% 5.00% 5.00% 5.00% 5.00%	\$ 417,500	\$ -
General Obligation Bonds, Refunding Series B of 2014	7/10/2014	\$ 26,670,000	\$ 23,230,000	\$2,885,000 in 2019 \$3,005,000 in 2020 \$3,120,000 in 2021 \$3,355,000 in 2022 \$3,520,000 in 2023 \$3,620,000 in 2024 \$3,725,000 in 2025	4.00% 4.00% 5.00% 5.00% 2.75% 3.00% 3.00%	\$ 876,500	\$ 2,885,000

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2018

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series C of 2014	11/6/2014	\$ 9,995,000	\$ 8,475,000	\$390,000 in 2019 \$410,000 in 2020 \$430,000 in 2021 \$450,000 in 2022 \$475,000 in 2023 \$490,000 in 2024 \$505,000 in 2025 \$520,000 in 2026 \$535,000 in 2027 \$550,000 in 2028 \$570,000 in 2029 \$585,000 in 2030 \$610,000 in 2031 \$630,000 in 2032 \$650,000 in 2033 \$675,000 in 2034	5.00% 5.00% 5.00% 5.00% 3.00% 3.00% 3.00% 3.00% 3.15% 3.20% 3.30% 3.45% 3.60% 3.60% 3.60%	\$ 309,485	\$ 390,000
General Obligation Bonds, Refunding Series A of 2015	3/10/2015	\$ 25,750,000	\$ 23,815,000	\$2,020,000 in 2019 \$2,105,000 in 2020 \$2,210,000 in 2021 \$2,320,000 in 2022 \$2,440,000 in 2023 \$2,560,000 in 2024 \$2,690,000 in 2025 \$6,185,000 in 2026 \$1,285,000 in 2027	4.00% 5.00% 5.00% 5.00% 5.00% 5.00% 4.00% 4.00% 3.00%	\$ 1,056,100	\$ 2,020,000

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2018

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series B of 2015	12/9/2015	\$ 21,215,000	\$ 19,485,000	\$810,000 in 2019	5.00%	\$ 719,738	\$ 810,000
				\$850,000 in 2020	5.00%		
				\$890,000 in 2021	5.00%		
				\$935,000 in 2022	5.00%		
				\$985,000 in 2023	5.00%		
				\$1,030,000 in 2024	5.00%		
				\$1,085,000 in 2025	4.00%		
				\$1,125,000 in 2026	2.60%		
				\$1,155,000 in 2027	3.00%		
				\$1,190,000 in 2028	3.00%		
				\$1,225,000 in 2029	3.00%		
				\$1,265,000 in 2030	3.10%		
				\$1,300,000 in 2031	3.15%		
				\$1,345,000 in 2032	3.20%		
				\$1,385,000 in 2033	3.25%		
				\$1,430,000 in 2034	3.30%		
				\$1,480,000 in 2035	3.35%		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2018

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series B of 2016	12/28/2016	\$ 20,590,000	\$ 19,990,000	\$735,000 in 2019 \$765,000 in 2020 \$800,000 in 2021 \$840,000 in 2022 \$890,000 in 2023 \$940,000 in 2024 \$1,000,000 in 2025 \$1,020,000 in 2026 \$1,070,000 in 2027 \$1,110,000 in 2028 \$1,155,000 in 2029 \$1,210,000 in 2030 \$1,275,000 in 2031 \$1,325,000 in 2032 \$1,380,000 in 2033 \$1,435,000 in 2034 \$1,490,000 in 2035 \$1,550,000 in 2036	4.00% 4.00% 5.00% 5.00% 5.00% 5.00% 5.00% 5.00% 4.00% 4.00% 5.00% 5.00% 4.00% 4.00% 4.00% 4.00% 4.00% 4.00%	\$ 878,150	\$ 735,000
General Obligation Bonds Series of 2017 Refunding	7/25/2017	\$ 8,710,000	\$ 8,705,000	\$5,000 in 2019 \$645,000 in 2020 \$2,615,000 in 2021 \$2,710,000 in 2022 \$2,730,000 in 2023	1.00% 4.00% 4.00% 4.00% 4.00%	\$ 348,055	\$ 5,000

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2018

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series B of 2017	11/14/2017	\$ 24,000,000	\$ 24,000,000	\$300,000 in 2019	5.00%	\$ 903,688	\$ 300,000
				\$895,000 in 2020	5.00%		
				\$940,000 in 2021	5.00%		
				\$985,000 in 2022	5.00%		
				\$1,035,000 in 2023	5.00%		
				\$1,090,000 in 2024	5.00%		
				\$1,140,000 in 2025	5.00%		
				\$1,200,000 in 2026	5.00%		
				\$1,260,000 in 2027	4.00%		
				\$1,310,000 in 2028	4.00%		
				\$1,360,000 in 2029	3.00%		
				\$1,405,000 in 2030	3.00%		
				\$1,445,000 in 2031	3.00%		
				\$1,490,000 in 2032	3.00%		
				\$1,535,000 in 2033	3.00%		
				\$1,580,000 in 2034	3.00%		
				\$1,625,000 in 2035	3.13%		
				\$1,675,000 in 2036	3.13%		
				\$1,730,000 in 2037	3.13%		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2018**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds Series of 2018	10/25/2018	\$ 23,880,000	\$ 23,880,000	\$0 in 2019	5.00%	\$ 805,196	\$ -
				\$290,000 in 2020	5.00%		
				\$855,000 in 2021	5.00%		
				\$900,000 in 2022	5.00%		
				\$945,000 in 2023	5.00%		
				\$990,000 in 2024	5.00%		
				\$1,040,000 in 2025	5.00%		
				\$1,090,000 in 2026	5.00%		
				\$1,145,000 in 2027	5.00%		
				\$1,205,000 in 2028	5.00%		
				\$1,265,000 in 2029	5.00%		
				\$1,325,000 in 2030	5.00%		
				\$1,395,000 in 2031	4.00%		
				\$1,450,000 in 2032	4.00%		
				\$1,505,000 in 2033	4.00%		
				\$1,565,000 in 2034	4.00%		
				\$1,630,000 in 2035	4.00%		
				\$1,695,000 in 2036	4.00%		
				\$1,760,000 in 2037	4.00%		
				\$1,830,000 in 2038	4.00%		
Total General Obligation Bonds			<u>\$ 226,715,000</u>			<u>\$ 9,297,201</u>	<u>\$ 28,365,000</u>

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2018**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
Taxable General Obligation Bonds							
Qualified Zone Academy Bonds, Series of 2006	11/21/2006	\$ 5,608,000	\$ 1,519,309	\$372,055 in 2019 \$377,189 in 2020 \$382,394 in 2021 \$387,671 in 2022	1.38% 1.38% 1.38% 1.38%	\$ 20,966	\$ 372,055
Build America Bonds, Series B of 2009	10/27/2009	\$ 42,535,000	\$ 42,535,000	\$3,325,000 in 2020 \$3,495,000 in 2021 \$3,670,000 in 2022 \$3,865,000 in 2023 \$4,065,000 in 2024 \$4,275,000 in 2025 \$4,535,000 in 2026 \$4,805,000 in 2027 \$5,100,000 in 2028 \$5,400,000 in 2029	5.00% 5.10% 5.20% 5.20% 5.20% 6.04% 6.04% 6.04% 6.04% 6.04%	\$ 2,405,092	\$ -

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2018**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
Qualified School Construction Bonds, Series D of 2010	12/7/2010	\$ 19,520,000	\$ 10,560,000	\$960,000 in 2019 \$960,000 in 2020 \$960,000 in 2021 \$960,000 in 2022 \$960,000 in 2023 \$960,000 in 2024 \$960,000 in 2025 \$960,000 in 2026 \$960,000 in 2027 \$960,000 in 2028 \$960,000 in 2029	6.85% 6.85% 6.85% 6.85% 6.85% 6.85% 6.85% 6.85% 6.85% 6.85% 6.85%	\$ 1,227,520	\$ 960,000
Total Taxable General Obligation Bonds			<u>\$ 54,614,309</u>			<u>\$ 3,653,578</u>	<u>\$ 1,332,055</u>

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2018**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Notes							
Qualified School Construction Bonds, Series A of 2010 (SPSBA)	12/14/2010	\$ 9,578,000	\$ 5,498,824	\$549,882 in 2019	6.50%	\$ 622,091	\$ 549,882
				\$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, 2018**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2019 Maximum Debt Service Requirements	
						Interest	Principal
Qualified Zone Academy Bonds, Series B of 2010 (SPSBA)	12/14/2010	\$ 13,972,000	\$ 8,024,706	\$802,471 in 2019 \$802,471 in 2020 \$802,471 in 2021 \$802,471 in 2022 \$802,471 in 2023 \$802,471 in 2024 \$802,471 in 2025 \$802,471 in 2026 \$802,471 in 2027 \$802,471 in 2028	6.50% 6.50% 6.50% 6.50% 6.50% 6.50% 6.50% 6.50% 6.50% 6.50%	\$ 907,479	\$ 802,471
Total General Obligation Notes			<u>\$ 13,523,530</u>			<u>\$ 1,529,571</u>	<u>\$ 1,352,353</u>
Total General Obligation Bonds Payable			\$ 226,715,000			\$ 9,297,201	\$ 28,365,000
Total Taxable General Obligation Bonds			54,614,309			3,653,578	1,332,055
Total General obligation Notes			<u>13,523,530</u>			<u>1,529,571</u>	<u>1,352,353</u>
Total Outstanding			<u>\$ 294,852,839</u>			<u>\$ 14,480,350</u>	<u>\$ 31,049,408</u>

(Concluded)

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

**Board of Public Education
School District of
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 (District), as of and for the year ended December 31, 2018, 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 27, 2019.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District’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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
June 27, 2019




Expect great things.

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