



School District of Pittsburgh
PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the Fiscal Year Ended December 31, 2017

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, 2017*



**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

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July 27, 2018

Dr. Regina Holley, President
Board of Public Education
School District of Pittsburgh
341 S. Bellefield Avenue
Pittsburgh, Pennsylvania 15213

Dear President Holley, 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, 2017, 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, 2017, 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, 2017, 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 2017-18 membership included 23,711 students (Pre-K to 12) attending 54 schools. The projected enrollment for 2018-19 is 22,649 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, 4,080 pupils residing in the city and boroughs attended 36 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 2017 totaled \$74,417,859.

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 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.
- 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?

How did we get here?



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. Collectively, the Superintendent's *Look, Listen and Learn* tour engaged more than 3,500 constituents.

As a result of the data, community feedback and third-party analysis, an initial strategic plan framework was shared with the Board of Directors in November 2016. The Superintendent then held an additional six Strategic Plan Community Feedback Sessions to gain input on the draft framework. Consistent feedback gathered at the sessions demonstrates there was consensus that the strategic plan framework was succinct, focused and logical and that the long-term outcomes and strategic themes are appropriate and represent the right priorities. Internal Theme Teams were then identified to develop objectives and strategic initiatives for each strategic theme.

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 2016 annual parent survey results showed:

- 77% of parents would recommend their school to another family
- 81% of parents agree that “adults at this school care about your child.”

Students also felt positively about their teachers on a student survey administered annually. Results from 2015-2016 show that 92% of students in grades K-2 and 87% of students in grades 3-5 agree or strongly agree with the statement “I like the way my teacher treats me when I need help.” Over 70% of middle and high school students agreed with the statement “My teacher in this class makes me feel that he/she really cares about me.”

The Pittsburgh Promise

Parents and students alike appreciate and value the Pittsburgh Promise scholarship program. Since 2008, more than 6,000 Pittsburgh Public School students have benefited from the Promise. Ninety-two percent of parents who completed the annual parent survey have heard about the Pittsburgh Promise and almost half, 43% of parents report that this was a significant factor in their decision to send their child to Pittsburgh Public Schools.

Recent data shows that while Promise scholars have attended 129 different post-secondary institutions across Pennsylvania, 75% of scholars attend one of the 16 colleges listed below. In all but three of them, Promise scholars are persisting at the same or better rates than the rest of the student body.

Post-Secondary Institution <small>(Sorted in order of difference between school's retention rate and Promise cohort at that school.)</small>	Promise Scholars at this School	Promise Scholar Retention Rate (2012–2014)	*IPEDS Retention Rate (2012–2014)	Difference (2012–2014)
La Roche University	1.50%	81%	59%	22%
Penn State University (Main)	4.40%	86%	68%	18%
Point Park University	4.60%	79%	67%	12%
Carlow University	2.80%	73%	63%	10%
Indiana University of PA	3.60%	73%	63%	10%
Duquesne University	3.00%	81%	72%	9%
Chatham University	1.80%	82%	75%	7%
Edinboro University of PA	2.60%	60%	57%	3%
CCAC	25.10%	40%	37%	3%
Robert Morris University	3.90%	81%	79%	2%
Clarion University of PA	2.70%	66%	64%	2%
Slippery Rock University of PA	4.70%	82%	81%	1%
Temple University	2.30%	90%	90%	0%
University of Pittsburgh (Main)	6.30%	83%	86%	-3%
Carnegie Mellon University	1.20%	91%	96%	-5%
California University of PA	2.80%	72%	78%	-6%

Citation: Irti, J. & Long, C. (2016). Pittsburgh Promise Analyses. Pittsburgh, PA: Learning Research and Development Center. *The Integrated Postsecondary Education Data System (IPEDS) is the data collection program for the National Center for Education Statistics (NCES)

Early Childhood Programs

The District’s 85 early childhood classrooms serve an average of 1,700 students ages three and four annually. Investing in high-quality pre-kindergarten has always been a priority in Pittsburgh and will continue to be. There is strong evidence that students not only enter school more ready to learn than their peers when they attend high-quality pre-kindergarten programs, but the early investments in PreK can have long-term benefits of reduced crime, and education and social services savings.

In Pittsburgh, data from the 2015-16 Early Childhood Education Department annual report shows African-American¹ students entering the Early Childhood Program at three years old are, on average, scoring 4% below their white peers. By the time they leave the Early Childhood Program at four or five years old, there is no longer a racial achievement disparity². In fact, for the 2015-16 year, African-American students finished

the school year a full percentage point above their white peers. Data also reveals that children who attend our early childhood programs, grow their learning significantly in seven areas from the time they enter as three year olds to when they exit as four year olds.

Early Childhood Student Growth Over a Two Year Period (Entry to Exit)

	Personal & Social Development	Language & Literacy	Mathematical Thinking	Scientific Thinking	Social Studies	The Arts	Physical Development & Health
At Entry: 3 year olds in Fall 2014	19%	11%	6%	5%	11%	25%	32%
At Exit: 4 year olds in Spring 2016	82%	78%	72%	70%	76%	87%	88%

Diversity of PPS Students

An asset our parents, community and staff continue to point out is the District's student diversity.

The District currently serves 1,056 English as a Second Language (ESL) students. The largest languages spoken by the District's ESL students are Spanish (246) and Nepali (204). Additional languages include Swahili (150), Arabic (151), Russian/Uzbek (59), Chinese (54) and more (156)—Burmese, Karen, French, Somali, Farsi, Kinyarwanda, Kirundi, Japanese, Portuguese, Haitian Creole, and more.

- 53% African American
- 33% Caucasian
- 8% Multi Racial
- 4% Asian
- 3% Hispanic



1. On average 70% of students attending the District's early childhood program are African American.
 2. On average only 29% of students that attend Kindergarten in Pittsburgh Public Schools attended the District's early childhood program.

OPPORTUNITIES

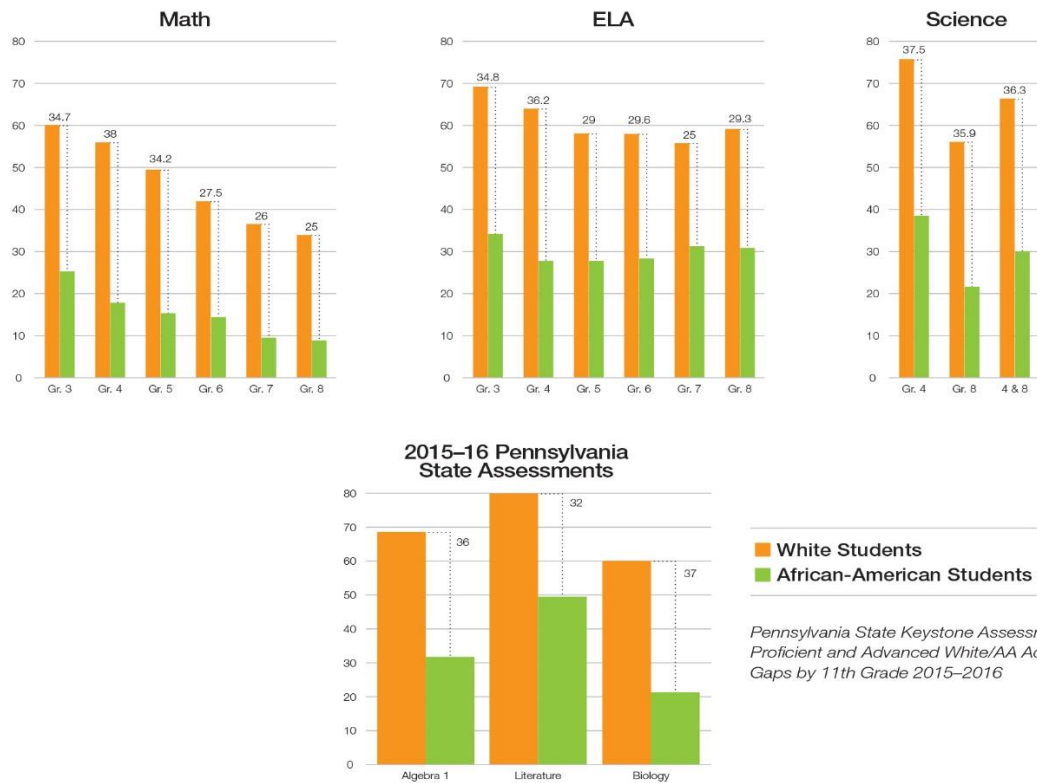
There are several areas that were identified as priority areas for improvement through stakeholder feedback, achievement data review and a third-party analysis completed by the Council of the Great City Schools (CGCS). The full report of the CGCS findings can be found at www.pps.k12.pa.us/CGCSreport.

Students are not Reading on Grade Level by Third Grade

In 2015-16, only 47.9% of students were proficient or advanced on the English Language Arts state assessment in the third grade. The study, "Double Jeopardy: How Third-Grade Reading Skills and Poverty Influence High School Graduation," (www.aecf.org/m/resourcedoc/AECF-DoubleJeopardy) 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.

The 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.

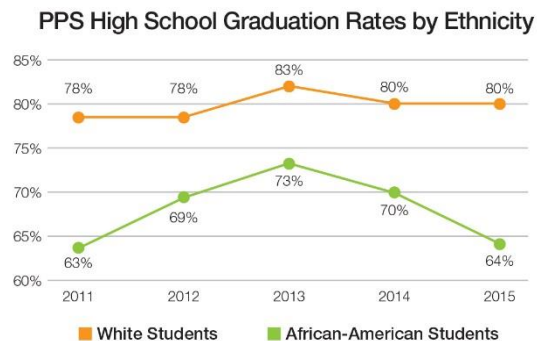
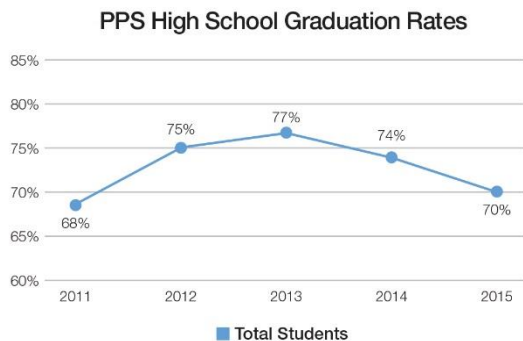


As we work to further understanding and address our achievement disparity, we are also working to ensure our lowest performing schools are receiving the supports they need to advance student learning and growth. Of our 54 schools, the Pennsylvania Department of Education has designated five schools as 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.*

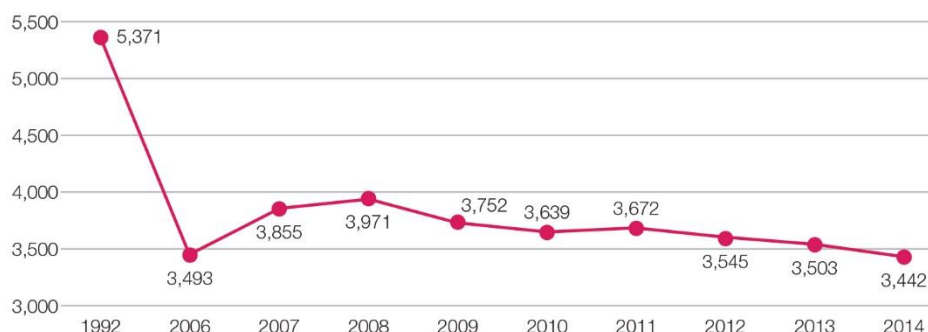
Our High School Graduation Rate has Dropped

The graduation rate has dropped by 7% since 2013. Among white students, it has dropped by 3% and by African-American students, it has dropped by 9%. When we look at our graduation rates by subgroups, overall our graduation rate is about 70%. Our white students are graduating at a rate of 80%, and African-American students are graduating at a rate of 64%. Our economically disadvantaged students are graduating at a rate of 71%.



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 2014 shows a drop to 3,442. 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*)

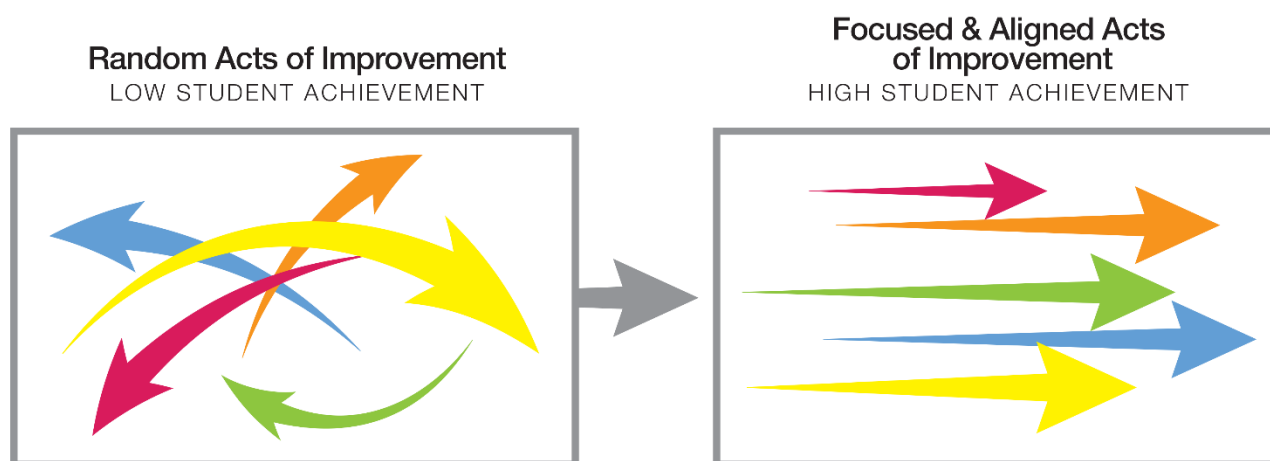
2017 – 2022 STRATEGIC PLAN

EXPECT GREAT THINGS

In order to achieve our vision for all students, a detailed roadmap was needed to ensure a clear path forward. As a result of nine months of intensive work – gathering feedback, understanding our data, and conducting an honest evaluation of organizational barriers – we are now well-informed on how to successfully implement changes and shape a student-centered culture that is high-performing and built on continuous improvement.

This work begins by making sure there is alignment system-wide and everyone is focused on the same work. Because school districts are complex systems that operate within multiple contexts and often face external challenges, it is critical that the system and all of its pieces are moving in the same direction and operating effectively.

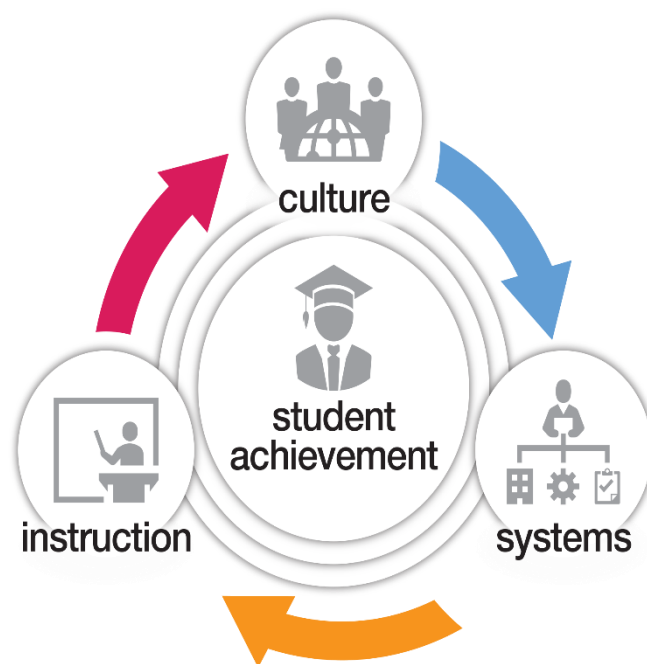
When a system has too many competing priorities, there is a lack of clarity and focus. As shown below, random acts of improvement lead to low student achievement and focused and aligned acts of improvement lead to high student achievement.



We are making new investments across the District that include: a new coaching model to support teacher growth, a robust professional development plan for all staff, and aligning departmental workflows based on the recommendations from the Council of the Great City Schools.

To immediately address the needs of our lowest performing schools, we plan to invest in the creation of an Office of School Transformation. The Office of School Transformation will be staffed by a leader with a proven track record in school turnaround and transformational success. The office will include a team that will concentrate on school culture, systems, instruction and data analysis. In addition, there will be more support for English Language Learners and an enhanced instructional strategy for Students with Exceptionalities. STEM education and our Early College High School model will be expanded and other innovative and specialized programming will be added to the curriculum.

Our 2017-2022 *Strategic Plan: Expect great things* will not only align our work, it will help to create a strong system. Building a strong educational system and public school experience for all students requires strong leadership at every level of the organization. Effective leaders place student learning at the center and hold high expectations for all students and increase the ability of all students to meet college and career-readiness standards. In the research report “Characteristics of Improved School District: Themes from Research” (<http://www.k12.wa.us/research/>), effective leaders ensure there is high-quality instruction occurring at every school in every classroom, for every student. The tenets of high-quality instruction in Pittsburgh include culturally relevant pedagogy, rigor, student engagement and demonstration of student understanding. It is important that all instructional staff utilize research-based strategies, evidence-based instructional practices, and 21st Century tools to ensure standards-based instruction for all students.



Effective leaders work to put systems and structures in place that support governance, curriculum and instruction, data collection and analysis, professional development and student and parent outreach.

They also develop a process where a school’s system of beliefs progressively shifts the behaviors to where adults have high expectations and believe that all students can learn, thus increasing ALL students’ ability to meet college and career readiness requirements. At Pittsburgh Public Schools, we will build a strong education system so all of our children, regardless of where they started have a successful school experience that prepares them to graduate college, career and life-ready prepared to complete a two-or four-year college degree or workforce certification.

We are confident that our *2017-2022 Strategic Plan: Expect great things*, outlines the steps we need to achieve our vision and reach our four long-term outcomes.

Long-Term Outcomes

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

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.

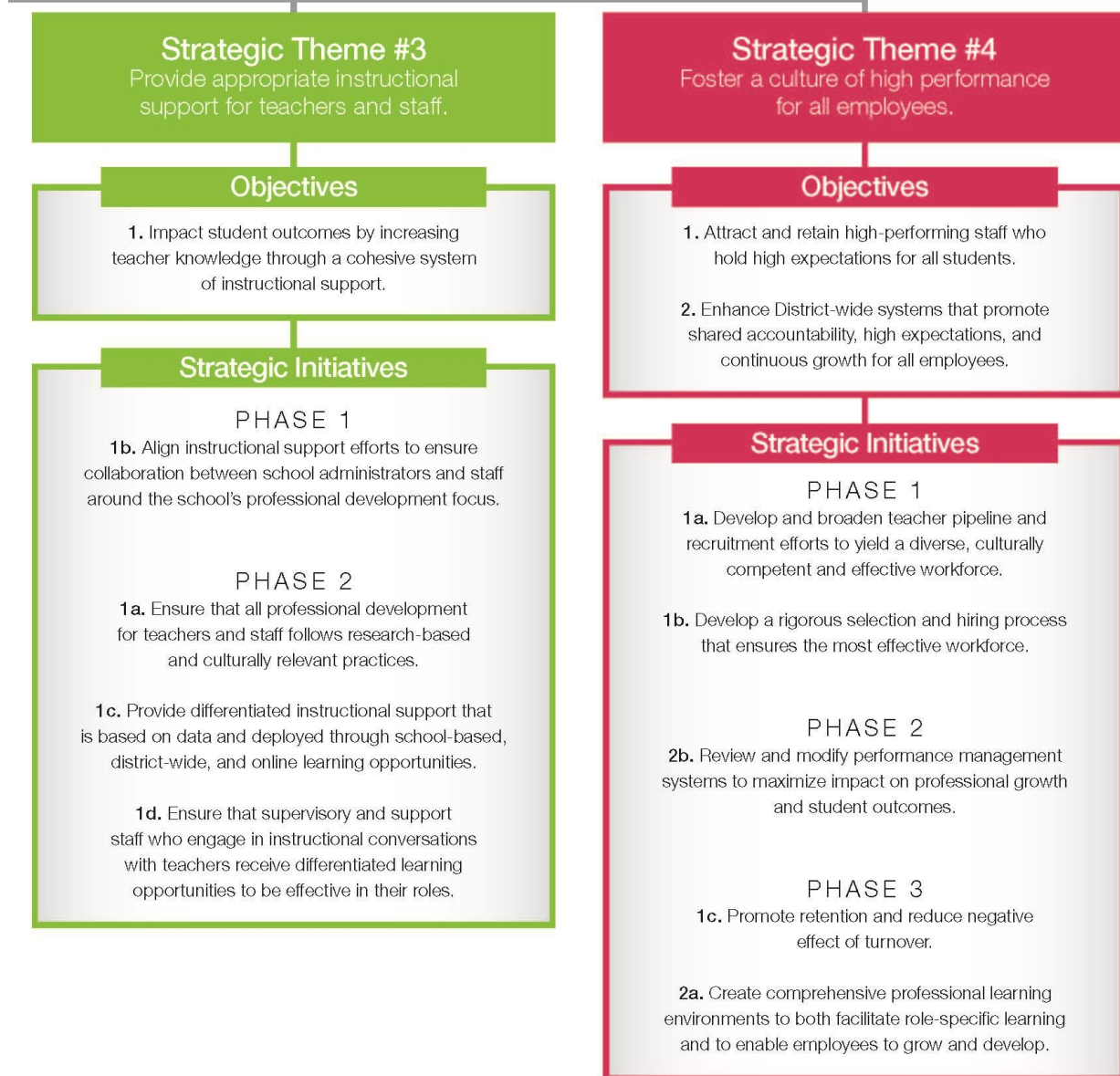
District Mission

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



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

PPS POINTS OF PRIDE:

National Council on Teacher Quality Names Pittsburgh Public Schools 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 that included surveys and focus groups with over 300 OOS 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 teacher's union-school-district-city partnership to train students for careers as police officers, fire fighters 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.

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.

Five of our Schools Receive STAR Status

Entire schools are being celebrated for making extraordinary gains in student achievement through the Students and Teachers Achieving Results (STAR) program. PPS schools earn STAR status by being within the top 15% (or in some cases 25%) of Pennsylvania schools for student growth.

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.

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.”

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.

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.



Job Situation

The Pittsburgh market area's economy finds itself in an upward trend of improvement throughout 2017. The unemployment rate dropped .6% to 4.5% as of December 31, 2017. 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 hit a ten-year high in 2017, totaling \$687.7 million, marking the largest single year for total investment in the city's technology companies. Funding from corporate investments totaled \$261.1 million for 2017, more than doubling the amount in 2016. Venture capital funding also reached a ten-year high, up 45% from 2016. Most noteworthy was Ford's 2017 investment of \$1 billion in Pittsburgh-based Argo AI to build self-driving cars by 2021.

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 7.8%, 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. With close to 15,000 residents living downtown, the City continues to make the area more pedestrian and bicycle friendly. The City has seen a significant increase in rental units in various sections of the city due to the higher amount of residences being constructed. The increase in the technological industry has caused the City to need more construction of residential homes.

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 into 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.

Proposed infrastructure spending by the Trump administration could offer upside potential for Pittsburgh. The market area would benefit from Federal funds spent on traditional transportation infrastructure, as well as dollars dedicated toward energy infrastructure. But while past infrastructure proposals have focused almost exclusively on these heavy-industry areas, new spending could also include cyber infrastructure. This is an area that Pittsburgh has a competitive advantage in attracting business and workforce development thanks to its highly-regarded educational institutions.

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 affected the District's revenues as follows:

- The District, effective fiscal 2005, ceased to receive an annual appropriation of \$4 million from the City of Pittsburgh, which was established by the Regional Asset District (RAD) legislation to compensate the District for lost revenue by the elimination of the Personal Property Tax.
- This legislation has had the effect of reducing District revenue from this loss by approximately \$4 million annually.
- The District had a total of 0.25% of its Earned Income Tax authority shifted to the City of Pittsburgh by the end of 2009. This shift was structured such that 0.1% was transferred in 2007, 0.1% in 2008, and 0.05% in 2009. The total impact of 0.25% of the District's Earned Income Tax levy is approximately \$12 million annually beginning in 2010 and thereafter.

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

In 2013, Allegheny County implemented countywide reassessed values. To comply with the anti-windfall provision of Act 1 of 2006, the District lowered its millage from 13.92 mills to 9.65 mills as a result of increased assessed values. During the course of the property assessment appeals, Real Estate Revenue was negatively affected, commercial property assessments were reduced substantially upon appeal, and numerous individual taxpayers 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% in 2014. This helped in recouping some of the lost revenue, however, Real Estate revenue still has not reached pre-assessment 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 2018 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, 2016.

This was the ninth 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, 2017.

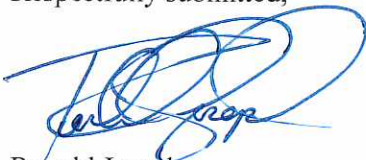
The **Association of School Business Officials International (ASBO)** awarded a **Certificate of Excellence in Financial Reporting** to the District for its CAFR for the fiscal year ended December 31, 2016.

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, 2017.

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, 2017.

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, 2016

Christopher P. Morill

Executive Director/CEO



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, 2016.

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE
Executive Director

School District of Pittsburgh
List of Elected and Appointed Officials
June 2017

Elected Officials

Board of Directors

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

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

(Vacant)	Chief Human Resource Officer
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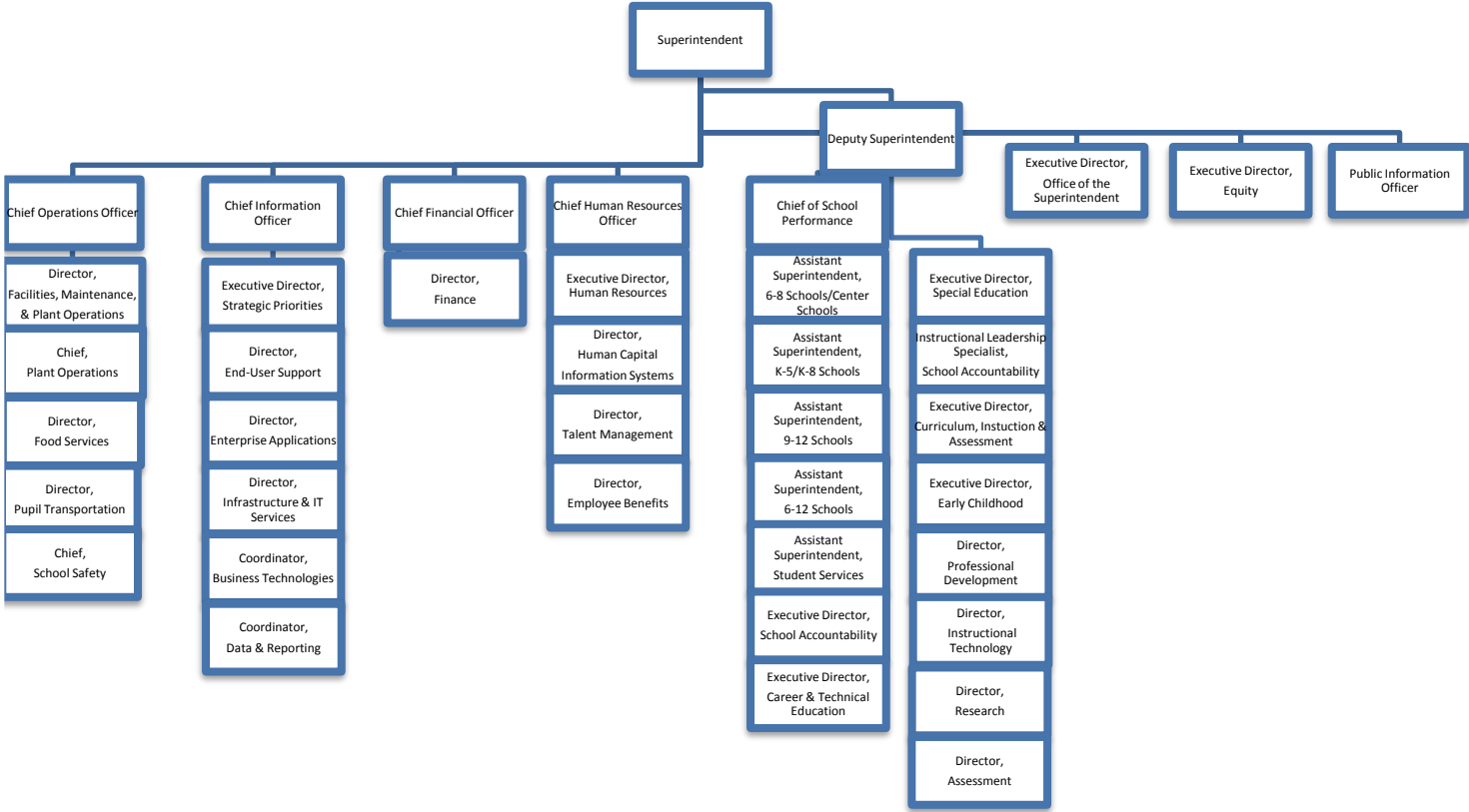
Law Office

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

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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, 2017, 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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–17 and the pension and other postemployment benefit information on pages 77-81 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, the combining and individual fund financials statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other

Board of Public Education
School District of Pittsburgh, Pennsylvania
Independent Auditor's Report

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 financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken 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 July 27, 2018, 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
July 27, 2018

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. 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.

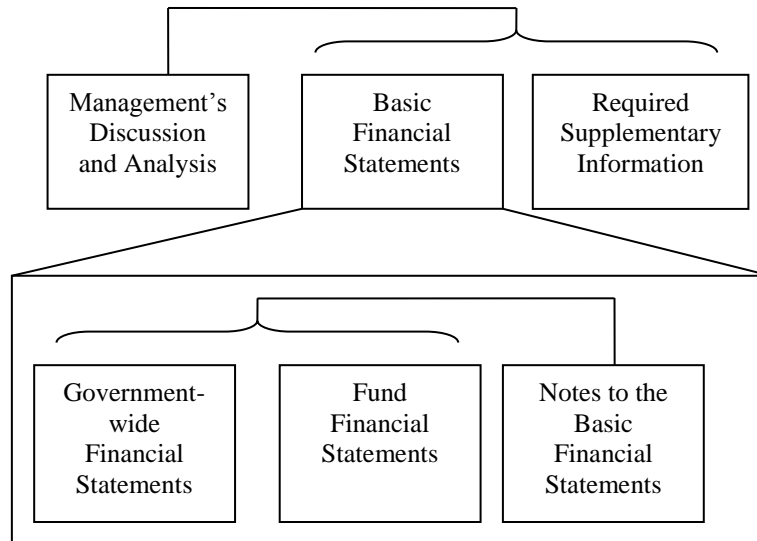
FINANCIAL HIGHLIGHTS

- The liabilities of the District's governmental activities exceeded its assets at the close of the most recent fiscal year by \$609,942,602 (net position). This amount reflects the recording of \$1,005,103,000 net pension liability for 2017.
- Total net position of the District's governmental activities decreased by \$25,233,086 or 4.3%, while total net position of business-type activities increased by \$1,484,369 or 12.5%.
- The unassigned fund balance of the general fund as of December 31, 2017, was \$80,087,911 or 13.61% of total general fund expenses and other finances and uses. The assigned and unassigned general fund balance represents 13.84% of budgeted general fund expenditures and other financing uses for fiscal year 2017.
- 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. Net position of the OPEB Trust is \$14,683,500.
 - Total general obligation bonds and notes outstanding decreased by \$7,674,348.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements include the statement of net position and the statement of activities. Government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. The government-wide financial statements can be found on pages 18 and 19 of this report.

- The statement of net position presents information on all of the District's assets, 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 capital projects fund are presented as major funds in the fund statements. Fund statements begin on page 20 of this report.

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

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 23.

A budgetary comparison statement is presented to show compliance with the annually adopted general fund budget. The budgetary comparison statement can be found on pages 24 and 25 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 26 through 29 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 30 and 31 of this report. Statements of changes in assets and liabilities for the Agency funds can be found on page 92.

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 32 through 75 of this report.

THE SCHOOL DISTRICT OF PITTSBURGH AS A WHOLE

The District's total net position was \$(596,622,169) at December 31, 2017. The District's combined net position for governmental activities and business-type activities decreased by \$23,748,717 during fiscal year 2017. The following factors contributed to the decrease:

- A large portion of this decrease is due to the required accounting disclosures of reporting net pension liabilities on the net position statement. Net pension liability increased by \$4,154,000 for 2017.
- In addition, the liability for the net OPEB obligation, representing the retiree health plan, increased \$8,591,980 for 2017.
- During 2017, the District executed no new leases. Capital leases decreased by \$3,491,467 to \$10,969,740 for 2017.

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	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 297,087,456	\$ 295,211,152	\$ 6,170,707	\$ 5,888,866	\$ 303,258,163	\$ 301,100,018
Capital assets	450,912,822	453,274,529	8,575,997	7,545,477	459,488,819	460,820,006
Other noncurrent assets	7,547,234	8,358,981			7,547,234	8,358,981
Total assets	755,547,512	756,844,662	14,746,704	13,434,343	770,294,216	770,279,005
Deferred outflows for pension	108,561,633	131,925,961			108,561,633	131,925,961
Deferred charge on refunding	8,543,241	10,344,994			8,543,241	10,344,994
Total deferred outflows of resources	117,104,874	142,270,955			117,104,874	142,270,955
Total assets and						
deferred outflows of resources	872,652,386	899,115,617	14,746,704	13,434,343	887,399,090	912,549,960
Current liabilities	187,509,458	173,729,400	1,001,471	1,166,995	188,510,929	174,896,395
Noncurrent liabilities	1,272,776,057	1,284,948,257	424,800	431,284	1,273,200,857	1,285,379,541
Total liabilities	1,460,285,515	1,458,677,657	1,426,271	1,598,279	1,461,711,786	1,460,275,936
Real estate taxes received in advance	15,578,473	15,579,476			15,578,473	15,579,476
Deferred inflows for pension	6,731,000	9,568,000			6,731,000	9,568,000
Total deferred Inflows of resources	22,309,473	25,147,476			22,309,473	25,147,476
Net investment in capital assets	133,996,430	124,146,198	8,575,997	7,545,477	142,572,427	131,691,675
Restricted	7,484,295	8,174,791			7,484,295	8,174,791
Unrestricted	(751,423,327)	(717,030,505)	4,744,436	4,290,587	(746,678,891)	(712,739,918)
Total net position	\$ (609,942,602)	\$ (584,709,516)	\$ 13,320,433	\$ 11,836,064	\$ (596,622,169)	\$ (572,873,452)

The District's net investment in capital assets for governmental activities of \$133,996,430 as of December 31, 2017, 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.

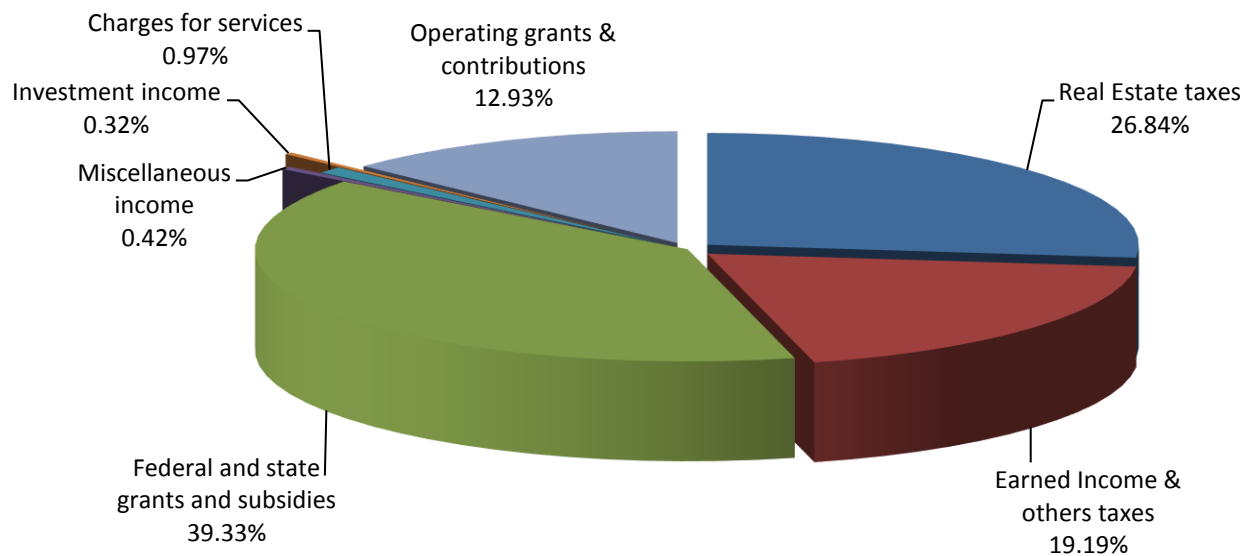
TABLE 2 — CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 6,542,880	\$ 4,293,385	\$ 1,141,617	\$ 1,164,566	\$ 7,684,497	\$ 5,457,951
Operating grants and contributions	87,155,820	102,181,958	16,976,423	17,182,450	104,132,243	119,364,408
Capital grants and state subsidies						
General revenues:						
Taxes	310,239,700	298,286,136			310,239,700	298,286,136
Investment income	2,144,835	1,036,203	14,163	1,581	2,158,998	1,037,784
Federal and state grants and subsidies	265,111,419	248,634,332			265,111,419	248,634,332
Miscellaneous income	2,824,885	5,880,905			2,824,885	5,880,905
Total revenues	674,019,539	660,312,919	18,132,203	18,348,597	692,151,742	678,661,516
Expenses:						
Instruction	454,890,810	442,659,232			454,890,810	442,659,232
Instruction student support	70,597,215	67,861,876			70,597,215	67,861,876
Administrative and financial support services	52,720,424	53,352,513			52,720,424	53,352,513
Operation maintenance services of plant services	56,049,883	52,330,948			56,049,883	52,330,948
Student transportation	41,047,248	40,256,083			41,047,248	40,256,083
Student activities	5,217,046	5,509,900			5,217,046	5,509,900
Community services	471,385	595,541			471,385	595,541
Food services			17,923,655	17,871,176	17,923,655	17,871,176
Facilities	2,428,204	3,528,096			2,428,204	3,528,096
Interest on long-term debt	14,554,589	14,882,745			14,554,589	14,882,745
Total expenses	697,976,804	680,976,934	17,923,655	17,871,176	715,900,459	698,848,110
(Increase/Decrease) in net position before transfers	(23,957,265)	(20,664,015)	208,548	477,421	(23,748,717)	(20,186,594)
Transfers	(1,275,821)	(199,662)	1,275,821	199,662		
Change in net position	(25,233,086)	(20,863,677)	1,484,369	677,083	(23,748,717)	(20,186,594)
Net position — January 1	(584,709,516)	(563,845,839)	11,836,064	11,158,981	(572,873,452)	(552,686,858)
Net position — December 31	\$ (609,942,602)	\$ (584,709,516)	\$ 13,320,433	\$ 11,836,064	\$ (596,622,169)	\$ (572,873,452)

GOVERNMENTAL ACTIVITIES — Net position for governmental activities decreased by \$25,233,086, as compared to a decrease of \$20,863,677 in the prior fiscal year. Factors contributing to the changes:

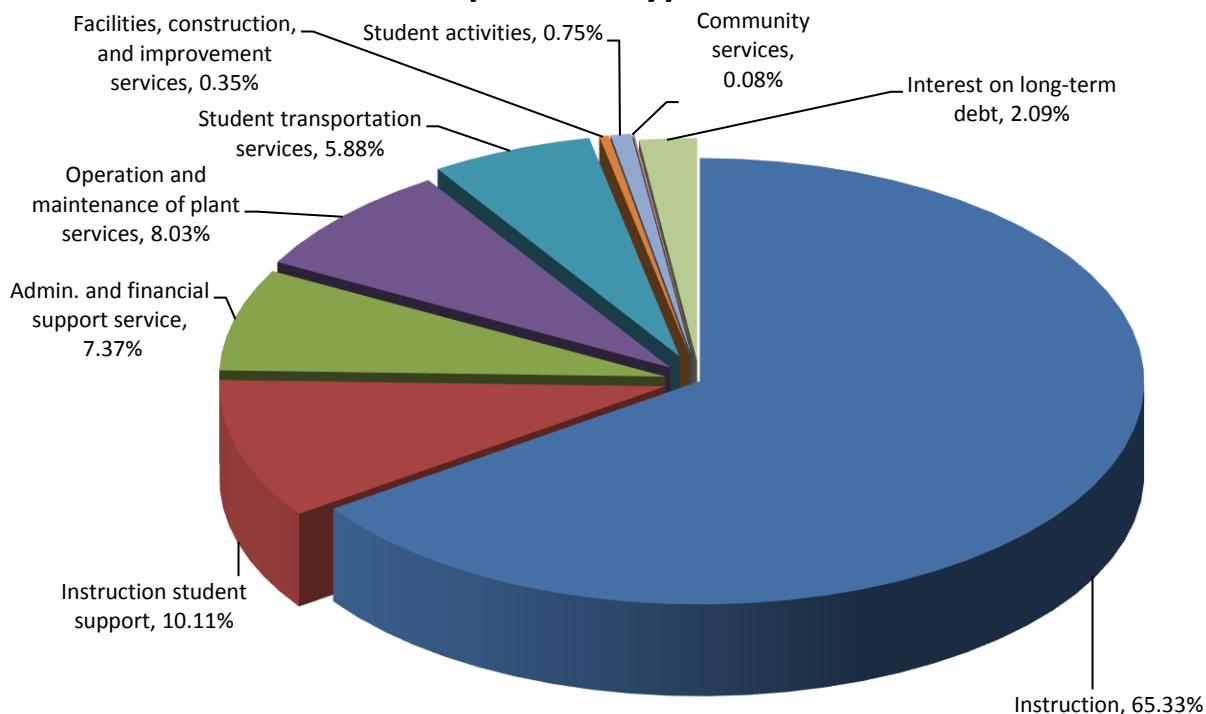
- The dependence upon tax revenues for governmental activities is apparent. The District had expenses for governmental activities of \$697,976,804, while only \$6,542,880 has been provided from program specific charges and \$265,111,419 has been provided by the State and Federal Governments as operating grants. The District received \$168,573,972 from the State for Basic Education subsidy.
- Overall Local Tax Revenues of \$310,239,700 outperformed 2016 revenues by \$11,953,564. Real Estate Tax collections of \$180,898,950 in 2017 were \$3,847,322 greater than 2016.
- The District budget of \$2,394,554 for sinking fund revenues was based on the PDE continuing to fund PLANCON. In 2017, the District received funds from PDE for 2016-2017 and the first half of the 2017-2018 school year. The District received \$2,476,999 in Sinking Fund Revenues in 2017 compared to \$4,487,691 in 2016.
- Taxes, investment income, and local sources composed 47.74% of revenues for the District’s governmental activities as a whole.

Governmental Activities Revenues by Sources



- Functional expenses have increased by \$16,999,870 or 2.5%. Increases in instructional expenses have occurred due to an increase of salaries and benefits.

Governmental Activities Expenses - Type of Activities

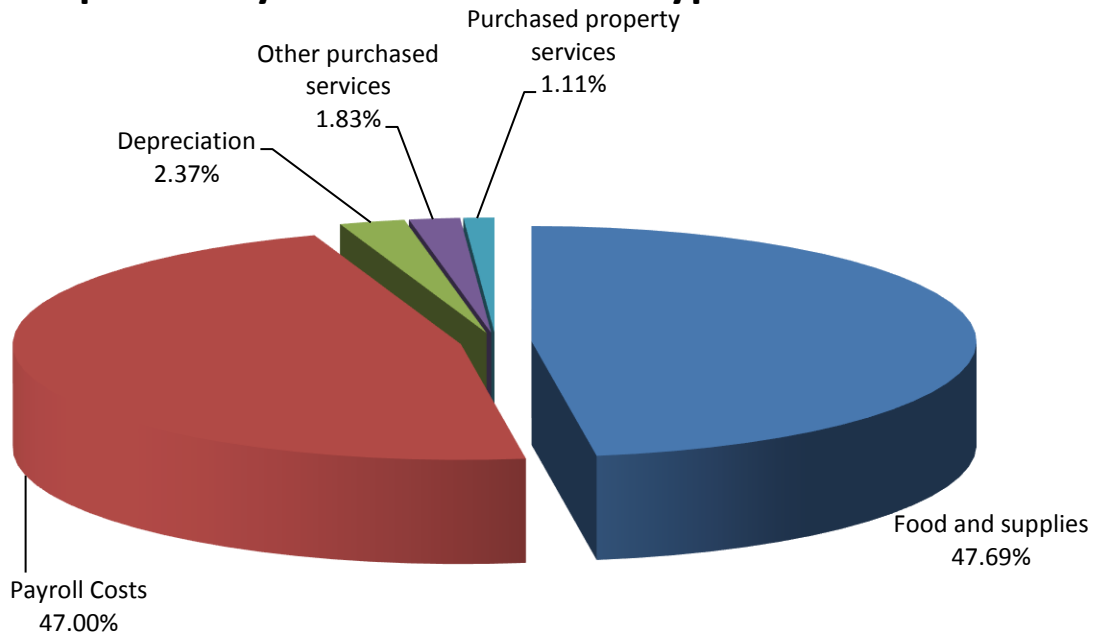


BUSINESS-TYPE ACTIVITIES

The net position of our food service activities increased by \$1,484,369 in fiscal year 2017, compared to the \$677,083 increase in 2016.

- Revenues decreased by \$216,394 or 1.18%, to \$18,132,203 for 2017.
- Operating grants and contributions revenue decreased by \$206,027 or 1.20% for 2017.
- The District's operating expenses increased by \$52,479, or .29%, to \$17,923,655 for 2017. This is due to salary increases.
- The costs of food and supplies decreased by \$380,287, or 4.20%, from the 2016 costs which reflects the continued effort by the District to reduce costs.
- Food service expenses for the year ended December 31, 2017, included \$424,141 for depreciation, which is an increase of \$30,582 or 7.71% over 2016. The District's food operations made capital improvements in 2017 of \$1,454,661.
- 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 \$13,518,258. The combined ending fund balance of total governmental funds was \$155,054,310. Of this total amount, \$80,087,911 constitutes fund balance which is available for spending at the government's discretion. Assigned balances of \$38,360,322 represent intentions of the District to use funds for specific purposes, such as \$24,135,390 to support the 2018 budget shortfall. Committed funds of \$27,850,241 include \$5,080,214 for general fund contracts and \$3,242,762 for Capital Emergency funding. The District has \$7,740,109 in restricted capital projects imposed by debt covenants and \$405,208 restricted for scholarships.

The fund balance and the total change in fund balance by fund type as of December 31, 2017 and 2016 are as follows:

	Fund Balance December 31, 2017	Fund Balance December 31, 2016	Increase (Decrease)
General fund	\$ 131,912,200	\$ 133,602,221	\$ (1,690,021)
Capital projects	14,448,911	16,684,616	(2,235,705)
Special revenue	6,063,624	6,733,949	(670,325)
Other governmental	<u>2,629,575</u>	<u>2,629,032</u>	<u>543</u>
	<u>\$ 155,054,310</u>	<u>\$ 159,649,818</u>	<u>\$ (4,595,508)</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, 2017, was \$131,912,200, or 22.43% of total general fund expenditures and other financing uses. The unassigned and assigned fund balance of the general fund as of December 31, 2017, was \$107,025,236.

The fund balance of the District's general fund decreased by \$1,690,021. Key factors in this decrease were:

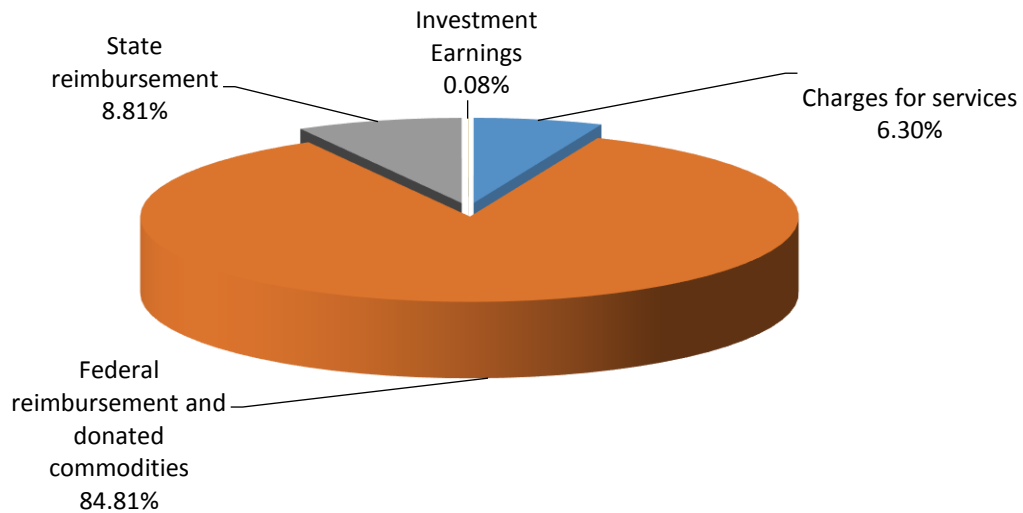
- An increase of \$1,538,931 in general fund contracts over 2016.
- An increase of Board-approved subsequent year budget of \$8,290,943 and an increase of purchase orders of \$1,943,992 due to the higher encumbrance rollover at year end.

The net decrease of \$2,235,705 in the capital projects fund balance is due to:

- Major district construction projects included additions and alterations to Pittsburgh Murray Elementary School.
- The District issued \$24,000,000 in general obligation bonds in 2017. The District issued a higher bond amount in anticipation to major renovations and additions to Pittsburgh Murray Elementary which was opened for the 2017-2018 school year.
- The General fund transferred \$822,529 to the Capital Improvement project in 2017. These funds will be used to fund 2018 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, 2017, federal and state reimbursement and donated commodities composed 93.62% 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 \$6,126,350 during 2017. Funds with significant changes were as follows:

- Net position increased in the self-insurance health care fund by \$5,783,272. The net position balance is \$21,799,587 and the estimated liability for incurred but not paid claims is \$2,875,289 out of total liabilities of \$2,904,473.
- The District had a decrease in benefit payments of \$8,137,970 or 11.89% related to a settlement payment made in 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2017 year, there was a \$4,029,034 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, 2016. 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 2017 for the General Fund were \$10,301,311 better than budgeted. See Note 2 for additional information on the District's budgetary basis.

Actual revenues were \$7,957,994 more than budgeted. Key factors contributing to this increase include:

- Other revenues from Local Sources and refund of prior years was \$3,178,331 or 110.91% more than budgeted. This is due to collecting many prior year receivables that had not been collected in the past.
- The Earned Income Tax revenues are \$7,164,947, or 5.89%, greater than budgeted, which reflects an on-going trend of young people maintaining residency within the city limits after graduation and securing jobs with companies like Google.
- Investment income was \$561,005 or 37.40% greater than budgeted attributable to low short-term interest rates during the year.
- Real Estate transfer tax revenues were \$818,076, or 5.80% more than budgeted.

Actual expenditures were \$94,635,005 less than budgeted, but when the final budget for expenditures is compared with actual expenditures and other financing uses, the variance is \$499,686 greater than budgeted. Key variances include:

- Regular instruction expenditures were \$2,015,845 lower than budgeted, due to the monitoring of spending within resources.
- Instructional expenditures for special elementary/secondary programs were \$78,499,778 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 costs were \$2,281,913 less than budgeted.
- The District's budgeted contingency, originally adopted at \$5,589,004, ended the year with a \$1,544,686 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, 2017, the District's capital assets, net of depreciation, for its governmental and business-type activities amounted to \$450,912,822 and \$8,575,997, respectively, or a total of \$459,488,819.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 23,847,664	\$ 23,977,814	\$ 43,878	\$ 43,878	\$ 23,891,542	\$ 24,021,692
Land improvements	8,409,502	8,480,928			8,409,502	8,480,928
Buildings and improvements	403,040,791	402,622,893	8,167,116	7,217,971	411,207,907	409,840,864
Machinery and equipment	15,614,865	18,192,894	365,003	283,628	15,979,868	18,476,522
Total	\$ 450,912,822	\$ 453,274,529	\$ 8,575,997	\$ 7,545,477	\$ 459,488,819	\$ 460,820,006

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

Long-Term Debt — At the end of 2017, the District had bonded debt outstanding of \$305,082,182, 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 \$1,886,300 which carries an interest rate of 1.38%. Two notes issued through the State Public School Board Authority are also outstanding in the amount of \$14,875,882, with a net rate of 1.276%. The Qualified School Construction Bonds in the amount of \$11,520,000 carries a net interest rate of 1.733%.

In 2017, the District issued \$24,000,000 in General Obligation Bonds. The final maturity on this issue is 2037. The District also issued \$8,710,000 in General Obligation Refunding Bonds. The final maturity on this issue is 2023. The District's total general obligation bonds and notes payable for its governmental activities decreased by \$7,674,348, due to the District's efforts to reduce debt service expenditures and capital project expenditures. Such cost savings included cash refunding totaling \$1,060,000 in principal and an advanced refunding with \$418,698 in positive debt service savings.

SCHOOL DISTRICT OF PITTSBURGH'S OUTSTANDING DEBT

	Governmental Activities	
	2017	2016
General obligation and revenue bonds:		
General Obligation Bonds	\$ 234,265,000	\$ 239,265,000
Qualified Zone Academy Bonds	1,886,300	2,248,294
Taxable - Build America Bonds	42,535,000	42,535,000
Qualified School Construction Bonds	11,520,000	12,480,000
State Public School Board Authority Notes	14,875,882	16,228,236
Total	\$ 305,082,182	\$ 312,756,530

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 118 – 128.

NEXT YEAR'S BUDGET

In December 2017, the Board of Directors adopted a 2018 general fund budget of \$625,589,047, excluding estimated encumbrance carryovers of \$7,882,149. The 2018 budget balanced revenues and expenditures using \$24,135,390 of the assigned general fund balance as of December 31, 2017. The assigned and unassigned general fund balance of \$106,995,240 as of December 31, 2017, satisfies the Board's fund balance policy requirement of 5%–15% of operating expenses budgeted for 2018.

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 2018 is 9.84, no change from 2017.

The Board of Directors also approved a 2018 capital program in the amount of \$31,950,600 to be funded from the issuance of general obligation debt, which will be issued in December 2018.

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, 2017

	Governmental Activities	Primary Government Business-Type Activities	Total		Governmental Activities	Primary Government Business-Type Activities	Total
ASSETS				LIABILITIES AND NET POSITION			
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash	\$ 67,834,011	\$ 3,725	\$ 67,837,736	Accounts payable	\$ 13,673,911	\$ 498,558	\$ 14,172,469
Cash with fiscal agents	100,000		100,000	Accrued salaries payable	7,798,689	408,299	8,206,988
Investments	142,185,731	693,903	142,879,634	Payroll withholdings	26,713,506		26,713,506
Accrued interest	297,035		297,035	Interest payable	5,275,417		5,275,417
Taxes receivables — net:				Unearned revenue	2,788,820		2,788,820
Earned income taxes	28,058,222		28,058,222	Other liabilities	929,987		929,987
Real estate taxes	31,527,224		31,527,224	Current portion of noncurrent liabilities	130,329,128	94,614	130,423,742
Due from other governments	25,385,930	4,735,317	30,121,247	Total current liabilities	187,509,458	1,001,471	188,510,929
Internal balances — due to/from	(56,130)	56,130		NONCURRENT LIABILITIES			
Inventories		453,243	453,243	Total liabilities	1,272,776,057	424,800	1,273,200,857
Other receivables and prepaid expenses	1,755,433	228,389	1,983,822	DEFERRED INFLOWS OF RESOURCES:			
Total current assets	297,087,456	6,170,707	303,258,163	Real estate taxes received in advance	15,578,473		15,578,473
NONCURRENT ASSETS:				Deferred inflows of resources for pension	6,731,000		6,731,000
Restricted — cash	2,218,420		2,218,420	Total deferred inflows of resources	22,309,473		22,309,473
Restricted — investments	4,860,667		4,860,667	NET POSITION:			
Issuance Prepaid Insurance	468,147		468,147	Net investment in capital assets	133,996,430	8,575,997	142,572,427
Capital assets not being depreciated:				Restricted net position:			
Land	23,847,664	43,878	23,891,542	Workers' compensation	7,079,087		7,079,087
Capital assets net of accumulated depreciation:				Scholarships	405,208		405,208
Land improvements	8,409,502		8,409,502	Total restricted net position	7,484,295		7,484,295
Buildings and improvements	403,040,791	8,167,116	411,207,907	Unrestricted			
Furniture, fixtures, machinery, and equipment	15,614,865	365,003	15,979,868	Total net position	(751,423,327)	4,744,436	(746,678,891)
Total capital assets — net of accumulated depreciation	450,912,822	8,575,997	459,488,819	Total net position			
Total noncurrent assets	458,460,056	8,575,997	467,036,053	Total net position	(609,942,602)	13,320,433	(596,622,169)
Total assets	755,547,512	14,746,704	770,294,216	TOTAL LIABILITIES AND DEFERRED INFLWS OF RESOURCES			
DEFERRED OUTFLOWS OF RESOURCES:				TOTAL LIABILITIES AND DEFERRED INFLWS OF RESOURCES			
Deferred outflows of resources for pension	108,561,633		108,561,633		\$ 872,652,386	\$ 14,746,704	\$ 887,399,090
Deferred charge on refunding	8,543,241		8,543,241				
Total deferred outflows of resources	117,104,874		117,104,874				
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				TOTAL LIABILITIES AND DEFERRED INFLWS OF RESOURCES			
	\$ 872,652,386	\$ 14,746,704	\$ 887,399,090		\$ 872,652,386	\$ 14,746,704	\$ 887,399,090

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 454,890,810	\$ 6,542,880	\$ 61,218,248	\$	\$ (387,129,682)	\$	\$ (387,129,682)
Instruction student support	70,597,215		2,797,702		(67,799,513)		(67,799,513)
Administrative and financial support service	52,720,424		13,055,942		(39,664,482)		(39,664,482)
Operation and maintenance of plant services	56,049,883		897,705		(55,152,178)		(55,152,178)
Student transportation services	41,047,248		4,418,800		(36,628,448)		(36,628,448)
Facilities, construction, and improvement services	2,428,204				(2,428,204)		(2,428,204)
Student activities	5,217,046		583,944		(4,633,102)		(4,633,102)
Community services	471,385		4,183,479		3,712,094		3,712,094
Interest on long-term debt	14,554,589				(14,554,589)		(14,554,589)
Total governmental activities	697,976,804	6,542,880	87,155,820		(604,278,104)		(604,278,104)
Business-type activities — food service	17,923,655	1,141,617	16,976,423			194,385	194,385
Total business-type activities	17,923,655	1,141,617	16,976,423			194,385	194,385
Total primary government	\$ 715,900,459	\$ 7,684,497	\$ 104,132,243	\$	(604,278,104)	194,385	(604,083,719)
General revenues:							
Taxes:							
Real estate					180,898,950		180,898,950
Earned income					129,029,271		129,029,271
Others					311,479		311,479
Federal and state grants and subsidies not restricted to specific programs					265,111,419		265,111,419
Investment income					2,144,835	14,163	2,158,998
Miscellaneous income					2,824,885		2,824,885
Transfers					(1,275,821)	1,275,821	
Total general revenues and transfers					579,045,018	1,289,984	580,335,002
CHANGE IN NET POSITION					(25,233,086)	1,484,369	(23,748,717)
NET POSITION — January 1, 2017					(584,709,516)	11,836,064	(572,873,452)
NET POSITION — December 31, 2017					\$ (609,942,602)	\$ 13,320,433	\$ (596,622,169)

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS AS OF DECEMBER 31, 2017

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
ASSETS:					
Cash	\$ 39,398,562	\$	\$ 4,098,652	\$ 2,628,782	\$ 46,125,996
Cash with fiscal agent	100,000				100,000
Investments	110,916,252	15,393,333	152,575		126,462,160
Accrued interest	268,257			3,043	271,300
Taxes receivable — net	59,585,446				59,585,446
Due from other funds	146,530				146,530
Due from other governments	16,915,527		8,470,403		25,385,930
Other receivables	744,541		214,592		959,133
Prepaid items	463,988		146,531		610,519
Other current assets		2,395			2,395
TOTAL	<u>\$ 228,539,103</u>	<u>\$ 15,395,728</u>	<u>\$ 13,082,753</u>	<u>\$ 2,631,825</u>	<u>\$ 259,649,409</u>
LIABILITIES					
Accounts payable and accrued	\$ 7,327,444	\$ 946,817	\$ 2,316,770	\$ 2,250	\$ 10,593,281
Due to other funds			146,530		146,530
Accrued salaries payable	12,419,645		1,258,665		13,678,310
Payroll withholdings payable	26,713,506				26,713,506
Unearned revenue	2,140		2,786,680		2,788,820
Prepayment and deposits	419,503		510,484		929,987
Total liabilities	<u>\$ 46,882,238</u>	<u>\$ 946,817</u>	<u>\$ 7,019,129</u>	<u>\$ 2,250</u>	<u>\$ 54,850,434</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 30,495,660	\$	\$	\$	\$ 30,495,660
Unavailable revenue - earned income taxes	3,670,532				3,670,532
Advanced revenue - state property tax subsidy	15,578,473				15,578,473
Total deferred inflows of resources	<u>\$ 49,744,665</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 49,744,665</u>
FUND BALANCES					
Nonspendable:					
Prepaid insurance and contractual deposits	\$ 463,988	\$	\$ 146,531	\$	\$ 610,519
Restricted for:					
Scholarships				405,208	405,208
Capital projects contracts		7,740,109			7,740,109
Committed to:					
Stabilization — capital emergency	3,242,762				3,242,762
Retirement	16,100,000				16,100,000
General fund contracts	5,080,214				5,080,214
Capital Projects Contracts		3,427,265			3,427,265
Assigned to:					
Board-approved subsequent years budget	24,135,390				24,135,390
Debt service				2,151,344	2,151,344
Special trust			5,917,093	73,023	5,990,116
Capital projects		3,281,537			3,281,537
Purchase orders	2,801,935				2,801,935
Unassigned	80,087,911				80,087,911
Total fund balances	<u>\$ 131,912,200</u>	<u>\$ 14,448,911</u>	<u>\$ 6,063,624</u>	<u>\$ 2,629,575</u>	<u>155,054,310</u>
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.					450,912,822
Current assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds.					34,166,192
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.					34,486,012
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.					(1,284,561,938)
NET POSITION OF GOVERNMENTAL ACTIVITIES					<u>\$ (609,942,602)</u>

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, 2017

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Real estate, net of refunds of \$2,323,924	\$ 181,476,269	\$	\$	\$	\$ 181,476,269
Earned income	128,687,036				128,687,036
Other	311,479				311,479
Local nontax revenue	6,777,277		2,591,544		9,368,821
Federal and state grants and subsidies	265,247,574		87,019,665		352,267,239
Investment income	<u>2,061,005</u>			<u>3,043</u>	<u>2,064,048</u>
 Total revenues	 <u>584,560,640</u>		 <u>89,611,209</u>	 <u>3,043</u>	 <u>674,174,892</u>
EXPENDITURES:					
Current — instruction:					
Regular programs	257,401,429	230,841	10,825,349		268,457,619
Special programs	2,570,837		107,942,255		110,513,092
Vocational education programs	5,242,078		544,397		5,786,475
Other instructional programs	1,906,439		3,027,603		4,934,042
Pre-Kindergarten	1,893,572		22,064,202		23,957,774
Non public schools			410,642		410,642
Support services:					
Pupil personnel	12,322,656		7,034,405		19,357,061
Instructional staff	17,218,344		7,847,984		25,066,328
Administration	34,629,058		7,556,697	12,500	42,198,255
Pupil health	7,555,264		3,387,641		10,942,905
Business	6,209,899	795	183,906		6,394,600
Operation and maintenance of plant services	53,938,987	391,345			54,330,332
Student transportation services	32,293,110		8,802,763		41,095,873
Support services — central	8,842,931		1,255,724		10,098,655
Operations of noninstructional services:					
Student activities	4,165,616		874,960		5,040,576
Community services	38,363		406,929		445,292
Facilities acquisition, construction, and improvement services					
	1,792,022	26,469,576			28,261,598
Debt service:					
Principal	30,914,348				30,914,348
Interest	15,024,022				15,024,022
Bond issuance costs		<u>316,395</u>			<u>316,395</u>
 Total expenditures	 <u>493,958,975</u>	 <u>27,408,952</u>	 <u>182,165,457</u>	 <u>12,500</u>	 <u>703,545,884</u>

(continued)

See notes to the financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 90,601,665	\$ (27,408,952)	\$ (92,554,248)	\$ (9,457)	\$ (29,370,992)
OTHER FINANCING SOURCES (USES):					
Face value of bonds issued		24,000,000			24,000,000
Face value of refunding bonds				8,710,000	8,710,000
Bond premiums		1,626,539		889,093	2,515,632
Payments to refunded bond escrow agent				(9,599,093)	(9,599,093)
Sale of, or compensation for, capital assets	379,011				379,011
Transfers (out) in-special education	(76,217,865)		76,217,865		
Transfers in	1,464,622	822,529	17,130,680	10,000	19,427,831
Transfers out	(17,917,454)	(1,275,821)	(1,464,622)		(20,657,897)
Total other financing (uses) sources	(92,291,686)	25,173,247	91,883,923	10,000	24,775,484
CHANGE IN FUND BALANCES	(1,690,021)	(2,235,705)	(670,325)	543	(4,595,508)
FUND BALANCES — January 1, 2017	133,602,221	16,684,616	6,733,949	2,629,032	159,649,818
FUND BALANCES — December 31, 2017	<u>\$ 131,912,200</u>	<u>\$ 14,448,911</u>	<u>\$ 6,063,624</u>	<u>\$ 2,629,575</u>	<u>\$ 155,054,310</u>

(concluded)

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, 2017

Amounts reported for governmental activities in the statement of activities (Page 19) are different from net change in fund balances — total governmental funds (Pages 21 and 22):	\$ (4,595,508)
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.	(770,807)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(1,590,900)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	34,166,192
Revenues that were recognized as current financial resources that would have been accrued in prior periods in the statement of activities.	(34,401,277)
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.	8,779,276
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.	(32,836,663)
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>6,016,601</u>
Change in net position of governmental activities (Page 19)	<u>\$ (25,233,086)</u>

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Budgetary Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Real estate	\$ 172,311,621	\$ 172,311,621	\$ 168,884,866	\$ (3,426,755)
Earned income	121,522,089	121,522,089	128,687,036	7,164,947
Real estate transfers tax	14,097,251	14,097,251	14,915,327	818,076
Public utility realty tax	324,186	324,186	311,479	(12,707)
Investment income	1,500,000	1,500,000	2,061,005	561,005
In lieu of taxes	498,923	498,923	734,216	235,293
State revenues received from intermediate source — other revenue from local sources and refund of prior years' expenditures	2,864,730	2,864,730	6,043,061	3,178,331
State grants and subsidies:				
Basic instructional subsidies	160,243,636	160,243,636	160,573,972	330,336
Subsidies for specific education programs	27,939,055	27,939,055	28,732,965	793,910
Subsidies for noneducational programs	32,387,540	32,387,540	31,996,577	(390,963)
Subsidies for state-paid benefits	39,652,436	39,652,436	41,011,358	1,358,922
Federal grants	5,585,103	5,585,103	2,932,702	(2,652,401)
Total revenues	\$ 578,926,570	\$ 578,926,570	\$ 586,884,564	\$ 7,957,994
EXPENDITURES:				
Instruction:				
Regular programs — elementary/secondary	\$ 259,779,530	\$ 260,931,734	\$ 258,915,891	\$ 2,015,843
Special programs — elementary/secondary	86,563,522	81,070,615	2,570,837	78,499,778
Vocational education programs	6,384,065	6,543,316	5,242,078	1,301,238
Other instructional programs — elementary/secondary	1,171,827	2,611,066	1,926,983	684,083
Pre-Kindergarten	1,350,000	1,350,000	1,893,572	(543,572)
Support services:				
Pupil personnel	10,858,367	11,973,264	12,385,092	(411,828)
Instructional staff	14,621,050	19,642,441	19,727,058	(84,617)
Administration	37,138,800	38,289,566	36,263,981	2,025,585
Pupil health	6,269,015	8,359,011	8,081,270	277,741
Business	6,440,103	7,084,049	6,289,200	794,849
Operation and maintenance of plant services	58,518,771	58,592,283	54,775,796	3,816,487
Student transportation services	34,071,349	35,079,166	32,299,256	2,779,910
Support services — central	9,638,424	10,547,885	9,224,913	1,322,972
Operations of noninstructional services:				
Student activities	4,836,969	4,872,522	4,424,875	447,647
Community services	30,083	30,693	38,363	(7,670)
Capital outlay — facilities acquisition, construction, and improvement services	1,306,954	1,835,986	1,843,587	(7,601)
Debt service:				
Principal	31,049,348	31,049,348	30,914,348	135,000
Interest	15,153,836	15,068,420	15,024,022	44,398
Tax refunds	4,000,000	2,324,000	2,323,924	76
Contingencies	5,589,004	1,544,686		1,544,686
Total expenditures	\$ 594,771,017	\$ 598,800,051	\$ 504,165,046	\$ 94,635,005

(Continued)

See notes to financial statements

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Budgetary Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	<u>\$ (15,844,447)</u>	<u>\$ (19,873,481)</u>	<u>\$ 82,719,518</u>	<u>\$ 102,592,999</u>
OTHER FINANCING SOURCES (USES):				
Sale of, or compensation for, capital assets			379,011	379,011
Transfers in			1,464,622	1,464,622
Transfers out			<u>(94,135,319)</u>	<u>(94,135,319)</u>
Total other financing uses			<u>(92,291,686)</u>	<u>(92,291,686)</u>
CHANGE IN FUND BALANCE	(15,844,447)	(19,873,481)	(9,572,168)	10,301,313
FUND BALANCE — January 1, 2017	<u>133,602,221</u>	<u>133,602,221</u>	<u>133,602,221</u>	<u>-</u>
FUND BALANCE — December 31, 2017	<u>\$ 117,757,774</u>	<u>\$ 113,728,740</u>	<u>\$ 124,030,053</u>	<u>\$ 10,301,313</u>

See notes to financial statements.

(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS AS OF DECEMBER 31, 2017

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,725	\$ 21,708,015
Investments	693,903	15,723,571
Interest receivable		25,735
Due from other governments	4,735,317	
Inventories	453,243	
Other receivables	228,389	183,384
Total current assets	<u>6,114,577</u>	<u>37,640,705</u>
NONCURRENT ASSETS:		
Restricted cash		2,218,420
Restricted investments		4,860,667
Capital assets:		
Land	43,878	
Buildings	15,070,740	
Machinery and equipment	6,100,791	
Less accumulated depreciation	<u>(12,639,412)</u>	
Total capital assets (net of accumulated depreciation)	<u>8,575,997</u>	
Total noncurrent assets	<u>8,575,997</u>	<u>7,079,087</u>
TOTAL ASSETS	<u>\$ 14,690,574</u>	<u>\$ 44,719,792</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 498,558	\$ 3,080,630
Accrued salaries	408,299	17,934
Current portion of compensated absences	94,614	
Current portion of workers' compensation reserve		1,800,000
Total current liabilities	<u>1,001,471</u>	<u>4,898,564</u>
NONCURRENT LIABILITIES:		
Compensated absences	424,800	
Workers' compensation reserve		5,279,087
Total noncurrent liabilities	<u>424,800</u>	<u>5,279,087</u>
TOTAL LIABILITIES	<u>\$ 1,426,271</u>	<u>\$ 10,177,651</u>
NET POSITION:		
Investment in capital assets	\$ 8,575,997	\$ -
Unrestricted	4,688,306	34,542,141
Total	13,264,303	34,542,141
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	56,130	
TOTAL NET POSITION OF BUSINESS-TYPE ACTIVITIES (Page 18)	<u>\$ 13,320,433</u>	<u>\$ 34,542,141</u>

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, 2017

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
OPERATING REVENUES:		
Contributions	\$	\$ 67,060,007
Charges for services	<u>1,141,617</u>	
Total operating revenues	<u>1,141,617</u>	<u>67,060,007</u>
OPERATING EXPENSES:		
Food service operations:		
Food and supplies	8,656,772	
Payroll costs	8,424,855	
Purchased property services	199,021	
Other purchased services	328,617	
Depreciation	424,141	
Support services — administration		5,783
Support services — central:		
Employee salaries, benefits, insurance, and supplies		557,608
Benefit payments		60,332,986
Claims and judgments		<u>71,256</u>
Total operating expense	<u>18,033,406</u>	<u>60,967,633</u>
OPERATING GAIN (LOSS)	<u>(16,891,789)</u>	<u>6,092,374</u>
NONOPERATING REVENUES:		
Federal reimbursements and donated commodities	15,379,385	
State reimbursements	1,597,038	
Investment earnings	<u>14,163</u>	<u>79,731</u>
Total nonoperating revenues	<u>16,990,586</u>	<u>79,731</u>
INCOME (LOSS) BEFORE TRANSFERS	98,797	6,172,105
TRANSFERS IN / OUT	<u>1,275,821</u>	<u>(45,755)</u>
CHANGE IN NET POSITION	1,374,618	6,126,350
NET POSITION — January 1, 2017	<u>11,889,685</u>	<u>28,415,791</u>
NET POSITION — December 31, 2017	<u>\$ 13,264,303</u>	<u>\$ 34,542,141</u>
CHANGE IN NET POSITION	\$ 1,374,618	
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS		
	<u>109,751</u>	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (Page 19)	<u>\$ 1,484,369</u>	

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions	\$	\$ 67,060,007
Receipts from customers and users	1,195,989	
Payments to suppliers	(8,530,796)	9,573
Payments to claimants		(61,978,137)
Payments to employees	<u>(8,389,283)</u>	<u>(552,850)</u>
Net cash used by operating activities	<u>(15,724,090)</u>	<u>4,538,593</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal and state reimbursements	<u>15,988,189</u>	
Net cash provided by noncapital financing activities	<u>15,988,189</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(1,454,661)	
Transfer to other funds		(45,755)
Transfers from other funds	<u>1,275,821</u>	
Net cash used in capital and related financing activities	<u>(178,840)</u>	<u>(45,755)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	14,163	83,018
Purchase of investments	<u>(99,422)</u>	<u>(106,213)</u>
Net cash used by investing activities	<u>(85,259)</u>	<u>(23,195)</u>
INCREASE IN CASH		4,469,643
CASH — January 1, 2017 (including \$2,215,590 for the internal service funds included in restricted assets)	<u>3,725</u>	<u>19,456,792</u>
CASH — December 31, 2017 (including \$2,218,420 for the internal service funds included in restricted assets)	<u>\$ 3,725</u>	<u>\$ 23,926,435</u>

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	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)	\$ (16,891,789)	\$ 6,092,374
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:		
Donated commodities	577,512	
Depreciation	424,141	
Changes in assets and liabilities:		
Inventories	283,681	
Other receivables	54,372	22,309
Accounts payable	(207,579)	(887,309)
Accrued salaries	41,177	4,758
Compensated absences	(5,605)	
Workers' compensation reserve	<u> </u>	<u>(693,539)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (15,724,090)</u>	<u>\$ 4,538,593</u>
NONCASH FINANCING TRANSACTION — Donated commodities	<u>\$ 577,512</u>	
See notes to financial statements.		(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS AS OF DECEMBER 31, 2017

	OPEB Trust	Escheated Property Private-Purpose Trust	Agency Funds
ASSETS:			
Cash	\$	\$ 52,079	\$ 803,456
Investments-Mutual fund	<u>14,683,500</u>	<u> </u>	<u> </u>
Total assets	<u>14,683,500</u>	<u>52,079</u>	<u>803,456</u>
LIABILITIES:			
Accounts payable	<u> </u>	<u>35,961</u>	<u>803,456</u>
Total liabilities	<u>\$</u>	<u>\$ 35,961</u>	<u>\$ 803,456</u>
NET POSITION:			
Net position held in trust for escheated property		<u>\$ 16,118</u>	
Net position restricted for OPEB	<u>\$ 14,683,500</u>		

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS FOR YEAR ENDED DECEMBER 31, 2017

	OPEB Trust	Escheated Property Private-Purpose Trust
ADDITIONS:		
Contributions:		
District	\$ 7,195,732	\$ 3,189
Investment income:		
Net appreciation	972,109	
Interest and income	371,835	
Total investment income	1,343,944	
Less investment expense	(124,609)	
Net investment income	1,219,335	
TOTAL ADDITIONS	8,415,067	3,189
DEDUCTIONS:		
Benefit payments	7,195,732	
Reduction in stale check reserve		3,189
Transfers to State		7,897
TOTAL DEDUCTIONS	7,195,732	11,086
NET INCREASE (DECREASE) IN NET POSITION	1,219,335	(7,897)
NET POSITION — BEGINNING	13,464,165	24,015
NET POSITION— ENDING	<u>\$ 14,683,500</u>	<u>\$ 16,118</u>

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

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 2017, the District received \$28,500,677 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. Information for individual major funds is presented separately from non-major funds. The District’s major governmental funds are the general fund, capital projects, and special revenue. The major enterprise fund is food service.

i. **Governmental Funds**

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

Special Revenue Fund — The Special Revenue Fund is used to account for proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than major capital projects and debt 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 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.

- 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. 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. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s enterprise fund and of the government’s internal service funds are charges to customers for sales and services. 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.

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, Liabilities, and Net Position:***

- 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 22.21% of outstanding property taxes at December 31, 2017.

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, 2017, the District paid \$2,709,696 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 2017 was 9.84 mills (\$1 per \$1,000 assessed valuation) on an assessed value of \$19.7 billion.

Tax Abatements — The District has issued Board Policy No. 705.1-AR-1 which authorizes preferential land assessment programs. The Districts 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 2017, real estate tax abatements were as follows:

Act 42	\$ 63,208
Act 42 Enhanced	553,927
Residential LERTA	950,555
Residential Enhanced LERTA	348,284
TRID	<u>1,955,803</u>
 Total tax abatements	 <u><u>\$ 3,871,777</u></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 2017, other real estate tax arrangements as defined above resulted in the following forgone tax amounts:

Homestead Exemption		\$ 15,579,476
Tax Increment Financing		3,010,497
Total other tax arrangements		\$ 18,589,973

- 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 funds 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- or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$1,500 (plus all desktops, laptops, and network printers if the historical cost is less than \$1,500) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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, *deferred inflows of resources*, 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 2018 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 accounting requirements, the effect of the change in the school 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 on the government-wide financial statements. These

amounts are determined based on the actuarial valuation performed for the PSERS plan. Note 6d presents additional information about the PSERS plan.

Unearned revenues represent grant funds received prior to expenditure. Unearned revenues 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, 2017, is based on whether the employee is qualified to receive retirement pay or resignation pay at December 31, 2017.

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. Liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

- xi. **Other 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 and 6g.
- 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 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, 2017, 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, 2017, 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.
- **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, 2017, 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 budget expenditures, the excess shall be specifically designated for one or more of the following: subsequent years expenditure increases; subsequent years revenue reductions; transfers to the Capital Projects Reserve Fund. The District's fund balance policy also outlines conditions for the use of unassigned fund balance.

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

- xiv. **Net Position** — The government-wide and proprietary fund financial statements are required to report three components of net position:
- Net Investment in Capital Assets — This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - Restricted — This component of net position consists of constraints placed on net position use through external restrictions. The amounts reported as restricted net position at December 31, 2017, 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."
- xv. **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.
- xvi. **Estimates** — The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets and liabilities, disclosure of contingent assets, and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.
- xvii. **Risks and Uncertainties** — Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements.
- xviii. **Newly Adopted Accounting Pronouncements** — The requirements for the following GASB Statements were adopted for the District's 2017 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact to the District's financial statements.

GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,*" establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68).

GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*" addresses reporting by governments that provide postemployment benefits to their employees and for governments that finance postemployment benefits for

employees of other governments. The disclosures required by this statement were incorporated into Note 6g and the required supplementary information section.

GASB Statement No. 80, *“Blending Requirements for Certain Component Units,”* clarifies the financial statement presentation requirements for certain component units incorporated as a non-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 81, *“Irrevocable Split-Interest Agreements,”* addresses accounting and financial reporting issues related to fair value measurements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *“Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,”* addresses certain issues that have been raised with respect to the presentation of payroll-related measures in required supplementary information, the selections of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

- xix. **Pending Pronouncements** – The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in future years including Statement Nos. 75 (Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 85 (Omnibus 2017), 86 (Certain Debt Extinguishment Issues), 87 (Leases), 88 (Certain Debt Disclosures) and 89 (Accounting for Interest Costs Incurred before the End of a Construction Period). 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, 2017	\$131,912,200
Deduct outstanding:	
Committed contracts	(5,080,214)
Assigned purchase orders	(2,801,935)
	<hr/>
Budgetary basis — fund balance — December 31, 2017	<u>\$124,030,051</u>

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

a. *Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:*

The governmental fund balance sheet includes 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	\$ 290,206,300
Compensated absences	10,100,079
Notes payable	14,875,882
Premium on issuance (to be amortized as interest expense)	17,185,307
Less discount on issuance (to be amortized as interest expense)	(37,487)
Less deferred charge on refunding	(8,543,241)
Less deferred charge for insurance costs (to be amortized over life of debt)	(468,147)
Less Deferred outflows of resources for pension	(108,561,633)
Accrued interest payable	5,275,417
Obligations under leases	10,969,739
Net OPEB obligation	41,675,603
Deferred inflows of resources for pension	6,731,000
Net pension liability	1,005,103,000
Termination of Benefits	<u>50,119</u>
 Net adjustment to reduce fund balance — total governmental funds to arrive at net position — governmental activities	 <u>\$ 1,284,561,938</u>

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

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

Capital outlays	\$ 29,232,830
Depreciation expense and changes in accumulated depreciation	<u>(30,003,637)</u>
 Net adjustment to decrease net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (770,807)</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>\$ (1,590,900)</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	\$ (35,225,631)
Repayment — to bondholders and lessors	<u>44,004,907</u>
Net adjustments to increase net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 8,779,276</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	\$ (33,656,767)
Amortization of premium	2,912,553
Amortization of bond discount, issuance prepaid insurance and deferred change on refunding	<u>(2,092,449)</u>
Net adjustments to increase net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (32,836,663)</u>

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

The proprietary fund statement of net position includes reconciliation between *net position — total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of net position. The description of the sole element of that reconciliation is “Adjustment to

reflect the consolidation of internal service fund activities related to enterprise funds.” The details of this difference are as follows:

Internal payable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — prior years	\$ (53,621)
Internal receivable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — current year	<u>109,751</u>
Net adjustment to increase net position — total enterprise funds to arrive at net position — business-type position activities	<u>\$ 56,130</u>

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- The District, before levying the annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipality in which it is located, and within 15 days of final action, that the proposed budget has been prepared and is made available for public inspection by the Board.
- Notice that public hearings that will be held on the proposed operating budget must be included in the advertisement. Such hearings are required to be scheduled at least 10 days before the Board takes final action.
- The legal level of budgetary control is established at major object accounts within the General Fund. Line item accounts are further defined as the lowest (most specific) level of details as established pursuant to the minimum chart of accounts referenced in the Pennsylvania School Code. The District’s annual operating transfers to the Special Revenue Fund for special education and indirect costs are integrated into budgetary controls at the major object level, but are properly reclassified and presented as other financing uses for financial reporting purposes.
- The budgetary basis applied to the General Fund differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures whereas GAAP does not.
- The Board may make transfers of funds appropriated to any particular item of expenditures by legislative action. An affirmative vote of two-thirds of all members of the Board is required. The Board made several such transfers of appropriations in 2017. There were no supplemental budget appropriations in 2017, except for the 2016 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 assignment of fund balances.

Special Revenue funds generally begin their fiscal period as of July 1 and are usually of a 12-month duration. While all of these funds are legislatively accepted or established by the Board on an individual

fiscal-year program basis, budgets for these funds are not legally adopted. Accordingly, the District has not presented a budget to actual comparison of Special Revenue funds in the financial statements.

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

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

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

5. FUND INFORMATION

- a. *Deposits and Investments* — The District reports deposits and investments in accordance with GASB Codification Section I50, *Investments*. GASB Codification Section I50 requires that investments be reported at fair value rather than cost. The District’s investments are reported at fair value at December 31, 2017.

A summary of deposits and investments with financial institutions at December 31, 2017, is as follows:

Deposits and Investments

General Fund	\$ 150,414,814
Capital Projects Funds	15,393,333
Special Revenue Funds	4,251,227
Nonmajor Governmental Funds	2,628,782
Food Service Funds	697,628
Internal Service Funds	44,510,673
OPEB Trust	14,683,500
Private Purpose Trusts	52,079
Fiduciary Funds	803,456

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, 2017, \$119,818,144 of the District’s \$136,406,157 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>\$ 119,818,144</u>
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As of December 31, 2017, the District had the following investments:

Unrestricted Investments	Maturity Date	Fair Value
Money market funds:		
PA School District Liquid Asset Fund (PSDLAF)	n/a	\$ 1,878,382
PA Local Government Investment Trust — Class (PLGIT)	n/a	16,130,818
PLGIT — ARM	60 days or less	27,220,521
PA INVEST	60 days or less	20,815,664
Federated Government Obligations Fund	36 days average	243,236
PNC Government Money Market Fund	60 days or less	2,368,415
FNB Wealth Management	60 days or less	204,550
Nonnegotiable certificates of deposit:		
PLGIT — 1.35%	06/19/18	2,000,000
PLGIT — 1.35%	03/23/18	2,000,000
PSDLAF — 1.00%	04/18/18	2,000,000
PSDLAF — 1.00%	04/11/18	1,000,000
PSDLAF — 1.05%	06/13/18	6,000,000
PSDLAF — .95%	03/12/18	5,000,000
PSDLAF — 1.05%	06/14/18	5,000,000
PSDLAF — 1.30%	06/27/18	1,000,000
PSDLAF — 1.52%	12/18/18	18,000,000
FIRST COMMONWEALTH — .55%	01/19/18	5,033,858
Various - Each Certificate Under \$250,000 — 1.15% — 2.10%	Various - 12/30/21	15,816,000
FNB Wealth Management Municipal Bond Portfolio (Level 2)	Various	881,780
Repurchase agreement	01/01/18	<u>10,286,410</u>
Total unrestricted investments		<u>\$ 142,879,634</u>
Restricted Investments		
Nonnegotiable certificates of deposit:		
Various — Each Certificate Under \$250,000 — 1.30%	Various - 4/11/18	\$ 486,000
PA School Liquid Asset Fund (PSDLAF)	n/a	686,454
PA OPEB Trust		14,683,500
PA Local Government Investment Trust (PLGIT) Fund		3,602,306
PA School Liquid Asset Fund (PSDLAF)		<u>85,907</u>
Total restricted investments		<u>\$ 19,544,167</u>

Restricted cash as of December 31, 2017, in the amount of \$2,218,420 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, 2017, 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	AAAm	N/A
PNC Government Money Market Fund	AAAm	N/A

The repurchase agreement is not subject to credit risk disclosure as the securities underlying the repurchase agreement are U.S. 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, 2017, the repurchase agreement was 6% 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 – The PSDLAF and the PLGIT were established as common law trusts, organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of the funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds.

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

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, 2017, PLGIT-Class shares 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, 2017, PLGIT/PLUS-Class shares 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, 2017, PLGIT/ARM 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, 2017, PLGIT/PRIME 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.

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

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.

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. Investment allocations of the master trust are as follows as of December 31, 2017:

Fixed Income	66.6%
Domestic Equity	21.7%
International Equity	11.5%

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 \$14,683,500 at December 31, 2017. The OPEB Trust funds are not insured.

- b. **Receivables** — Receivables as of December 31, 2017, 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	\$ 40,527,224	\$	\$	\$	\$	\$	\$ 40,527,224
Earned income	28,058,222						28,058,222
Due from other governments:							
Commonwealth of Pennsylvania	15,402,688		1,296,498		4,735,317		21,434,503
City of Pittsburgh	1,512,839						1,512,839
Mt. Oliver Intermediate Unit			7,173,905				7,173,905
Other receivables	744,543		214,592		228,389	183,384	1,370,908
Interest	268,257			3,043		25,735	297,035
Gross receivables	86,513,773		8,684,995	3,043	4,963,706	209,119	100,374,636
Less allowance for uncollectibles	9,000,000						9,000,000
Net receivables	<u>\$ 77,513,773</u>	<u>\$</u>	<u>\$ 8,684,995</u>	<u>\$ 3,043</u>	<u>\$ 4,963,706</u>	<u>\$ 209,119</u>	<u>\$ 91,374,636</u>

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

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

As of December 31, 2017, 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	\$	\$ 3,670,532	\$
State property tax relief (General Fund)	15,578,473		
Delinquent property taxes receivable (General Fund)		30,495,660	
Grant drawdowns prior to meeting all eligibility requirements (Special Revenue Funds and General Fund)			2,788,820
Total deferred/unearned revenue for governmental funds	<u>\$ 15,578,473</u>	<u>\$ 34,166,192</u>	<u>\$ 2,788,820</u>

- c. **Interfund Receivables, Payables, and Transfers** — The composition of interfund balances as of December 31, 2017, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 146,530	\$
Special Revenue Fund	<u> </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	Food Service Fund	Debt Service Other Governmental Fund	
Transfers — out:						
General Fund	\$	\$ 822,529	\$ 93,302,790	\$	\$ 10,000	\$ 94,135,319
Capital Projects				1,275,821		1,275,821
Internal Service			45,755			45,755
Special revenue funds	<u>1,464,622</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,464,622</u>
Total transfers — in	<u>\$ 1,464,622</u>	<u>\$ 822,529</u>	<u>\$ 93,348,545</u>	<u>\$ 1,275,821</u>	<u>\$ 10,000</u>	<u>\$ 96,921,517</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; 3) General Fund transfer for capital improvements; 4) General Fund transfers to fund other governmental funds; and 5) Food Service transfer for capital improvements.

d. **Capital Assets** — Capital asset activities for the year ended December 31, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets — not being depreciated:				
Land	\$ 23,977,814	\$	\$ (130,150)	\$ 23,847,664
Construction in progress				
Total capital assets — not being depreciated	<u>23,977,814</u>	<u></u>	<u>(130,150)</u>	<u>23,847,664</u>
Capital assets — being depreciated:				
Land improvements	15,502,619	720,206	(38,204)	16,184,621
Buildings	403,854,719		(2,818,097)	401,036,622
Building improvements	374,605,624	25,311,113	(2,174,897)	397,741,840
Furniture, fixtures, machinery, and equipment	95,531,471	3,201,511	(3,886,994)	94,845,988
Total capital assets — being depreciated	<u>889,494,433</u>	<u>29,232,830</u>	<u>(8,918,192)</u>	<u>909,809,071</u>
Total at historical cost	<u>913,472,247</u>	<u>29,232,830</u>	<u>(9,048,342)</u>	<u>933,656,735</u>
Less accumulated depreciation for:				
Land improvements	(7,021,691)	(778,678)	25,250	(7,775,119)
Buildings	(255,082,494)	(8,337,688)	2,651,283	(260,768,899)
Building improvements	(120,754,956)	(15,138,334)	924,518	(134,968,772)
Furniture, fixtures, machinery, and equipment	(77,338,577)	(5,748,937)	3,856,391	(79,231,123)
Total accumulated depreciation	<u>(460,197,718)</u>	<u>(30,003,637)</u>	<u>7,457,442</u>	<u>(482,743,913)</u>
Total capital assets — being depreciated — net	<u>429,296,715</u>	<u>(770,807)</u>	<u>(1,460,750)</u>	<u>427,065,158</u>
Governmental activities capital assets — net	<u>\$ 453,274,529</u>	<u>\$ (770,807)</u>	<u>\$ (1,590,900)</u>	<u>\$ 450,912,822</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	13,794,919	1,275,821		15,070,740
Furniture, fixtures, machinery, and equipment	5,921,951	178,840		6,100,791
Total capital assets — being depreciated	<u>19,716,870</u>	<u>1,454,661</u>	<u></u>	<u>21,171,531</u>
Total at historical cost	<u>19,760,748</u>	<u>1,454,661</u>	<u></u>	<u>21,215,409</u>
Less accumulated depreciation for:				
Buildings	(6,576,948)	(326,676)		(6,903,624)
Furniture, fixtures, machinery, and equipment	(5,638,323)	(97,465)		(5,735,788)
Total accumulated depreciation	<u>(12,215,271)</u>	<u>(424,141)</u>	<u></u>	<u>(12,639,412)</u>
Total capital assets — being depreciated — net	<u>7,501,599</u>	<u>1,030,520</u>	<u></u>	<u>8,532,119</u>
Business-type activities capital assets — net	<u>\$ 7,545,477</u>	<u>\$ 1,030,520</u>	<u>\$ -</u>	<u>\$ 8,575,997</u>

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

Governmental funds:	
Instruction	\$ 23,146,796
Instruction student support	5,775,272
Administrative and financial support service	254,704
Operation and maintenance of plant services	508,006
Facilities, construction and improvement services	199,640
Student activities	70,571
Community services	<u>48,648</u>
	<u>\$ 30,003,637</u>

In accordance with impairment guidance under GASB Codification Section 1400, *Reporting Capital Assets*, a net impairment loss of \$1,012,766 is included in program expenditures. The loss is related to the closing of various schools due to declining enrollment and change in manner of use.

Building	Regular Instruction	Instruction Student Support	Total Loss
Arlington Middle	\$ (142,562)	\$ (47,520)	\$ (190,082)
McNaugher	<u>(617,013)</u>	<u>(205,671)</u>	<u>(822,684)</u>
Total	<u>\$ (759,575)</u>	<u>\$ (253,191)</u>	<u>\$ (1,012,766)</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	\$ 1,972,315	July 1, 2006	May reopen as classroom space
Belmar Elementary	2,305,482	July 1, 2011	May reopen as classroom space
Fort Pitt Elementary	2,616,274	July 1, 2012	May reopen as classroom space
Northview Elementary	2,229,603	July 1, 2012	May reopen as classroom space
Arlington Elementary	<u>2,628,447</u>	July 1, 2016	May reopen as classroom space
	<u>\$ 11,752,121</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 \$12,325,250.

The District maintains certain collections of inexhaustible assets for which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures, and literature that are generally held for exhibition, education, research, and public

service. These collections are not normally disposed of for financial gain nor encumbered in any means.

- e. **Construction Commitments** — As of December 31, 2017, the District had no committed construction projects.

- f. **Long-Term Debt**

General Obligation Bonds — In 2017, the District issued General Obligation Bonds Series in the amount of \$24,000,000. The Bonds will mature in September 2037. The original amount of current outstanding general obligation bonds and notes issued in prior years was \$482,898,000. 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 will receive 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 will receive a direct payment reimbursement of 35% of debt service from the federal government.

Advance Refunding — In 2017, the District issued refunding Series A of 2017 issue. The face amount of \$8,710,000 provided for the purchase of U.S. Government State and Local Government Series securities that were placed into escrow amounting to \$9,599,093. Escrow agents will provide resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt for refunding by \$276,831. This amount is being amortized over the remaining life of the refunded debt. Taking into consideration the prevailing interest rate environment at the time of the transaction, combined with the level of interest rates on its existing Series A of 2011 Bond issue, the District decided that it was economically beneficial to advance refund certain maturities of those issues. The refunding was accomplished

by issuing the General Obligation Bonds Series A of 2017 calling the remaining maturities for the above-listed issues. The corresponding interest rates on the refunding bonds allowed the District to realize debt service savings at levels meeting their governing criteria, as well as comply with Internal Revenue Service regulations on tax-exempt refinancing. The resulting difference in debt service is a positive savings of \$434,207 or 4.42% of total refunded principal. The economic gain of the 2017 refunding was \$418,698.

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 2017, the District did not defease any bonds.

Legal Debt Margin — The District is subject to legal debt margin. This amount was \$1,560,293,402 for 2017.

Board Actions in Anticipation of Future Debt Offerings — At the December 2017 Board of Directors meeting, the Board authorized the arrangement for capital borrowing of \$31,950,600 for 2018.

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

Balance — January 1, 2017	\$ 312,756,530
Add debt issued or incurred:	
2017 Refunding Series	8,710,000
2017 GOB Series	<u>24,000,000</u>
Less debt repayments or refundings:	
Payments to escrow for 2017 Refunding	(9,470,000)
1/1/17—12/31/17 payments of Principal Bonds	<u>(30,914,348)</u>
Balance — December 31, 2017	<u><u>\$305,082,182</u></u>

General obligation bonds and notes payable at December 31, 2017, are summarized as follows:

Bonds	Original Interest Rates	Original Maturity Range	Issued	Amount Outstanding	Due within One Year
2002A Refunding bonds	2.00-5.50	2002-2018	\$ 78,830,000	\$ 7,405,000	\$ 7,405,000
2009 A Refunding Bonds	3.00-5.00	2009-2019	28,570,000	5,620,000	3,195,000
2010 Refunding Series A	0.6-5.00	2010-2022	30,975,000	20,330,000	3,965,000
2010 Refunding Series B	0.6-5.00	2010-2018	6,660,000	1,740,000	1,740,000
2010 GOB Series C	0.6-4.00	2010-2030	6,000,000	4,390,000	275,000
2012 Refunding	2.00-5.00	2012-2024	71,130,000	49,625,000	7,985,000
2012 Series B	2.00-4.00	2012-2022	5,000,000	2,745,000	505,000
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	26,005,000	2,775,000
2014 GOB Series C	2.00-5.00	2014-2034	9,995,000	8,850,000	375,000
2015 Refunding	0.6-5.00	2015-2027	25,750,000	25,740,000	1,925,000
2015 GOB	2.00-5.00	2015-2035	21,215,000	20,265,000	780,000
2016 GOB	2.00-5.00	2016-2036	20,590,000	20,490,000	500,000
2017 Refunding	1.70-3.00	2017-2023	8,710,000	8,710,000	5,000
2017 GOB	3.00-5.00	2017-2037	24,000,000	24,000,000	
Total			<u>374,165,000</u>	<u>234,265,000</u>	<u>31,430,000</u>
2006 QZAB	1.38	2006-2022	5,608,000	1,886,300	366,990
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	11,520,000	960,000
Total			<u>67,663,000</u>	<u>55,941,300</u>	<u>1,326,990</u>
Notes					
2010 QSCB SPSBA Series A*	6.50	2010-2028	9,578,000	6,048,706	549,882
2010 QZAB SPSBA Series B*	6.50	2010-2028	13,972,000	8,827,176	802,471
Total			<u>23,550,000</u>	<u>14,875,882</u>	<u>1,352,353</u>
Total outstanding principal			<u>\$ 465,378,000</u>	<u>\$ 305,082,182</u>	<u>\$ 34,109,343</u>
Add interest payable in future years				<u>109,520,197</u>	
Total				<u>\$ 414,602,379</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
2018	\$ 34,109,343	\$ 14,807,930
2019	31,049,408	13,675,154
2020	30,709,542	12,485,370
2021	29,569,747	11,245,548
2022	27,070,024	9,930,506
2023-2027	95,621,765	34,840,582
2028-2032	37,332,353	10,805,293
2033-2037	<u>19,620,000</u>	<u>1,729,814</u>
Total	<u>\$ 305,082,182</u>	<u>\$ 109,520,197</u>

Changes in long-term liabilities:

	Beginning	Additions	Reductions	Ending	Due within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 239,265,000	\$ 32,710,000	\$ (37,710,000)	\$ 234,265,000	\$ 31,430,000
QZABs	14,728,294	-	(1,321,994)	13,406,300	1,326,991
Notes payable	16,228,236	-	(1,352,354)	14,875,882	1,352,353
Taxable	<u>42,535,000</u>	<u>-</u>	<u>-</u>	<u>42,535,000</u>	<u>-</u>
Total before premium/discount	312,756,530	32,710,000	(40,384,348)	305,082,182	34,109,344
Add (less) deferred amounts:					
Premium on issuance	17,552,698	2,663,370	(3,030,761)	17,185,307	3,030,761
Discount on issuance	<u>(51,352)</u>	<u>-</u>	<u>13,865</u>	<u>(37,487)</u>	<u>-</u>
Total general obligation bonds and notes payable	330,257,876	35,373,370	(43,401,244)	322,230,002	37,140,105
Compensated absences	14,824,008	4,852,662	(3,901,858)	15,774,812	5,674,733
Postemployment health benefits	33,083,623	15,787,712	(7,195,732)	41,675,603	-
Net pension liability	1,000,949,000	86,622,286	(82,468,286)	1,005,103,000	82,000,000
Termination of benefits	385,397	273,623	(386,078)	272,942	222,823
Workers' compensation reserve	7,772,626	1,781,444	(2,474,983)	7,079,087	1,800,000
Capital leases	<u>14,461,206</u>	<u>-</u>	<u>(3,491,467)</u>	<u>10,969,739</u>	<u>3,491,467</u>
Governmental activities long-term liabilities	<u>\$ 1,401,733,736</u>	<u>\$ 144,691,097</u>	<u>\$ (143,319,648)</u>	<u>\$ 1,403,105,185</u>	<u>\$ 130,329,128</u>
Business-type activities:					
Compensated absences	<u>\$ 525,020</u>	<u>\$ 78,836</u>	<u>\$ (84,442)</u>	<u>\$ 519,414</u>	<u>\$ 94,614</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 obligation 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>\$7,079,087</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	\$ 23,418,609
Less accumulated depreciation	<u>12,714,707</u>
Total	<u>\$ 10,703,902</u>

The future minimum lease obligations as of December 31, 2017, are as follows:

Years Ending December 31	Governmental Activities
2018	\$ 3,568,471
2019	2,999,360
2020	2,999,360
2021	<u>2,120,972</u>
Total minimum lease payments	11,688,163
Less amount representing interest	<u>718,424</u>
Present value of minimum lease payments	<u>\$ 10,969,739</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, 2017, are as follows:

Workers' compensation	\$ 10,326,228
Comprehensive general liability	2,578,282
Self-insurance health care	21,799,588

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 \$5,279,087 as of December 31, 2017.

The funds for unemployment and workers' compensation are funded based on a percentage of gross payrolls, which was 0.20% and 0.85%, respectively. 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, 2017, which utilized a discount rate of 3.5%. The Reserve was reviewed through December 31, 2017, 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 \$7,079,087, at December 31, 2017. The expense is based on a percentage of gross payrolls for the year. The contribution rate is 0.85% of gross at December 31, 2017.

Changes in the Reserve claims liability in fiscal 2017 and 2016 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
2016	\$ 8,287,367	\$ 1,853,210	\$ (2,367,961)	\$ 7,772,616

c. ***Subsequent Events:***

Subsequent events to report for the 2017 statement have been evaluated through the independent auditor report date.

d. ***Pension Plan – Public School Employees’ Retirement System:***

- i. **Plan Description** — PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees’ Retirement System (PSERS) and additions to/deductions from PSERS’ 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 terms. Investments are reported at fair value. The net pension liability is recorded as a governmental activity expected to be paid from the General Fund.

- ii. **Benefits Provided** — PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduces 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 had the member retired on the day before death.

- iii. **Health Insurance Premium Assistance Program** — In addition, PSERS provides a Health Insurance Premium Assistance Program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Under this program, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible annuitants must obtain their health insurance through either their school employer or the PSERS' Health Options Program. The Premium Assistance is not included in the calculation of the net pension liability as it does not qualify under the provisions of GASB Statement No. 68.
- iv. **Contributions – 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%.

- v. **Contributions — Employer Contributions** – The District's contractually required pension contribution rate was 29.20% from January 1, 2017 to June 30, 2017 and 31.74% from July 1, 2017 to December 31, 2017 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. In addition, the District was required to contribute 0.83% of covered payroll to the Premium Assistance. The combined contribution rate will increase to 33.43% in fiscal year 2018 and is projected to grow to 36.40% by fiscal year 2022.

The District contributed \$82,468,286 to PSERS for the year ended December 31, 2017, which represents its contribution towards pension benefits and Premium Assistance. \$23,550,066 is

owed to PSERS as of June 30, 2017, which represents the District's required contribution for the end of year payroll. Contributions are remitted quarterly.

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 of \$34,813,369 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.

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

At December 31, 2017, the District reported a liability of \$1,005,103,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. At June 30, 2017, the District's proportion was 2.035%, which was an increase of .0016% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the District recognized pension expense of \$62,937,961. At December 31, 2017, 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 & actual experience changes in assumptions	\$ 10,486,000	\$ (6,073,000)
Change in assumptions	27,304,000	
Net differences between projected and actual earnings on pension plan investments	23,290,000	
Changes in proportion	9,225,000	(658,000)
School District contributions subsequent to the measurement date	<u>38,256,633</u>	
Total	<u>\$ 108,561,633</u>	<u>\$ (6,731,000)</u>

\$38,256,633 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 ended December 31, 2018. 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 Ended December 31:

2018	\$ (15,189,000)
2019	(30,071,000)
2020	(20,169,000)
2021	<u>1,855,000</u>
Total	<u>\$ (63,574,000)</u>

vii. Actuarial Assumptions

The total pension liability as of December 31, 2017 was determined by rolling forward PSERS' total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 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 inflation of 2.75% and 2.25% for real wage growth and for 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.

viii. 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	<u>100.0%</u>	

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.15%.

- ix. **Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District’s proportionate share of the net pension liability calculated using the discount rates described above, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point higher than the current rate:

	<u>1% Decrease (-6.25%)</u>	<u>Current Discount (-7.25%)</u>	<u>1% Increase (-8.25%)</u>
District's proportionate share of the net pension liability	<u>\$ 1,237,195,000</u>	<u>\$ 1,005,103,000</u>	<u>\$ 809,153,000</u>

x. **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s 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.

e. **Contingent Liabilities and Commitments:**

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

- ii. **Litigation** — The District is involved in a number of claims and legal actions, including tax appeals, in the normal course of operations. The Office of the District’s Solicitor and other District officials believe that such proceedings in the aggregate will not have a materially adverse effect on the District’s financial condition or the power of the District to levy and collect taxes.
- iii. **Encumbrance Commitments** — The District has signed various contracts related to various funds that began during the fiscal year 2017, but were not completed as of December 31, 2017. 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		\$ 7,740,109	\$ 7,740,109
Committed — contracts	\$ 5,080,214	3,427,265	8,507,479
Assigned — purchase orders	<u>2,801,935</u>	<u> </u>	<u>2,801,935</u>
 Total	 <u>\$ 7,882,149</u>	 <u>\$ 11,167,374</u>	 <u>\$ 19,049,523</u>

f. **Labor Relations** — Six bargaining units represent District employees. The largest unit is composed of teachers and other professionals. The federation also represents approximately 570 paraprofessionals and approximately 23 technical-clerical employees. At a special legislative Board meeting held on April 18, 2018, the Board ratified a 3-year agreement through June 30, 2020 for all three federation represented units. The agreement includes step movements and a 2% increase on all schedules. The agreements representing the custodial, building and construction trades, and secretarial clerical employees expired December 31, 2017. Negotiations continue with these three units.

g. **Postemployment Health Benefits:**

- i. **Plan Description** — The District administers a single-employer defined benefit health care plan (School District of Pittsburgh 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. There were no plan changes during 2017.
- ii. **Benefits Provided** – In addition to providing pension benefits, the District provides health insurance coverage for retired employees and their dependents. Substantially, all of the employees may become eligible for this benefit if they reach normal retirement age while working for the District. The District is obligated to pay this benefit as a result of union contracts and Board rules and regulations for nonunion employees. There were no benefit changes during 2017.

- iii. **Summary of Significant Accounting Policies** – Financial information of the plan is presented on the accrual basis of accounting. Employer contributions to the plan are made as needed. Investments of the Trust are reported at fair value.

At December 31, 2017, there were no individual investments that constituted more than 5% of plan net position available for benefits that were required to be reported. The plan did not have any investment transactions with related parties during the year.

The District has established a trust to fund the retiree health plan. The activity of the trust is reported as the OPEB Trust fund in the accompanying financial statements. Separate trust financial statements are not available.

iv. **Participants**

Participants in the plan as of the most recent actuarial valuation are as follows:

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

- v. **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. Retirees contributed \$1,650,399 toward the plan in 2017. For the fiscal year 2017, the District contributed \$7,195,732 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.

vi. **Net OPEB Liability**

The components of the net OPEB liability of the plan at December 31, 2017 were as follows:

Total OPEB liability	\$ 153,569,218
Plan fiduciary net position	<u>14,683,500</u>
Net OPEB liability	<u><u>\$ 138,885,718</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>9.56%</u></u>

The net OPEB liability is computed under GASB Statement No. 74. GASB Statement No. 75, related to employer accounting and financial reporting, will be reflected in the District's financial statements for the year ended December 31, 2018.

vii. **Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation performed on November 1, 2017, and rolled forward to December 31, 2017, using the following actuarial assumptions, applied to all periods in the measurement:

- *Retirement and Separation for Active Employees* — Assumed rates of retirement are as follows:

<u>Age</u>	<u>Less Than 5 Years of Service</u>	<u>Between 5 and 10 Years of Service</u>	<u>10 or More Years of Service</u>	<u>Disability</u>	<u>Early Retirement</u>	<u>Superannuation Retirement</u>
Males						
25	14.85%	5.70%	2.57%	0.1960%		
35	13.39%	3.21%	1.50%	0.0582%		
40	14.49%	3.97%	1.34%	0.1163%		
45	14.42%	4.53%	1.37%	0.1598%		19.16%
50	14.31%	4.45%	1.92%	0.2835%	0.00%	19.16%
55	12.17%	4.43%	3.38%	0.4423%	18.57%	26.59%
60	12.43%	5.58%	5.57%	0.5820%	14.42%	30.87%
61	12.43%	5.58%	12.37%	0.3613%	28.61%	28.81%
62	12.43%	5.58%	12.37%	0.3111%	51.45%	27.27%
63	12.43%	5.58%	12.37%	0.1736%	25.73%	25.73%
64	12.43%	5.58%	12.37%	0.1736%	21.39%	21.39%
65	0.00%	0.00%	0.00%	0.0868%	21.39%	21.39%
74	0.00%	0.00%	0.00%	0.0000%	100.00%	100.00%
Females						
25	13.41%	7.47%	5.02%	0.0176%		
35	14.22%	5.53%	2.85%	0.0548%		
40	11.79%	4.87%	1.60%	0.0963%		
45	11.54%	4.51%	1.65%	0.1345%		15.00%
50	11.66%	4.43%	2.06%	0.2286%	0.00%	15.00%
55	11.75%	4.38%	3.11%	0.3684%	18.59%	10.02%
60	12.25%	5.97%	6.40%	0.3595%	17.05%	35.77%
61	12.25%	5.97%	11.64%	0.2743%	29.99%	30.66%
62	12.25%	5.97%	11.64%	0.1797%	61.32%	28.11%
63	12.25%	5.97%	11.64%	0.0822%	25.55%	25.55%
64	12.25%	5.97%	11.64%	0.0822%	22.23%	22.23%
65	0.00%	0.00%	0.00%	0.0822%	22.23%	22.23%
70	0.00%	0.00%	0.00%	0.0000%	100.00%	100.00%

Select and ultimate sample rates. Not all select rates shown. Superannuation ultimate rates shown are for 35 or more years of service. Early rates shown are for 25 years of service.

- *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.

- *Health Care Cost Trend Rate* — The expected rate of increase in health care insurance claims/premiums were based on blended rates of future inflation for medical and prescription drug benefits. Long-term trends were developed using the Society of Actuaries (SOA) Long-Term Health Care Trends Resource Model. Expected annual claims costs were developed from January 1, 2013 to November 30, 2015. HMO/PPO retiree claims are adjusted for administration; completeness; large, infrequent claims; historical trend; and plan design features.

Year Ending	Rate of Medical and Prescription Drugs
2018	7.75%
2019	7.50%
2020	7.25%
2021	7.00%
2022	6.75%
2023	6.50%
2024	6.00%
2025-2035	5.50%
2036-2051	5.00%
2052-2057	4.50%
2058 and later	4.00%

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the net OPEB liability of the plan calculated using the healthcare

cost trend rate described above, as well as what the plan’s net OPEB liability would be if it were calculated using a trend rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease	Current Trend Rate	1% Increase
Initial Rate:	6.75%	7.75%	8.75%
Ultimate Rate:	3.00%	4.00%	5.00%
	<u>\$ 122,714,985</u>	<u>\$ 138,885,718</u>	<u>\$ 157,974,664</u>

- *Participation* — Ninety percent of all eligible non-Act 110 employees and twenty percent of all eligible Act 110 active employees, regardless of current participation status in the group medical plan, are assumed to elect coverage at retirement, if not Medicare eligible at the time of retirement.

Part-time employees with healthcare coverage as mandated by the Affordable Care Act are assumed to remain part-time and therefore ineligible to participate in postretirement coverage.

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

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

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

- *Aging Factors* — Aging, or morbidity, reflects the assumption that expected medical claims for an individual will increase annually as the result of the individual’s increasing age. Aging does not apply to Medicare Supplement reimbursements. Assumptions for the current and previous valuation are shown below:

Age	<u>Annual Increases</u>	Age	<u>Annual Increases</u>
12-14	0.0 %	55-59	4.5
15-19	-1.5%	60-64	4.0
20-24	5.5	65-69	3.5
25-29	5.0	70-79	3.0
30-39	2.0	80-84	2.0
40-44	3.0	85 and older	1.5
45-49	4.5		
50-54	4.0		

- *Excise tax on high cost plans* rate of inflation beginning in 2018 is 2.7%, with 1% additional increase to determine thresholds for 2019, as specified by law; but the tax will not be assessed until 2020.
- *Amortization period* — 30 years
- *Amortization method* — level dollar, open amortization
- *Actuarial cost method* — entry age normal for GASB 74 calculation, projected unit credit for GASB 45 calculation
- *Actuarial value of assets* – market value as of the valuation date
- *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.

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 2017.

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, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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>	

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, 2017, the annual money-weighted rate of return on the Plan’s investments, net of investment expense, was 2.62%.

Discount Rate - The discount rate used to measure the December 31, 2017 GASB 45 net OPEB obligation was 3.75%. The discount rate used to measure the December 31, 2017 GASB 74 total OPEB liability was 4.50%. The GASB 74 discount rate is the single rate that is equivalent to discounting with the long-term rate of return assumption (6.60%) before the crossover point, and after the crossover point, discounting with the Fidelity Fixed Income Market Data for Municipal GO AA Bond Yield Curve at 20 years (3.31%). The fund is projected to be exhausted in 2038 (crossover point).

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the plan calculated using the discount rate described above, as well as what the plan’s 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 rates:

<u>1% Decrease (3.50%)</u>	<u>Current Discount Rate (4.50%)</u>	<u>1% Increase (5.50%)</u>
\$ 152,118,045	\$ 138,885,718	\$ 126,556,147

ix. Additional Employer Disclosures Required by GASB Statement No. 45

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

actual amount contributed to the plan, and changes in the District's OPEB obligation to the plan.

Annual required contribution	\$ 16,402,658
Interest on net OPEB obligation	1,240,636
Adjustment to annual required contribution	<u>(1,855,582)</u>
Annual OPEB cost	15,787,712
Contributions made	<u>7,195,732</u>
Increase in net OPEB obligation	8,591,980
Net OPEB obligation — beginning of year	<u>33,083,623</u>
Net OPEB obligation — end of year	<u>\$41,675,603</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2017	\$ 15,787,712	89.9 %	\$ 41,675,603
December 31, 2016	17,325,978	94.6 %	33,083,623
December 31, 2015	17,352,104	91.5 %	32,054,700

Funded Status and Funding Progress — As of November 1, 2017, the actuarial accrued liability for benefits was \$168,341,870, of which \$153,831,957 was unfunded. The plan held assets of \$14,509,913 in a segregated, dedicated trust, representing 8.62% of the actuarial accrued liability. The covered payroll (annual payroll of active employees covered by the plan) was \$254,465,765 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 60.45%. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions — Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2017**

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS AS OF DECEMBER 31, 2017

	2017
Total OPEB Liability:	
Service cost	\$ 4,553,926
Interest	7,528,964
Differences between expected and actual experience	418,288
Changes of assumptions	12,329,571
Benefit payments, including refunds of member contributions	(7,195,732)
Net Changes in Total OPEB Liability	17,635,017
Total OPEB Liability - Beginning	135,934,201
Total OPEB Liability - Ending (a)	\$ 153,569,218
Plan Fiduciary Net Position:	
Contributions - District	\$ 7,195,732
Net investment income	1,219,335
Benefit payments, including refunds of member contributions	(7,195,732)
Net Change in Plan Fiduciary Net Position	1,219,335
Plan Fiduciary Net Position - Beginning	13,464,165
Plan Fiduciary Net Position - Ending (b)	\$ 14,683,500
Net OPEB Liability - Ending (a-b)	\$ 138,885,718
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.56%
Covered Payroll	\$ 254,465,764
Net OPEB Liability as a Percentage of Covered Payroll	54.58%

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRACTUALLY REQUIRED CONTRIBUTIONS FOR THE RETIREE HEALTH PLAN

AS OF DECEMBER 31, 2017

2017

Schedule of District's Contributions

Contractually required contributions	\$	7,195,732
Contributions in relation to contractually required contributions		<u>7,195,732</u>
Contribution deficiency (excess)	\$	<u><u>-</u></u>
Covered payroll	\$	<u><u>254,465,765</u></u>
Contributions as a percentage of covered payroll		2.83%

Investment Returns

Annual money-weighted rate of return, net of investment expense		2.62%
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* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN AS OF DECEMBER 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded Actuarial Liability (UAL) (3)=(2)-(1)	Funded Ratio (4)=(1)/(2)	Annual Covered Payroll (5)	Ratio of UAL to Payroll (6)=(3)/(5)
November 1, 2013		\$ 188,852,166	\$ 188,852,166	0.00	\$ 232,032,889	81.39
November 1, 2015	6,195,141	180,994,776	174,799,635	3.42	238,398,597	73.32
November 1, 2017	14,509,913	168,341,870	153,831,957	8.62	254,465,765	60.45

Factors and Trends in Actuarial Assumptions Used Under GASB No. 45

Actuarial valuation date: November 1, 2017

No changes in actuarial methods from previous actuarial valuation date.

The following actuarial assumptions were changed:

- 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.
- 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.

Factors and Trends in Actuarial Assumptions Used Under GASB No. 74

Actuarial valuation date: November 1, 2017

Actuarial method changed from projected unit credit to entry age normal.

The following actuarial assumptions were changed in addition to those listed above:

- The fund is projected to be exhausted in 2038 (crossover point). The discount rate used is 4.50%.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF PSERS NET PENSION LIABILITY AS OF DECEMBER 31, 2017

	2015*	2016	2017
School District's proportion of the net pension liability	2.010%	2.019%	2.035%
School District's proportionate share of the net pension liability	\$ 870,638,000	\$ 1,000,949,000	\$ 1,005,103,000
School District's covered payroll	\$ 258,611,741	\$ 261,583,154	\$ 270,952,877
School District's proportionate share of the net pension liability as a percentage of its covered payroll	336.6583%	382.6504%	370.9512%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	54.3600%	50.1400%	51.8400%

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF SCHOOL DISTRICT'S CONTRIBUTIONS TO PSERS PENSION PLAN AS OF DECEMBER 31, 2017

	<u>2015*</u>	<u>2016</u>	<u>2017</u>
Contributions recognized by PSERS	\$ 60,773,351	\$ 71,552,379	\$ 82,468,286
School District's covered payroll	259,592,860	267,692,741	276,669,586
Contributions as a percentage of covered payroll	23.4110%	26.7293%	29.8075%

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

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

BUDGET COMPARISON SCHEDULE LEGAL LEVEL OF BUDGETARY CONTROL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budgeted Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
100 Personnel services — salaries	\$ 188,143,618	\$ 188,143,618	\$	\$
200 Personnel services — employee benefits	117,596,666	117,596,666		
300 Purchased professional and technical services	88,862,632	85,439,630	3,423,002	
400 Purchased property services	5,638,927	5,104,282	232,732	301,913
500 Other purchased services	120,529,069	119,706,086	822,983	
600 Supplies	20,224,468	18,720,104	1,366,026	138,338
700 Property	8,392,945	6,355,539	2,037,406	
800 Other objects	17,574,449	17,515,016		59,433
900 Other financing uses	<u>31,837,277</u>	<u>31,837,277</u>		
 Budgetary basis	 <u>\$ 598,800,051</u>	 <u>\$ 590,418,218</u>	 <u>\$ 7,882,149</u>	 <u>\$ 499,684</u>
 Transfer for Special Education budgeted as expenditures		 (76,217,865)		
Transfer for Special Revenue Fund Indirect Costs budgeted as expenditures		 (17,084,925)		
Transfer for Other Governmental Funds, Capital Projects, and Internal Service Fund not budgeted		 (832,529)		
Tax refunds budgeted as expenditures		 <u>(2,323,924)</u>		
 GAAP expenditures		 <u>\$ 493,958,975</u>		

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NONMAJOR GOVERNMENTAL FUNDS

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

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS AS OF DECEMBER 31, 2017

	Debt Service Fund	Special Revenue Funds		Total
		Special Trust Fund	Westinghouse Scholarship	
ASSETS				
Cash	\$ 2,151,344	\$ 73,023	\$ 404,415	\$ 2,628,782
Other Receivables			3,043	3,043
TOTAL ASSETS	<u>\$ 2,151,344</u>	<u>\$ 73,023</u>	<u>\$ 407,458</u>	<u>\$ 2,631,825</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$		2,250	\$ 2,250
TOTAL LIABILITIES	<u>\$</u>	<u>\$</u>	<u>\$ 2,250</u>	<u>\$ 2,250</u>
FUND BALANCE:				
Restricted for — scholarships	\$	\$	\$ 405,208	\$ 405,208
Assigned to:				
Debt service	2,151,344			2,151,344
Special trust		73,023		73,023
TOTAL FUND BALANCE	<u>\$ 2,151,344</u>	<u>\$ 73,023</u>	<u>\$ 405,208</u>	<u>\$ 2,629,575</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 2,151,344</u>	<u>\$ 73,023</u>	<u>\$ 407,458</u>	<u>\$ 2,631,825</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, 2017

	Debt Service Fund	Special Revenue Funds		Total
		Special Trust Fund	Westinghouse Scholarship	
REVENUES:				
Investment income	\$ _____	\$ _____	\$ 3,043	\$ 3,043
Total revenues	_____	_____	3,043	3,043
EXPENDITURES:				
Support Services:				
Administration	2,500	10,000	_____	12,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,500)	(10,000)	3,043	(9,457)
OTHER FINANCING USES:				
Face value of refunding bonds	8,710,000			8,710,000
Bond premiums	889,093			889,093
Payments to refunded bond escrow agent	(9,599,093)			(9,599,093)
Transfers out	_____	10,000	_____	10,000
Total other financing sources and uses	_____	10,000	_____	10,000
CHANGES IN FUND BALANCES	(2,500)		3,043	543
FUND BALANCES — January 1, 2017	2,153,844	73,023	402,165	2,629,032
FUND BALANCES — December 31, 2017	\$ 2,151,344	\$ 73,023	\$ 405,208	\$ 2,629,575

INTERNAL SERVICE FUNDS

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

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS AS OF DECEMBER 31, 2017

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
ASSETS						
CURRENT ASSETS:						
Cash	\$ 3,080,267	\$ 5,014,665	\$ 2,598,638	\$ 102,466	\$ 10,911,979	\$ 21,708,015
Investments	2,138,287				13,585,284	15,723,571
Interest receivable	2,322				23,413	25,735
Other receivables					183,384	183,384
Total current assets	<u>5,220,876</u>	<u>5,014,665</u>	<u>2,598,638</u>	<u>102,466</u>	<u>24,704,060</u>	<u>37,640,705</u>
NONCURRENT ASSETS:						
Restricted cash	2,218,420					2,218,420
Restricted investments	4,860,667					4,860,667
Total noncurrent assets	<u>7,079,087</u>					<u>7,079,087</u>
TOTAL ASSETS	<u>\$ 12,299,963</u>	<u>\$ 5,014,665</u>	<u>\$ 2,598,638</u>	<u>\$ 102,466</u>	<u>\$ 24,704,060</u>	<u>\$ 44,719,792</u>
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES:						
Accounts payable	\$ 155,801	\$	\$ 20,356	\$	\$ 2,904,473	\$ 3,080,630
Accrued salaries	17,934					17,934
Current portion of workers' compensation reserve	1,800,000					1,800,000
Total current liabilities	<u>1,973,735</u>		<u>20,356</u>		<u>2,904,473</u>	<u>4,898,564</u>
NONCURRENT LIABILITIES:						
Workers' compensation reserve	<u>5,279,087</u>					<u>5,279,087</u>
Total noncurrent liabilities	<u>5,279,087</u>					<u>5,279,087</u>
TOTAL LIABILITIES	<u>\$ 7,252,822</u>	<u>\$</u>	<u>\$ 20,356</u>	<u>\$</u>	<u>\$ 2,904,473</u>	<u>\$ 10,177,651</u>
NET POSITION — Unrestricted	<u>\$ 5,047,141</u>	<u>\$ 5,014,665</u>	<u>\$ 2,578,282</u>	<u>\$ 102,466</u>	<u>\$ 21,799,587</u>	<u>\$ 34,542,141</u>
Total net position	<u>5,047,141</u>	<u>5,014,665</u>	<u>2,578,282</u>	<u>102,466</u>	<u>21,799,587</u>	<u>34,542,141</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,299,963</u>	<u>\$ 5,014,665</u>	<u>\$ 2,598,638</u>	<u>\$ 102,466</u>	<u>\$ 24,704,060</u>	<u>\$ 44,719,792</u>

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
OPERATING REVENUES — Contributions	\$ 2,367,060	\$ 557,012	\$	\$ 14,861	\$64,121,074	\$67,060,007
Total operating revenues	<u>2,367,060</u>	<u>557,012</u>		<u>14,861</u>	<u>64,121,074</u>	<u>67,060,007</u>
OPERATING EXPENSES:						
Support services — administration			5,783			5,783
Support services — central:						
Employee salaries, benefits, insurance, and supplies	496,242	12,865	48,501			557,608
Benefit payments	1,781,444	177,872			58,373,670	60,332,986
Claims and judgments			71,256			71,256
Total operating expenses	<u>2,277,686</u>	<u>190,737</u>	<u>125,540</u>		<u>58,373,670</u>	<u>60,967,633</u>
OPERATING GAIN (LOSS)	89,374	366,275	(125,540)	14,861	5,747,404	6,092,374
NONOPERATING REVENUES — Investment earnings	<u>43,863</u>				<u>35,868</u>	<u>79,731</u>
INCOME (LOSS) BEFORE TRANSFERS	133,237	366,275	(125,540)	14,861	5,783,272	6,172,105
TRANSFERS IN / OUT			<u>(45,755)</u>			<u>(45,755)</u>
CHANGE IN NET POSITION	133,237	366,275	(171,295)	14,861	5,783,272	6,126,350
NET POSITION — January 1, 2017	<u>4,913,904</u>	<u>4,648,390</u>	<u>2,749,577</u>	<u>87,605</u>	<u>16,016,315</u>	<u>28,415,791</u>
NET POSITION — December 31, 2017	<u>\$ 5,047,141</u>	<u>\$5,014,665</u>	<u>\$2,578,282</u>	<u>\$ 102,466</u>	<u>\$21,799,587</u>	<u>\$34,542,141</u>

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Contributions	\$ 2,367,060	\$ 557,012	\$	\$ 14,861	\$ 64,121,074	\$ 67,060,007
Payments to suppliers			9,573			9,573
Payments to claimants	(2,597,267)	(195,059)	(71,256)		(59,114,555)	(61,978,137)
Payments to employees	(491,484)	(12,865)	(48,501)			(552,850)
Net cash (used in) provided by operating activities	<u>(721,691)</u>	<u>349,088</u>	<u>(110,184)</u>	<u>14,861</u>	<u>5,006,519</u>	<u>4,538,593</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES — Transfers to/from other funds						
			(45,755)			(45,755)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	49,585				33,433	83,018
Purchase of investments	(50,987)				(55,226)	(106,213)
Net cash used in investing activities	<u>(1,402)</u>				<u>(21,793)</u>	<u>(23,195)</u>
INCREASE / DECREASE IN CASH	(723,093)	349,088	(155,939)	14,861	4,984,726	4,469,643
CASH — January 1, 2017 (including \$2,215,590 for the internal service funds included in restricted assets)	<u>6,021,780</u>	<u>4,665,577</u>	<u>2,754,577</u>	<u>87,605</u>	<u>5,927,253</u>	<u>19,456,792</u>
CASH — December 31, 2017 (including \$2,218,420 for the internal service funds included in restricted assets)	<u>\$ 5,298,687</u>	<u>\$ 5,014,665</u>	<u>\$ 2,598,638</u>	<u>\$ 102,466</u>	<u>\$ 10,911,979</u>	<u>\$ 23,926,435</u>
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating gain (loss)	\$ 89,374	\$ 366,275	\$ (125,540)	\$ 14,861	\$ 5,747,404	\$ 6,092,374
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:						
Changes in assets and liabilities:						
Other receivables					22,309	22,309
Accounts payable	(122,284)	(17,187)	15,356		(763,194)	(887,309)
Accrued salaries	4,758					4,758
Workers' compensation reserve	(693,539)					(693,539)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (721,691)</u>	<u>\$ 349,088</u>	<u>\$ (110,184)</u>	<u>\$ 14,861</u>	<u>\$ 5,006,519</u>	<u>\$ 4,538,593</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.

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

<u>STUDENT ACTIVITIES FUNDS</u>	<u>Balance at January 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31, 2017</u>
ASSETS				
CASH	<u>\$ 932,194</u>	<u>\$ 2,315,638</u>	<u>\$ (2,444,376)</u>	<u>\$ 803,456</u>
LIABILITIES				
ACCOUNTS PAYABLE	<u>\$ 932,194</u>	<u>\$ 2,315,638</u>	<u>\$ (2,444,376)</u>	<u>\$ 803,456</u>

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STATISTICAL SECTION

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

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>	94–98
Revenue Capacity	
<i>These schedules contain information to help the reader assess the District’s most significant local revenue source — the property tax.</i>	99–104
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>	105–108
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>	109–110
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>	111–116

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2008	2009	2010	2011	2012*	2013	2014#	2015	2016	2017
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 24,410,706	\$ 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
RESTRICTED:										
Capital projects	28,897,923	29,185,785	48,209,857	26,741,390	24,257,688	14,308,575	4,397,245			
Workers' compensation	9,432,849	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
Scholarships				404,737	402,060	402,125	402,166	402,165	402,165	405,208
Unrestricted	<u>90,939,469</u>	<u>92,143,099</u>	<u>92,711,757</u>	<u>75,006,876</u>	<u>86,220,059</u>	<u>129,720,546</u>	<u>(613,199,772)</u>	<u>(683,452,971)</u>	<u>(717,030,505)</u>	<u>(751,423,327)</u>
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	<u>\$ 153,680,947</u>	<u>\$ 152,953,778</u>	<u>\$ 163,643,926</u>	<u>\$ 186,803,388</u>	<u>\$ 201,835,818</u>	<u>\$ 234,114,386</u>	<u>\$ (506,097,827)</u>	<u>\$ (563,835,839)</u>	<u>\$ (584,709,516)</u>	<u>\$ (609,942,602)</u>
BUSINESS-TYPE ACTIVITIES:										
Investment in capital assets	\$ 9,880,588	\$ 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
Unrestricted	<u>2,494,152</u>	<u>1,891,348</u>	<u>2,476,226</u>	<u>2,509,650</u>	<u>2,526,898</u>	<u>2,065,230</u>	<u>2,483,606</u>	<u>3,462,655</u>	<u>4,290,587</u>	<u>4,744,436</u>
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	<u>\$ 12,374,740</u>	<u>\$ 11,523,468</u>	<u>\$ 11,920,919</u>	<u>\$ 11,642,016</u>	<u>\$ 11,465,344</u>	<u>\$ 10,576,799</u>	<u>\$ 10,561,879</u>	<u>\$ 11,158,981</u>	<u>\$ 11,836,064</u>	<u>\$ 13,320,433</u>
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 34,291,294	\$ 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
RESTRICTED:										
Capital projects	28,897,923	29,185,785	48,209,857	26,741,390	24,257,688	14,308,575	4,397,245			
Workers' compensation	9,432,849	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
Scholarships				404,737	402,060	402,125	402,166	402,165	402,165	405,208
Unrestricted	<u>93,433,621</u>	<u>83,864,309</u>	<u>95,187,983</u>	<u>77,516,526</u>	<u>88,746,957</u>	<u>131,785,776</u>	<u>(610,716,166)</u>	<u>(680,000,316)</u>	<u>(712,739,918)</u>	<u>(746,678,891)</u>
TOTAL PRIMARY GOVERNMENT NET POSITION	<u>\$ 166,055,687</u>	<u>\$ 164,477,246</u>	<u>\$ 175,564,845</u>	<u>\$ 198,445,404</u>	<u>\$ 213,301,162</u>	<u>\$ 244,691,185</u>	<u>\$ (495,535,948)</u>	<u>\$ (552,686,858)</u>	<u>\$ (572,873,452)</u>	<u>\$ (596,622,169)</u>

*2012 has been amended to reflect GASB #65

#2014 has been amended to reflect GASB #68

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXPENSES:										
Governmental activities:										
Instruction	\$ 354,803,355	\$ 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
Instruction student support	72,889,909	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
Administrative and financial support services	41,744,853	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
Operation and maintenance of plant services	52,652,003	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
Student transportation services	40,407,143	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
Facilities	4,068,041	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
Student activities	6,234,205	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
Community services	438,186	174,651	393,461	410,847	488,147	453,191	53,681	256,939	595,541	471,385
Scholarships and awards		25,881				64,458				
Food service	541,103	9,261	34,672	24,340						
Interest on long-term debt	25,453,453	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
Total governmental activities	599,232,251	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
Business-type activities:										
Food service operations	14,717,475	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
Educational management										
Total business-type activities	14,717,475	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
Total primary government	613,949,726	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
PROGRAM REVENUES:										
Governmental activities:										
Charges for services — instruction	4,232,887	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
Operating grants and contributions	94,837,622	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
Capital grants and contributions		1,145,639								
Total governmental activities program revenues	99,070,509	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
Business-type activities:										
Charges for services — food sales	3,046,494	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
Operating grants and contributions	11,638,102	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
Total business-type activities program revenues	14,684,596	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
Total primary government program revenues	113,755,105	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
NET (EXPENSE) REVENUE:										
Governmental activities	(500,161,742)	(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)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GENERAL REVENUES:										
Taxes:										
Real estate	\$ 201,056,780	\$ 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
Earned income	97,449,958	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
Others	625,808	404,485	383,480	371,537	378,740	354,304	350,243	329,639	329,770	311,479
Federal and state grants and subsidies	214,935,445	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
Investment income	7,856,272	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
Miscellaneous income	6,868,385	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
Transfers	<u>952,547</u>	<u>427,340</u>	<u>(70,570)</u>	<u>(27,936)</u>	<u>(295,462)</u>	<u>(250)</u>			<u>(199,662)</u>	<u>(1,275,821)</u>
Total government activities	<u>529,745,195</u>	<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>
BUSINESS-TYPE ACTIVITIES:										
Investment income	8,941	923	280	214	93	71			1,581	14,163
Gain on disposal of assets	16,000									
Transfers	<u>(952,546)</u>	<u>(427,340)</u>	<u>70,570</u>	<u>27,936</u>	<u>295,462</u>	<u>250</u>			<u>199,662</u>	<u>1,275,821</u>
Total business-type activities	<u>(927,605)</u>	<u>(426,417)</u>	<u>70,850</u>	<u>28,150</u>	<u>295,555</u>	<u>321</u>			<u>201,243</u>	<u>1,289,984</u>
Total primary government	<u>528,817,590</u>	<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>
CHANGE IN NET POSITION:										
Governmental activities	29,583,453	(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)
Business-type activities	<u>(960,484)</u>	<u>(851,272)</u>	<u>397,451</u>	<u>(278,903)</u>	<u>(176,672)</u>	<u>(888,545)</u>	<u>(14,920)</u>	<u>597,102</u>	<u>677,083</u>	<u>1,484,369</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 28,622,969</u>	<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>

Source: School District of Pittsburgh, Finance Division

(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GENERAL FUND:										
Reserved	\$ 4,693,507	\$ 3,548,327	\$ 3,492,476	\$	\$	\$	\$	\$	\$	\$
Unreserved	67,346,931	67,972,380	69,036,774							
Nonspendable				170,612	269,927	307,261	314,304	349,889	409,617	463,988
Committed				6,933,108	6,553,447	22,196,273	22,924,133	22,166,362	22,884,045	24,422,976
Assigned				22,448,457	10,471,624	18,097,109	27,597,380	23,792,065	16,702,390	26,937,325
Unassigned				52,548,417	71,663,229	73,136,786	78,377,293	86,923,714	93,606,169	80,087,911
Total general fund	<u>72,040,438</u>	<u>71,520,707</u>	<u>72,529,250</u>	<u>82,100,594</u>	<u>88,958,227</u>	<u>113,737,429</u>	<u>129,213,110</u>	<u>133,232,030</u>	<u>133,602,221</u>	<u>131,912,200</u>
CAPITAL PROJECTS:										
Reserved	9,519,459	24,365,531	22,110,291							
Unreserved	19,378,464	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
Committed						850,538	1,870,946	2,995,565	3,882,349	3,427,265
Assigned				663,516	3,402,657	5,466,014	6,132,860	8,798,125	7,556,510	3,281,537
Total capital projects	<u>28,897,923</u>	<u>29,185,785</u>	<u>48,209,857</u>	<u>27,404,906</u>	<u>24,257,688</u>	<u>14,308,575</u>	<u>12,401,051</u>	<u>21,496,499</u>	<u>16,684,616</u>	<u>14,448,911</u>
SPECIAL FUNDS:										
Unreserved	5,084,453	4,852,781	3,621,026							
Nonspendable										
Assigned									6,733,949	146,531
Total special funds	<u>5,084,453</u>	<u>4,852,781</u>	<u>3,621,026</u>						<u>6,733,949</u>	<u>5,917,093</u>
OTHER GOVERNMENTAL FUNDS:										
Reserved	79,460	5,191	5,191							
Unreserved	421,273	560,545	446,415							
Restricted				404,737	402,060	402,125	402,166	402,165	402,165	405,208
Assigned				145,819	113,023	4,815,652	4,589,524	7,162,793	2,226,867	2,224,367
Total other governmental funds	<u>500,733</u>	<u>565,736</u>	<u>451,606</u>	<u>550,556</u>	<u>515,083</u>	<u>5,217,777</u>	<u>4,991,690</u>	<u>7,564,958</u>	<u>2,629,032</u>	<u>2,629,575</u>
TOTAL ALL FUNDS	<u>\$ 106,523,547</u>	<u>\$ 106,125,009</u>	<u>\$ 124,811,739</u>	<u>\$ 110,056,056</u>	<u>\$ 113,730,998</u>	<u>\$ 133,263,781</u>	<u>\$ 146,605,851</u>	<u>\$ 162,293,487</u>	<u>\$ 159,649,818</u>	<u>\$ 155,054,310</u>

Note: 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES:										
Taxes	\$ 291,178,837	\$ 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
Local nontax revenue	3,298,412	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
Federal and state grants and subsidies	310,462,249	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
Investment earnings	4,973,882	2,483,855	976,068	769,117	563,967	599,483	730,103	999,250	974,411	2,064,048
Total revenues	<u>609,913,380</u>	<u>610,826,784</u>	<u>624,660,382</u>	<u>631,342,133</u>	<u>613,938,784</u>	<u>624,318,603</u>	<u>631,030,793</u>	<u>639,186,733</u>	<u>664,723,037</u>	<u>674,174,892</u>
EXPENDITURES:										
Instruction	337,069,804	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
Support service instruction	48,260,865	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
Administration and business	58,659,072	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
Pupil health	6,319,601	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
Operation and maintenance	53,350,551	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
Transportation	40,410,946	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
Operation of noninstructional services	7,786,860	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
Facilities — capital outlay	33,785,391	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
Facilities — noncapital outlay	1,778,179	6,036,703	1,504,316	880,021	(477,942)	(32,332)	(639,763)	1,300,750	(8,593,381)	(962,297)
Debt service principal and interest:										
Principal	37,088,505	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
Interest	23,621,598	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
Charter schools ¹										
Other charges	3,342,782	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
Total expenditures	<u>651,474,154</u>	<u>656,609,061</u>	<u>655,449,343</u>	<u>648,676,128</u>	<u>617,267,635</u>	<u>616,592,813</u>	<u>633,236,704</u>	<u>638,642,305</u>	<u>703,232,434</u>	<u>703,545,884</u>
EXCESS OF REVENUES OVER/ UNDER EXPENDITURES	<u>(41,560,774)</u>	<u>(45,782,277)</u>	<u>(30,788,961)</u>	<u>(17,333,995)</u>	<u>(3,328,851)</u>	<u>7,725,790</u>	<u>(2,205,911)</u>	<u>544,428</u>	<u>(38,509,397)</u>	<u>(29,370,992)</u>
OTHER FINANCING SOURCES (USES):										
Issuance of general obligation bonds	29,050,000	42,535,000	49,070,000		5,000,000		9,995,000	21,215,000	20,590,000	24,000,000
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	389,851	2,094,295	5,287,951	(21,483)	9,944,668		378,833	1,164,174	1,226,239	1,626,539
Issuance of refunding bonds							36,740,000	25,750,000		8,710,000
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	4,954,942			2,173,989	4,509,890	2,324,301	6,926,213	365,700	13,802,396	
Sale of or compensation for capital assets	1,263,651	1,270,639	51,619	634,240	774,188	11,482,942	1,577,107	248,290	1,406,754	379,011
Transfers in	22,623,705	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
Transfers out	(21,671,159)	(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)
Total other financing sources	<u>36,610,990</u>	<u>45,757,670</u>	<u>49,475,691</u>	<u>2,578,312</u>	<u>7,003,793</u>	<u>11,806,993</u>	<u>15,547,981</u>	<u>15,143,208</u>	<u>35,865,727</u>	<u>24,775,484</u>
NET CHANGE IN FUND BALANCES	<u>\$ (4,949,784)</u>	<u>\$ (24,607)</u>	<u>\$ 18,686,730</u>	<u>\$ (14,755,683)</u>	<u>\$ 3,674,942</u>	<u>\$ 19,532,783</u>	<u>\$ 13,342,070</u>	<u>\$ 15,687,636</u>	<u>\$ (2,643,670)</u>	<u>\$ (4,595,508)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>9.83 %</u>	<u>9.52 %</u>	<u>9.51 %</u>	<u>9.50 %</u>	<u>9.70 %</u>	<u>10.49 %</u>	<u>9.12 %</u>	<u>8.95 %</u>	<u>7.64 %</u>	<u>6.81 %</u>

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

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

Fiscal Year	Real Estate Tax	Real Estate Transfer Tax	Earned Income Tax	Mercantile Tax	Public Utility Realty Tax	Total
2008	\$ 192,508,265	\$ 8,548,515	\$ 97,449,958	\$ 12,426	\$ 380,376	\$ 298,899,540
2009 ¹	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	318,028,936

¹ Decrease reflects new state property tax reduction allocation program. Revenue now recorded as state grants.

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

Fiscal Year	Real Estate Tax	Earned Income Tax	Mercantile Tax ¹	Real Estate Transfer Tax	Public Utility Realty Tax	Total
2008	\$ 177,550,700	\$ 97,449,958	\$ 12,426	\$ 8,548,515	\$ 380,376	\$ 283,941,975
2009 ²	163,984,723	94,278,868	5,392	6,122,673	399,091	264,790,747
2010 ²	161,280,364	96,580,035	4,321	7,055,089	379,159	265,298,968
2011 ²	164,344,120	103,534,131	631	8,966,674	370,906	277,216,462
2012 ²	167,247,855	101,468,207		7,706,910	378,740	276,801,712
2013 ²	154,799,838	110,783,535	2,965	10,904,489	351,339	276,842,166
2014 ²	158,148,304	115,024,230	206	10,096,291	350,037	283,619,068
2015 ²	162,960,019	119,456,080	30	11,191,257	329,609	293,936,995
2016 ²	165,114,071	123,353,005		13,965,575	329,770	302,762,421
2017 ²	168,884,866	128,687,036		14,915,327	311,479	312,798,708

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

² Decrease reflects new state property tax reduction allocation program.

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY* LAST TEN FISCAL YEARS (Amount in Thousands)

Fiscal Year	City of Pittsburgh and Mt. Oliver Borough (Values Assessed in Thousands)					Estimated Actual Taxable Value	Total ² Assessed Value to Total Estimated Actual Value	Total Average Direct Rate
	Assessed ¹ Value Residential	Assessed ¹ Value Commercial	Total Assessed ¹ Value	Less Tax-Exempt ¹ Real Property	Total Taxable Assessed Value			
2008	\$ 7,302,960	\$ 13,792,448	\$ 21,095,408	\$ 7,826,233	\$ 13,269,175	\$ 15,164,771	0.875	13.92
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	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

*Figures in U.S. dollars

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

² Pennsylvania State Tax Equalization Board (www.steb.state.pa.us) and Pennsylvania Department of Revenue Common Level Ratio.

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

Fiscal Year	School District of Pittsburgh Millage	Overlapping Rates		Allegheny County Millage	Total Direct Tax Rate ⁽¹⁾	
		City of Pittsburgh Millage	Mt. Oliver Borough Millage		Total Millage City Resident ⁽²⁾	Total Millage Mt. Oliver Resident ⁽³⁾
2008	13.920	10.800	13.500	4.690	29.410	32.110
2009	13.920	10.800	13.500	4.690	29.410	32.110
2010	13.920	10.800	13.500	4.690	29.410	32.110
2011	13.920	10.800	13.500	4.690	29.410	32.110
2012	13.920	10.800	13.500	5.690	30.410	33.110
2013 ⁽⁴⁾	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

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

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

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

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

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

The basis for the property tax rates is per each \$1,000 of assessed valuation.

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL PROPERTY TAXPAYERS 2017 AND NINE YEARS AGO

Taxpayer	2017			2008		
	(1) Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
PNC	\$ 428,767,800	1	2.18 %	\$ 167,130,300	4	1.26 %
500 Grant Street Associates/Mellon Bank	318,444,600	2	1.62	445,192,400	1	3.36
Holdings Acquisition Co LP	248,136,300	3	1.26			
Buncher Company	241,527,500	4	1.23	196,429,400	2	1.48
600 GS Prop LP	233,211,300	5	1.19	160,000,000	5	1.21
HRLP Fourth Avenue LLC	179,400,000	6	0.91			
Pittsburgh CBD LLC	132,075,350	7	0.67			
IX Liberty Center Owner LP	120,000,000	8	0.61			
Liberty Avenue Holdings LLC	79,000,000	9	0.40	49,210,000	8	0.37
North Shore Developers	78,000,000	10	0.40			
Oxford Development				115,000,000	6	0.87
Market Assoc. Limited				185,000,000	3	1.39
Grant Liberty Dev. Group				110,000,000	7	0.83
Hertz Gateway Center LP				45,700,000	9	0.34
Harrahs Forest City Assoc.				39,036,900	10	0.29
	<u>\$ 2,058,562,850</u>			<u>\$ 1,512,699,000</u>		
Total taxable assessed value	<u>\$ 19,641,862,000</u>			<u>\$ 13,269,175,000</u>		

(1) Allegheny County performed reassessments of all real property for 2013 tax year.

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) ¹	Adjusted Levy ²	Collected within the Fiscal Year of the Levy Amount	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date	
						Amount	Percentage of Levy
2008	\$ 12,978	\$ 180,648,220	\$ 171,075,386	94.70	\$ 7,087,968	\$ 178,163,354	98.59
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	96.04
2017	17,287.8	170,112,154	163,630,093	96.19		163,630,093	96.19

¹ Original taxable valuation plus adjustments less exonerations and refunds

² 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 ⁽²⁾ of Property	Total Outstanding Debt Per Capita	(Net) General Bonded Debt Per Capita	Total Outstanding Debt as a Percentage of Personal Income ⁽³⁾
	(Net) General Obligation Bonds ⁽¹⁾	Capital Leases					
2008	\$ 474,549,063	\$ 6,469,776	\$ 481,018,839	3.13	\$ 1,420.89	\$ 1,401.78	0.19
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

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

⁽²⁾ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 101 for property value data.

⁽³⁾ See the Schedule of Demographic and Economic Statistics on page 109 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
2008	\$37,088,505	\$23,621,598	\$60,710,103	\$651,474,153	9.33
2009	34,845,747	23,668,629	58,514,376	656,609,061	8.91
2010	34,364,158	24,261,943	58,626,101	655,449,343	8.94
2011	37,065,703	22,027,296	59,092,999	648,676,128	9.11
2012	36,762,657	21,242,131	58,004,788	617,267,635	9.40
2013	42,497,321	20,542,129	63,039,450	616,592,813	10.22
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	6.51

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

DIRECT AND OVERLAPPING DEBT OF GOVERNMENTAL DEBT AS OF DECEMBER 31, 2017

Jurisdiction	Net Debt Outstanding	Percentage Applicable to School District	Amount Applicable to School District
DIRECT DEBT — School district of Pittsburgh:			
General obligation bonds	\$ 290,206,300	100 %	\$ 290,206,299
Notes	14,875,882	100	14,875,883
Premium and discount	17,147,820	100	17,147,820
Capital leases	<u>10,969,739</u>	100	<u>10,969,739</u>
Total direct debt	<u>333,199,741</u>		<u>333,199,741</u>
OVERLAPPING DEBT:			
Allegheny County ⁽²⁾	\$ 885,681,000	25 %	\$ 221,420,250
City of Pittsburgh:			
City	423,453,000	100	423,453,000
Auditorium authority ⁽¹⁾	123,000	50	61,500
Parking authority	<u>57,387,000</u>	100	<u>57,387,000</u>
Total overlapping debt	<u>1,366,644,000</u>		<u>702,321,750</u>
TOTAL DEBT AND OVERLAPPING DEBT	<u>\$ 1,699,843,741</u>		<u>\$ 1,035,521,491</u>

Source: City of Pittsburgh, Department of Finance

⁽¹⁾ Based on contractual agreements.

⁽²⁾ Percentage of the City's residential population of the county.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 1,112,485,535	\$ 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
Total net debt applicable to limit	<u>467,600,441</u>	<u>474,754,695</u>	<u>487,810,536</u>	<u>458,136,373</u>	<u>424,534,720</u>	<u>389,270,723</u>	<u>371,490,764</u>	<u>352,548,466</u>	<u>344,719,082</u>	<u>333,199,741</u>
Legal debt margin	<u>\$ 644,885,094</u>	<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>
Total net debt applicable to the limit as a percentage to debt limit	<u>42.03 %</u>	<u>41.90 %</u>	<u>42.78 %</u>	<u>40.12 %</u>	<u>36.75 %</u>	<u>33.54 %</u>	<u>30.83 %</u>	<u>30.12 %</u>	<u>28.86 %</u>	<u>27.15 %</u>

Legal Debt Margin Calculation for Fiscal Year 2016

	2014	2015	2016	Total
Total general funds	\$ 535,949,482	\$ 546,608,337	\$ 564,625,791	\$ 1,647,183,610
Less required deduction rental and sinking fund reimbursement	<u>(6,222,087)</u>	<u>(348,950)</u>	<u>(4,487,691)</u>	<u>(11,058,728)</u>
Total net general fund revenues	<u>\$ 529,727,395</u>	<u>\$ 546,259,387</u>	<u>\$ 560,138,100</u>	<u>\$ 1,636,124,882</u>
Average of three years				<u>\$ 545,374,961</u>
Multiply by 225% ⁽¹⁾				<u>225 %</u>
Debt limit				\$ 1,227,093,661
Less total net debt applicable to limit				<u>333,199,741</u>
Legal debt margin				<u>\$ 1,560,293,402</u>

⁽¹⁾ 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 Income¹	Per Capita Personal Income²	Median Age	School Enrollment³	Unemployment Rate⁴
2008	338,533	\$ 91,100,723	\$ 38,550	39.2	28,436	6.00
2009	338,533	97,006,591	41,206	36.6	27,922	8.00
2010	309,107	99,171,917	42,104	36.6	27,132	8.00
2011	309,107	99,610,767	42,298	35.0	26,652	6.60
2012	309,107	100,655,536	42,688	33.2	26,463	6.70
2013	309,107	112,990,235	47,862	33.2	25,906	6.20
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

Sources:

¹ Bureau of Economic Analysis — two-year lag

² U.S. Bureau of Economic Analysis — two-year lag

³ Includes Pre-K Students

⁴ U.S. Department of Labor, Bureau of Labor Statistics

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL EMPLOYERS, PITTSBURGH METROPOLITAN STATISTICAL AREA 2017 AND NINE YEARS AGO

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment *	Employees	Rank	Percentage of Total City Employment *
University of Pittsburgh Medical Center	46,480	1	14.90 %	36,953	1	14.01 %
Highmark Health	20,497	2	6.57 %			
U.S. Government	18,199	3	5.84	18,600	2	7.05
Commonwealth of Pennsylvania	16,580	4	5.32	16,200	3	6.14
University of Pittsburgh	12,047	5	3.86	10,975	5	4.16
PNC Financial Services Group, Inc.	11,953	6	3.83	7,423	8	2.82
Giant Eagle Inc	9,902	7	3.18	8,347	7	3.17
Wal-Mart Stores	9,000	8	2.89	10,011	6	3.80
Allegheny County	7,044	9	2.26	7,224	9	2.74
BNY Mellon	7,000	10	2.24	6,550	10	2.48
West Penn Allegheny Health System				11,658	4	4.42

Sources:

Pittsburgh Business Times 2017-2018 Book of Lists
Pittsburgh Business Times 2009 Book of Lists
City of Pittsburgh CAFR

* Total City Employment reflects only people making more than \$12,000 annually.
Starting in 2008, Local Service Tax was not collected for individuals making less than \$12,000 annually.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STUDENT MEMBERSHIP LAST TEN YEARS

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Elementary school [#]	14,667	12,268	12,081	11,828	11,906	11,815	11,562	11,485	11,243	12,097
Middle school	3,658	5,674	5,555	5,654	5,466	5,439	5,224	5,066	4,944	2,027
Secondary school	7,777	7,617	7,166	7,054	6,912	6,652	6,736	6,575	6,538	7,759
Special education	547	564	524	495	565	619	581	513	561	479
Pre-K/Headstart	<u>1,787</u>	<u>1,799</u>	<u>1,806</u>	<u>1,621</u>	<u>1,614</u>	<u>1,381</u>	<u>1,401</u>	<u>1,364</u>	<u>1,366</u>	<u>1,349</u>
Total	<u>28,436</u>	<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>

[#] 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 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of schools:										
Elementary	39	39	38	38	34	34	34	34	34	34
Junior/middle	11	9	7	7	7	7	7	7	7	7
Senior	12	14	14	11	9	9	10	10	10	10
Special	4	4	4	4	3	3	3	3	3	3
Total public schools	66	66	63	60	53	53	54	54	54	54
Number of charter schools ⁽¹⁾	24	24	25	26	26	26	32	33	34	36
Total	<u>90</u>	<u>90</u>	<u>88</u>	<u>86</u>	<u>79</u>	<u>79</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>90</u>
School enrollment:										
Elementary	14,667	12,268	12,081	11,828	11,906	11,815	11,562	11,485	11,243	12,097
Junior/middle	3,658	5,674	5,555	5,654	5,466	5,439	5,224	5,066	4,944	2,027
Senior/special/vocational	7,777	7,617	7,166	7,054	6,912	6,652	6,736	6,575	6,538	7,759
Special	547	564	524	495	565	619	581	513	561	479
Pre-K	1,787	1,799	1,806	1,621	1,614	1,381	1,401	1,364	1,366	1,349
Total public schools	28,436	27,922	27,132	26,652	26,463	25,906	25,504	25,003	24,652	23,711
Charter schools	2,467	2,945	3,117	2,971	3,306	3,498	3,737	3,840	3,957	4,080
Total	<u>30,903</u>	<u>30,867</u>	<u>30,249</u>	<u>29,623</u>	<u>29,769</u>	<u>29,404</u>	<u>29,241</u>	<u>28,843</u>	<u>28,609</u>	<u>27,791</u>
Number of public high school graduates	1,818	1,676	1,726	1,553	1,588	1,571	1,511	1,336	1,525	1,446
Number of high school/charter graduates ⁽²⁾	245	264	297	285	310	348	407	307	331	274
Total number of high school graduates	<u>2,063</u>	<u>1,940</u>	<u>2,023</u>	<u>1,838</u>	<u>1,898</u>	<u>1,919</u>	<u>1,918</u>	<u>1,643</u>	<u>1,856</u>	<u>1,720</u>

⁽¹⁾ Includes all charter and cyber charter schools attended by Pittsburgh students.

⁽²⁾ As reported to School District of Pittsburgh, Finance Division, by charter and cyber charter schools.

Source: School District of Pittsburgh, Finance Division, Office of Technology

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STUDENT OPERATING STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Operating Expenses ¹	Enrollment *	Cost Per Pupil	Percentage Change	Expenses ²	Cost Per Pupil	Change	Teaching Staff *	Pupil Teacher Ratio	Student Attendance % *
2008	\$ 555,200,481	28,436	19,525	5.45	\$ 613,949,726	21,591	4.84	2,303	12	90.90
2009	549,868,483	27,922	19,693	0.86	625,067,159	22,484	3.60	2,315	12	91.10
2010	561,258,073	27,132	20,686	5.04	630,123,564	23,224	3.74	2,259	12	91.70
2011	564,411,811	26,652	21,177	2.37	622,967,632	23,374	0.64	2,196	12	93.10
2012	544,871,394	26,463	20,590	(2.77)	621,796,417	23,497	0.52	1,901	14	92.20
2013	537,973,022	25,906	20,766	0.86	597,622,869	23,179	(1.35)	1,942	13	92.80
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	12.04	698,848,110	28,349	1.38	1,992	12	91.80
2017	629,345,916	23,711	27,357	8.88	683,907,364	28,843	1.75	2,048	12	91.90

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

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

² Based on government-wide financial reports

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

TOTAL NUMBER OF EMPLOYEES LAST TEN YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration:										
Officials, administrators, and managers	87	106	108	93	101	102	113	119	119	130
Legal services	2	2	2	2	2	1	1	1	1	1
Clerical and other nonprofessionals	<u>661</u>	<u>652</u>	<u>585</u>	<u>561</u>	<u>562</u>	<u>549</u>	<u>516</u>	<u>530</u>	<u>534</u>	<u>552</u>
Total administration	750	760	695	656	665	652	630	650	654	683
Instruction:										
Principals	72	73	73	77	62	66	62	65	63	58
Supervisors and assistant principals	50	40	34	25	23	19	29	29	29	41
Teachers	2,303	2,315	2,166	2,196	1,896	1,942	1,929	1,962	1,992	2,048
Librarians	48	45	40	35	24	20	23	22	20	29
Professionals and support staff	<u>651</u>	<u>688</u>	<u>599</u>	<u>522</u>	<u>423</u>	<u>413</u>	<u>385</u>	<u>375</u>	<u>392</u>	<u>380</u>
Total instruction	3,124	3,161	2,912	2,855	2,428	2,460	2,428	2,453	2,496	2,556
Pupil affairs:										
Directors and coordinators	8	1	1	1						
Attendance personnel	53	53	51	47	38	40	40	43	39	42
Guidance and psychological personnel	<u>150</u>	<u>147</u>	<u>138</u>	<u>126</u>	<u>121</u>	<u>121</u>	<u>113</u>	<u>112</u>	<u>132</u>	<u>136</u>
Total pupil affairs	211	201	190	174	159	161	153	155	171	178
Health Services:										
Nurses and health worker	35	37	35	40	39	41	41	42	42	62
Dentist and hygienists	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>
Total health services	38	40	38	43	42	44	44	45	45	64
Operation and maintenance:										
Supervisors	13	14	13	12	11	11	11	10	11	11
Operation and maintenance	<u>374</u>	<u>375</u>	<u>367</u>	<u>347</u>	<u>338</u>	<u>329</u>	<u>330</u>	<u>333</u>	<u>347</u>	<u>335</u>
Total operation and maintenance	387	389	380	359	349	340	341	343	358	346
Food Service:										
Director	1	1	1		1	1	1	1	1	1
Salaried employees	<u>148</u>	<u>159</u>	<u>155</u>	<u>144</u>	<u>126</u>	<u>116</u>	<u>101</u>	<u>110</u>	<u>114</u>	<u>114</u>
Total food service	149	160	156	144	127	117	102	111	115	115
Total	4,659	4,711	4,371	4,231	3,770	3,774	3,698	3,757	3,839	3,942

Source: District PeopleSoft HR

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

Year	Minimum Salary ⁽¹⁾	Median Salary	Maximum Salary ⁽²⁾
2008	\$ 36,570	\$ 57,935	\$ 79,300
2009	37,120	59,260	81,400
2010	37,620	60,260	82,900
2011	38,120	61,260	84,400
2012	38,620	62,260	85,900
2013	39,120	63,260	87,400
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

⁽¹⁾ The minimum salary represents the minimum amount a District teacher with a bachelor's degree may earn for regular classroom instruction during the school year according to the Pittsburgh Federation of Teachers contract. The minimum starting wage has five different levels dependent on level of education attained:

- Level 1: Bachelor's Degree
- Level 2: Master's Degree
- Level 3: Master's Degree + 30 Credits
- Level 4: Master's Degree + 60 Credits
- Level 5: Earned Doctorate

⁽²⁾ The maximum salary represents the maximum amount a District teacher with a doctoral degree may earn for regular classroom instruction during the school year according to the salary schedule dependent on educational attainment and years of service. The maximum salary for each level (Level 1 through Level 5) is reached in 11 years. The majority of teachers receive the maximum salary due to the 11-year minimum needed to reach the highest pay scale dependent on years of service only. Maximum salary excludes pension and hospitalization benefits.

Source: School District of Pittsburgh, Human Resource Department

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

BUILDING FUNCTIONAL SQUARE FOOTAGE AND CAPACITY

LAST TEN FISCAL YEARS

Instruction and instruction student support:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary:										
Total schools	39	39	38	38	34	34	34	34	34	34
Total square footage	2,832,147	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
Enrollment	14,667	12,268	12,081	11,828	11,906	11,815	11,562	11,485	11,243	12,097
Functional capacity ¹	19,541	19,801	19,374	20,727	20,185	20,185	20,713	20,713	20,713	20,713
Percentage of capacity used	75 %	62 %	62 %	57 %	59 %	59 %	59 %	55 %	54 %	58 %
Middle:										
Total schools	10	9	7	7	7	7	7	7	7	7
Total square footage	758,565	557,300	868,508	868,508	768,525	768,525	768,525	768,525	768,525	768,525
Enrollment	3,658	5,674	5,555	5,654	5,466	5,439	5,224	5,066	4,944	2,027
Functional capacity ¹	4,866	3,783	3,333	3,924	3,992	3,992	3,992	3,992	3,992	3,992
Percentage of capacity used	75 %	150 %	167 %	144 %	137 %	136 %	131 %	127 %	124 %	51 %
Secondary:										
Total schools	12	14	14	11	9	10	11	11	10	10
Total square footage	2,928,974	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
Enrollment	7,777	7,617	7,166	7,054	6,912	6,652	6,736	6,575	6,538	7,759
Functional capacity ¹	12,391	13,765	13,934	15,017	11,536	11,536	12,227	12,659	12,659	12,659
Percentage of capacity used	63 %	55 %	51 %	47 %	60 %	58 %	55 %	52 %	52 %	61 %
Special:										
Total schools	4	4	4	4	3	3	5	5	5	4
Total square footage	313,960	313,960	400,499	400,499	436,754	436,754	436,754	436,754	436,754	436,754
Enrollment	547	564	524	495	565	619	581	513	561	479
Functional capacity ¹	576	576	576	518	746	746	746	1,224	1,224	1,224
Percentage of capacity used	95 %	98 %	91 %	96 %	76 %	83 %	78 %	42 %	46 %	39 %
Pre-K and headstart:										
Enrollment	1,787	1,799	1,806	1,621	1,614	1,381	1,401	1,364	1,366	1,349
Functional capacity ¹	940	940	940	1,085	914	914	914	914	914	914
Percentage of capacity used	190 %	191 %	192 %	149 %	177 %	151 %	153 %	149 %	149 %	148 %
Administrative and financial support service:										
Total buildings	3	3	2	2	1	1	1	1	1	1
Total square footage	390,600	390,600	156,778	156,778	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	70	71	67	64	56	57	60	60	59	58
Total square footage	7,382,046	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
Enrollment	28,436	27,922	27,132	26,652	26,463	25,906	25,504	25,003	24,652	23,711
Functional capacity ¹	38,314	38,865	38,157	41,271	37,373	37,373	38,052	39,502	39,502	39,502
Percentage of capacity used	74 %	72 %	71 %	65 %	71 %	69 %	67 %	63 %	62 %	60 %

¹Functional 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

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2017

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Refunding Series 2002A	6/1/2002	\$ 78,830,000	\$ 7,405,000	\$7,405,000 in 2018	5.50 %	\$ 407,275	\$ 7,405,000
General Obligation Bonds, Refunding Series A of 2009	10/27/2009	\$ 28,570,000	\$ 5,620,000	\$3,195,000 in 2018 \$2,425,000 in 2019	5.00 % 4.00 %	\$ 256,750	\$ 3,195,000
General Obligation Bonds, Refunding Series A of 2010	11/18/2010	\$ 30,975,000	\$ 20,330,000	\$3,965,000 in 2018 \$3,890,000 in 2019 \$4,080,000 in 2020 \$4,360,000 in 2021 \$4,035,000 in 2022	4.00 % 5.00 % 5.00 % 5.00 % 5.00 %	\$ 976,850	\$ 3,965,000
General Obligation Bonds, Refunding Series B of 2010	11/18/2010	\$ 6,660,000	\$ 1,740,000	\$1,740,000 in 2018	5.00 %	\$ 87,000	\$ 1,740,000

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2017

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series C of 2010	11/18/2010	\$ 6,000,000	\$ 4,390,000	\$275,000 in 2018	2.50 %	\$ 154,764	\$ 275,000
				\$285,000 in 2019	2.70 %		
				\$290,000 in 2020	3.00 %		
				\$300,000 in 2021	3.10 %		
				\$310,000 in 2022	3.25 %		
				\$320,000 in 2023	3.63 %		
				\$330,000 in 2024	3.63 %		
				\$345,000 in 2025	3.63 %		
				\$360,000 in 2026	3.63 %		
				\$370,000 in 2027	4.00 %		
				\$385,000 in 2028	4.00 %		
				\$400,000 in 2029	4.00 %		
				\$420,000 in 2030	4.00 %		
General Obligation Bonds, Refunding Series A of 2012	4/10/2012	\$71,130,000	\$ 49,625,000	\$7,985,000 in 2018	4.00 %	\$ 2,149,450	\$ 7,985,000
				\$14,095,000 in 2019	4.00 %		
				\$11,100,000 in 2020	4.00 %		
				\$7,145,000 in 2021	5.00 %		
				\$2,975,000 in 2022	5.00 %		
				\$3,130,000 in 2023	5.00 %		
				\$3,195,000 in 2024	5.00 %		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2017

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series B of 2012	4/10/2012	\$ 5,000,000	\$ 2,745,000	\$505,000 in 2018	4.00 %	\$ 109,800	\$ 505,000
				\$525,000 in 2019	4.00 %		
				\$550,000 in 2020	4.00 %		
				\$570,000 in 2021	4.00 %		
				\$595,000 in 2022	4.00 %		
General Obligation Bonds, Refunding Series A of 2014	7/10/2014	\$10,070,000	\$ 8,350,000	\$0 in 2018	0.00 %	\$ 417,500	
				\$0 in 2019	0.00 %		
				\$0 in 2020	0.00 %		
				\$0 in 2021	0.00 %		
				\$1,190,000 in 2022	5.00 %		
				\$2,350,000 in 2023	5.00 %		
				\$2,105,000 in 2024	5.00 %		
				\$2,705,000 in 2025	5.00 %		
General Obligation Bonds, Refunding Series B of 2014	7/10/2014	\$26,670,000	\$ 26,005,000	\$2,775,000 in 2018	4.00 %	\$ 987,600	\$ 2,775,000
				\$2,885,000 in 2019	4.00 %		
				\$3,005,000 in 2020	4.00 %		
				\$3,120,000 in 2021	5.00 %		
				\$3,355,000 in 2022	5.00 %		
				\$3,520,000 in 2023	2.75 %		
				\$3,620,000 in 2024	3.00 %		
				\$3,725,000 in 2025	3.00 %		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2017

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series C of 2014	11/6/2014	\$ 9,995,000	\$ 8,850,000	\$375,000 in 2018	5.00 %	\$ 328,235	\$ 375,000
				\$390,000 in 2019	5.00 %		
				\$410,000 in 2020	5.00 %		
				\$430,000 in 2021	5.00 %		
				\$450,000 in 2022	5.00 %		
				\$475,000 in 2023	3.00 %		
				\$490,000 in 2024	3.00 %		
				\$505,000 in 2025	3.00 %		
				\$520,000 in 2026	3.00 %		
				\$535,000 in 2027	3.15 %		
				\$550,000 in 2028	3.20 %		
				\$570,000 in 2029	3.30 %		
				\$585,000 in 2030	3.45 %		
				\$610,000 in 2031	3.60 %		
				\$630,000 in 2032	3.60 %		
\$650,000 in 2033	3.60 %						
\$675,000 in 2033	3.60 %						
General Obligation Bonds, Refunding Series A of 2015	3/10/2015	\$ 25,750,000	\$ 25,740,000	\$1,925,000 in 2018	3.00 %	\$ 1,113,850	\$ 1,925,000
				\$2,020,000 in 2019	4.00 %		
				\$2,105,000 in 2020	5.00 %		
				\$2,210,000 in 2021	5.00 %		
				\$2,320,000 in 2022	5.00 %		
				\$2,440,000 in 2023	5.00 %		
				\$2,560,000 in 2024	5.00 %		
				\$2,690,000 in 2025	4.00 %		
				\$6,185,000 in 2026	4.00 %		
				\$1,285,000 in 2027	3.00 %		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2017

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Refunding Series B of 2015	12/9/2015	\$ 21,215,000	\$ 20,265,000	\$780,000 in 2018	4.00 %	\$ 750,938	\$ 780,000
				\$810,000 in 2019	5.00 %		
				\$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, 2017

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series B of 2016	12/28/2016	\$ 20,590,000	\$ 20,490,000	\$500,000 in 2018	4.00 %	\$ 898,150	\$ 500,000
				\$735,000 in 2019	4.00 %		
				\$765,000 in 2020	4.00 %		
				\$800,000 in 2021	5.00 %		
				\$840,000 in 2022	5.00 %		
				\$890,000 in 2023	5.00 %		
				\$940,000 in 2024	5.00 %		
				\$1,000,000 in 2025	5.00 %		
				\$1,020,000 in 2026	5.00 %		
				\$1,070,000 in 2027	4.00 %		
				\$1,110,000 in 2028	4.00 %		
				\$1,155,000 in 2029	5.00 %		
				\$1,210,000 in 2030	5.00 %		
				\$1,275,000 in 2031	4.00 %		
				\$1,325,000 in 2032	4.00 %		
				\$1,380,000 in 2033	4.00 %		
				\$1,435,000 in 2034	4.00 %		
\$1,490,000 in 2035	4.00 %						
\$1,550,000 in 2036	4.00 %						
General Obligation Bonds Series of 2017 Refunding	7/25/2017	\$ 8,710,000	\$ 8,710,000	\$5,000 in 2018	1.00 %	\$ 34,902	\$ 5,000
				\$5,000 in 2019	1.00 %		
				\$645,000 in 2020	4.00%		
				\$2,615,000 in 2021	4.00%		
				\$2,710,000 in 2022	4.00%		
				\$2,730,000 in 2023	4.00%		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2017

	Date of Issue	Amount Sold Serial Bonds	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series B of 2017	11/14/2017	\$ 24,000,000	\$ 24,000,000	\$0 in 2018	5.00 %	\$ 632,581	
				\$300,000 in 2019	5.00 %		
				\$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 %		
Total General Obligation Bonds			<u>\$ 234,265,000</u>			<u>\$ 9,619,715</u>	<u>\$ 31,430,000</u>

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2017

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
Taxable General Obligation Bonds							
Qualified Zone Academy Bonds, Series of 2006	11/21/2006	\$ 5,608,000	\$ 1,886,300	\$366,990 in 2018 \$372,055 in 2019 \$377,189 in 2020 \$382,394 in 2021 \$387,672 in 2022	1.38 % 1.38 % 1.38 % 1.38 % 1.38 %	\$ 26,031	\$ 366,990
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, 2017

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
Qualified School Construction Bonds, Series D of 2010	12/7/2010	\$19,520,000	\$ 11,520,000	\$960,000 in 2018 \$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 % 6.85 %	\$ 1,227,520	\$ 960,000
Total Taxable General Obligation Bonds			<u>\$ 55,941,300</u>			<u>\$ 3,658,643</u>	<u>\$ 1,326,990</u>

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2017

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Notes							
Qualified School Construction Bonds, Series A of 2010 (SPSBA)	12/14/2010	\$ 9,578,000	\$ 6,048,706	\$549,882 in 2018	6.50 %	\$ 622,091	\$ 549,882
				\$549,882 in 2019	6.50 %		
				\$549,882 in 2020	6.50 %		
				\$549,882 in 2021	6.50 %		
				\$549,882 in 2022	6.50 %		
				\$549,882 in 2023	6.50 %		
				\$549,882 in 2024	6.50 %		
				\$549,882 in 2025	6.50 %		
				\$549,882 in 2026	6.50 %		
				\$549,882 in 2027	6.50 %		
				\$549,886 in 2028	6.50 %		

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2017

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2018 Maximum Debt Service Requirements	
						Interest	Principal
Qualified Zone Academy Bonds, Series B of 2010 (SPSBA)	12/14/2010	\$13,972,000	\$ 8,827,176	\$802,471 in 2018	6.50 %	\$ 907,481	\$ 802,471
				\$802,471 in 2019	6.50 %		
				\$802,471 in 2020	6.50 %		
				\$802,471 in 2021	6.50 %		
				\$802,471 in 2022	6.50 %		
				\$802,471 in 2023	6.50 %		
				\$802,471 in 2024	6.50 %		
				\$802,471 in 2025	6.50 %		
				\$802,471 in 2026	6.50 %		
				\$802,471 in 2027	6.50 %		
				\$802,466 in 2028	6.50 %		
				Total General Obligation Notes			
Total General Obligation Bonds Payable			\$234,265,000			\$ 9,619,715	\$31,430,000
Total Taxable General Obligation Bonds			55,941,300			3,658,643	1,326,991
Total General Obligation Notes			<u>14,875,882</u>			<u>1,529,573</u>	<u>1,352,353</u>
Total outstanding			<u>\$305,082,182</u>			<u>\$14,807,931</u>	<u>\$34,109,344</u>

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**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, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated July 27, 2018.

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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Mahe Duessel

Pittsburgh, Pennsylvania
July 27, 2018


Expect great things.

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