

School District *of* Pittsburgh

PITTSBURGH, PENNSYLVANIA



Comprehensive Annual Financial Report

for the Fiscal Year Ended December 31, 2015

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, 2015



**Prepared by the
Finance Division**

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

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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INTRODUCTORY SECTION

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June 29, 2016

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 Lane, and Citizens of the School District of Pittsburgh:

A Comprehensive Annual Financial Report (CAFR) for the School District of Pittsburgh (the “District”) for the year ended December 31, 2015, 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, 2015, 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, 2015, are fairly presented in conformity with GAAP, in all material respects. The independent auditors’ report is presented as the first component of the financial section of this CAFR.

The District is required to undergo an annual single audit in conformity with provisions of the Federal Single Audit Act of 1996 and Title 2 U.S. *Code of Federal Regulations* 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 2015-16 membership included 25,003 students (Pre-K to 12) attending 54 schools. The projected enrollment for 2016-17 is 23,636 students (Pre-K to 12). The average age of the District's buildings is 76 years. The District offers programs for general education, special education, vocational education, and early childhood education.

In addition, 3,840 pupils residing in the city and boroughs attended 33 charter schools, including 10 approved by the District, 13 approved by other districts, and 10 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 2015 totaled \$57,031,902.

Although public education in Pittsburgh dates back to 1835, the consolidated District was founded in November 1911, as a result of an educational reform movement that combined the former ward schools into one system with standardized educational and business policies. Initially, the District was governed by an appointed School Board (the "Board") of 15 members, but since 1976 has been governed by a nine-member Board elected by districts, all of which are of substantially equal populations. Board elections are held every two years. Four Board members were elected in 2011 with terms of office expiring in December 2015, while five Board members were elected in 2013 with terms of office expiring in December 2017. Board members serve without pay.

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

Pursuant to the School Code, the elected Controller of the City of Pittsburgh serves as the School Controller, providing internal auditing services, while the appointed Treasurer of the City of Pittsburgh serves as the School Treasurer, providing tax collection services for current real estate taxes. Jordan Tax Collection Services collect delinquent real estate taxes and earned income taxes.

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

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

The District's mission statement reads that:

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

The District's declaration of beliefs is as follows:

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

We have four primary goals at Pittsburgh Public Schools:

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

Major Initiatives

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

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

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

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

As part of our *Whole Child, Whole Community* plan the District identified the need to explore options for newly themed magnets and create equitable pathways for students in their areas of academic and career interest.

District Launches STEAM at Three Schools

District staff, students and community partners came together to launch **STEAM** in the District. Grants totaling nearly \$900,000, made possible by The Grable Foundation and the Fund for Excellence, will support the District's plan to develop a Science, Technology, Engineering, Arts and Mathematics (STEAM) K-12 pathway for children in the District schools. The plan opens up space at Pittsburgh Woolslair PreK-5 through a partial magnet, enhances Pittsburgh Lincoln PreK-5's Technology and Pre-Engineering program, phases in a STEAM emphasis at Pittsburgh Schiller 6-8, and begins the exploration of STEAM programming for Pittsburgh Perry High School. Three of the STEAM programs, Pittsburgh Lincoln, Schiller and Woolslair, are set to launch with the start of the 2015-16 school year. Teams from the schools and Central Office staff have been collaborating on the development of the STEAM plan.

Empowering Effective Teachers

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

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

In 2008, The Pittsburgh Promise® was launched as a collaborative effort between the city of Pittsburgh and Pittsburgh Public Schools to help students and their families plan, prepare, and pay for education after high school.

Just two years later, the District secured over \$80 million from local and national funders including the Bill & Melinda Gates Foundation, the Federal Teacher Incentive Fund, School Improvement Grants, the Heinz Endowments, the Pittsburgh Foundation, the Grable Foundation, the Buhl Foundation, and the Fund for Excellence. Recognizing teaching as the primary school-based factor in student outcomes, these funds were to support a collaboration between the District and the Pittsburgh Federation of Teachers (PFT) to empower effective teachers as leaders to do whatever it takes to prepare students to take advantage of the Pittsburgh Promise® and complete a post-secondary degree or workforce certification. This effort was inspired by examples of exceptional practice already happening in schools across the District.

Through this collective effort and guided by the Empowering Effective Teachers plan, PPS has been able to:

- **Recognize educators for their extraordinary contributions to student growth.** Through the Students and Teachers Achieving Results (STAR) program, the District has recognized the staff at 17 schools with a total of over \$4.4 million. PPS schools earn STAR status by being within the top 25% of Pennsylvania schools, rank-ordered for growth or for meeting approved student outcomes criteria (for special schools).
- **Provide teachers with robust feedback on their practice from multiple perspectives, including classroom observation, student learning and growth, and student feedback.** In 2008, fewer than 15% of PPS teachers strongly agreed with the statement that, "*Teacher evaluation in my building is rigorous and reveals what is true about teachers' practice.*" Today, the District has a more fair and rigorous system that provides a comprehensive view of effective teaching that teachers can use to improve their practice on behalf of students. Now, 73% of teachers indicate that as a result of the evaluation system they have become more reflective about their teaching (RAND 2015). In

recognition of the collective accountability across multiple role groups for student outcomes, the District is also implementing aligned growth and evaluation systems across school leaders, non-teaching professionals, and central office that each utilize multiple lenses of effectiveness, providing robust feedback for professional growth.

- **Create Career Ladder promotional opportunities for some of the District’s most effective teachers, allowing them to earn additional compensation while increasing learning for Pittsburgh students and their colleagues.** In 2011, 94 effective teachers began serving in the District’s first three Career Ladder roles. Due to the hard work and success of Career Ladder teachers over the past four years, the District opened 40 new Career Ladder positions for the 2015-16 school year. Now, about 150 effective PPS teachers are using leadership roles to expand their reach throughout the District and grow the practice of their peers, often without leaving the classroom.
- **Build a District culture that elevates and celebrates teaching and the teaching profession.** The District and the community are appreciating teaching in new ways, and many opportunities exist for teacher voice and empowerment. For the last two years PPS has celebrated an annual Teachers Matter Week, culminating with an evening event for teachers, District staff, and community members to celebrate teachers and the teaching profession and to recognize the distinguished teaching that is making a lasting, lifelong, positive impact on PPS students. Teachers are also supported and empowered to hold teacher-planned, teacher-led convenings in order to raise their voices about education and make positive changes in their schools. Over the last two years, a teacher-led group has also begun working to build capacity for teacher leadership in the District and Pittsburgh teachers were the first to adopt the national Elevating and Celebrating Effective Teaching and Teachers (ECET2) to a local school district and have since inspired teachers at more than 20 different school districts across the country to do the same.
- **Lay a solid foundation for continuing efforts to improve learning environments where teachers can teach and students can learn.** The District has now collected a wealth of actionable data on the teaching and learning conditions in each school, and has deployed teacher leaders to support their peers in practicing effective classroom management and fostering positive relationships with their students. In addition, students are being engaged to play an active role in helping to strengthen their school’s culture.
- **Provide educators easy, timely access to data to inform teaching and learning.** The District has developed a data warehouse and reporting platform, PPS Insight, which now houses 28 self-service reports that PPS staff may run for on-demand information at the District, school, teacher, and student level. It also houses over 21,000 pre-generated individual secure documents that staff can access for current and historical personal and school information.

Restorative Practices

In October 2014, the Pittsburgh Board of Education accepted a Comprehensive School Safety Initiative (CSSI) grant from the U.S. Department of Justice in the amount of \$3,021,407 to support a three-year program, *Pursuing Equitable Restorative Communities (PERC)*. PERC will measure the impact of restorative practices on school safety and climate.

The grant aimed at “Developing Knowledge About What Works to Make Schools Safe.” Motivated by the positive outcomes that restorative practices have demonstrated in changing the dynamic between student and

adults, the District announced 23 schools who will implement a restorative practice program starting with the 2015-2016 school year. The District believes exclusionary discipline has its place in school settings, but this practice alone does not improve school culture and disproportionately impacts students of color. Restorative practices builds community and provides a way to restore oneself to that community should misconduct take place. The process of restoration can significantly reduce the reoccurrence of misconduct. The District will use the restorative practices program titled **Safer Saner Schools**, provided by Internal Institute for Restorative Practices (IIRP). The District contracted with Whole-School Change (WSC), and the RAND Corporation, who will provide objective evaluation of the impact of the WSC program.

Update on District Progress

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

- The overall percentage of students scoring Proficient or Advanced in the Grades 3-8 PSSA Mathematics and Reading had been consistently increasing over time, with slight District declines in 2013 followed by improvements in 2014. However, in 2015, a more rigorous exam requiring deeper knowledge, stronger critical thinking skills, and different grade level expectations was given for the first time. In addition, in 2015 the Reading test was replaced with a more comprehensive English Language Arts exam. According to the State Department of Education, these new assessments are not comparable to earlier administrations and instead provide a new baseline for student performance. On the new 2015 PSSA assessments, 42.8% were Proficient or Advanced in English Language Arts and 25.6% of District students were Proficient or Advanced in Mathematics. The District is committed to improving this baseline level of performance in following years.
- In 2015, African-American students in the District showed the highest performance in Grade 3, with 37% of students Proficient or Advanced in English Language Arts and 22% proficient in Mathematics. Across Grades 3-8, the percentage of Proficient and Advanced African-American students was 30.9% in English Language Arts and 14.1% in Mathematics. These percentages are similar to proficiency rates for African-American students at the state level, with 33.7% in English Language Arts and 14.2% in Mathematics. Again, the District is committed to ongoing improvement in this baseline performance.
- Keystone Exams became the high school accountability measure in 2013, replacing the previous Grade 11 PSSA. In 2015, compared to 2014, there was an increase in the percentage of Grade 11 students demonstrating proficiency in Keystone Algebra 1, with 52.4% scoring Proficient or Advanced compared to 49.8% the previous year. There was a similar increase in student performance on the 2015 Keystone Literature exam, with 64.6% scoring Proficient or Advanced compared to 62.8% in 2014.
- In 2014-15, the percentage of seniors meeting the SAT or ACT College Readiness Benchmark increased from the previous year in 2 of 9 high schools, remained similar in four high schools, and decreased in 3 high schools.
- In 2015-16, 6 of 8 high schools showed declined student enrollment in AP courses. The number of AP exam course offerings increased or stayed the same in all schools offering AP and all these schools offer at least 4 AP courses. Obama Academy is an International Baccalaureate School and therefore does not offer AP. The amount of students taking 1 or more AP exams has increased by 30% since the 2014-2015 school year. The number of AP exams taken by African American students has increased by 35% since the 2014-2015 school year.
- More than 6,400 Promise Scholars have graduated from the District to date and enrolled in over 100 different colleges, universities, career and vocational training programs.
- Title 1 schools may be designated as Reward: High Achievement (Top 5% in State), Reward: High Progress (Top 5% Growth), Focus (Lowest 10% State), Priority (Lowest 5% State) or no designation based on 2015 Pennsylvania System of School Assessment (PSSA) and/or Keystone exam results.

One District school, Pittsburgh Allerdice has been designated *Reward-High Achievement*, and four schools were designated as *Reward-High Progress*: Pittsburgh Beechwood PreK-5, Pittsburgh Schiller 6-8, Pittsburgh Sterrett 6-8 and Pittsburgh Sunnyside PreK-8. Pittsburgh Schiller 6-8 was additionally named a National Title 1 Distinguished School by the Pennsylvania Department of Education, making it one of 100 schools nationally recognized for exceptional student achievement in 2015. Twenty-eight schools received no designation, meaning they are not in the top 5% nor the lowest 10%. Eleven schools received a *Focus* designation.

Job Situation¹

The Pittsburgh market area is a picture of stability entering 2016. Though overall hiring has slowed significantly since the early years of recovery from the recession, the unemployment rate for the market area is steady at just under 5 percent, with labor force growth having been renewed after sub-par results posted in 2013 and 2014. One drag on job creation prospects in the near term is an ongoing pullback in manufacturing (Chart 1). Weak natural resources industry demand and market share competition from low-price imports have forced job cuts among local manufacturers. But total employment faces little threat of outright declines. A healthy consumer base should keep spending trends intact under an umbrella of consumer confidence. Pittsburgh’s job market may not lead many nationwide, or even region-wide, economic metrics in the near term, but a steady, sustainable growth pace has become a hallmark of the market area’s economy and will provide local employers with a familiar environment in which to do business.

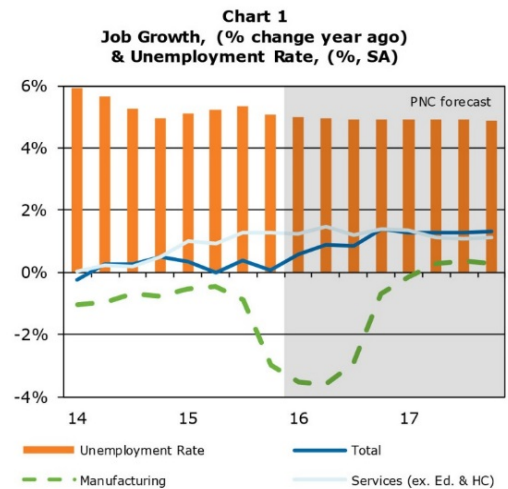


Chart sources: Bureau of Labor Statistics; The PNC Financial Services Group

Income

Pittsburgh will manage modest income gains throughout the coming year thanks to the inertia provided by a solid employment base. Although wage growth slowed over the past year, low gasoline and energy prices will support consumer spending in 2016. Median household income (Chart 2) is only slightly below the national average, but represents greater purchasing power thanks to the market areas 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.

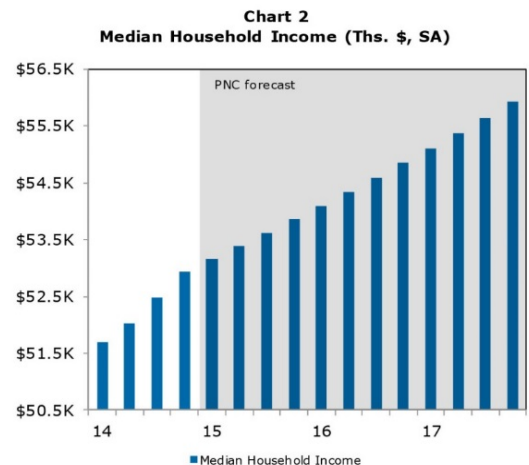


Chart sources: Bureau of Census; Moody’s Analytics; The PNC Financial Services Group

¹ Issued by the Economics Division, PNC Financial Services Group, 2nd Quarter 2016.

Housing

Pittsburgh’s housing market is advancing in lock-step with its overall pace of economic expansion. That is, price appreciation and home sales are stable and are unlikely to see much change over the coming year. Home values have been rising since 2009, and are now 17 percent above levels seen at the end of 2007. Steady job creation, high affordability, and no measurable excess housing supply in the market area will keep prices trending steadily upward for the foreseeable future (Chart 3).

New residential permitting activity in Pittsburgh has slowed somewhat over the past two years. This development is consistent with the market area settling into a slower pace of overall economic expansion. Slow, but steady, job creation has capped housing demand growth, thus leaning the housing market more toward churn of existing stock rather than creating the need for new construction activity. This pace of permitting in Pittsburgh is closer to equilibrium than in either the state or nation as a whole. In housing markets, as with job creation, the outlook for the rest of this year and next is one of continued steady gains, as opposed to attention-grabbing acceleration.

Demographics

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

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

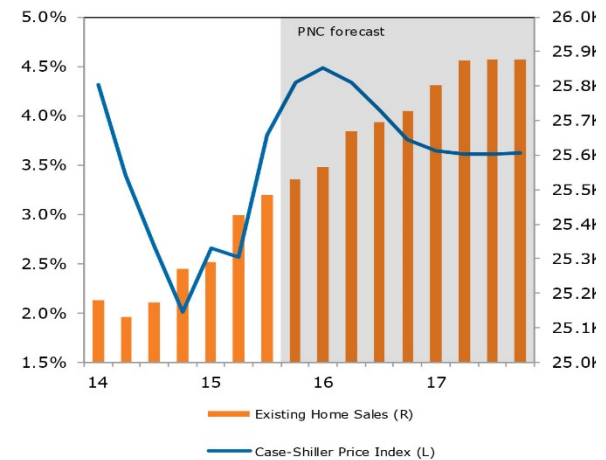


Chart sources: National Association of Realtors; Fiserv, Inc.; The PNC Financial Services Group

Chart 4
Demographic Growth, (% change, year ago)
& Net Migration, (Ths., SA)

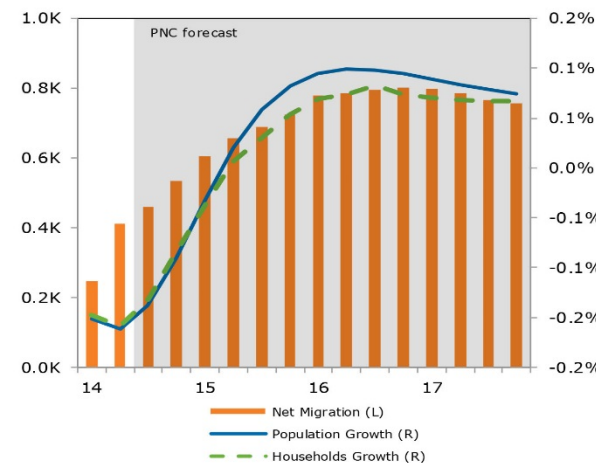


Chart sources: Bureau of Census; Bureau of Economic Analysis; Moody's Analytics; The PNC Financial Services Group

Outlook Summary

Pittsburgh's economic growth for the remainder of 2015 will follow a pattern familiar to the region – that is, a steady pace of new job creation, moderate income gains, and stable housing markets. The market area's unemployment rate may find some resistance against further topline improvement, given a turnaround after two years' worth of labor market weakness in terms of labor force participation. But an unimpressive performance on this front will be more a statistical quirk than a lack of economic progress. Job creation will continue, the question will be only whether employers can entice workers back into its ranks through a long-awaited spark in wage growth.

Pittsburgh's manufacturing and transportation industries will require an acceleration of business expansion at the national level. The market area's manufacturing base is concentrated in the production of primary metals, computer components, and machinery, all of which would do well if businesses put profits to use toward building new facilities and expanding operations. Capacity utilization for the U.S. economy is nearing 80%, which is where that metric has plateaued during each of the past economic expansions. The result of reaching that level again may be that businesses are forced to expand to keep up with even moderate demand growth. Pittsburgh should grow even more strongly if that benchmark does trigger broad business expansion over the coming year.

Pittsburgh's highly regarded universities and hospitals support stable income and employment trends. Over the longer term, Marcellus Shale natural gas drilling operations and ongoing expansion of high-tech employers such as Westinghouse provide the basis for a significantly faster growth pace than that seen over the past few decades. Already, demographic trends appear to be reversing from steady net out-migration. Highly affordable living costs add further support for the idea that Pittsburgh may be just at the start of a stronger economic future.

FORECAST TABLE

	U.S.			Pittsburgh		
	2015	2016F	2017F	2015	2016F	2017F
Employment Growth, (% change)	2.1	1.7	1.3	0.2	0.9	1.3
Unemployment Rate, (%)	5.3	4.8	4.6	5.2	5.0	4.9
Median Household Income, (Ths. \$)	55.2	56.4	57.5	53.5	54.5	55.5
House Prices**, (% change)	4.6	5.0	3.2	3.3	4.2	3.6
Single-Family Permits* (% change)	10.1	7.8	4.4	-63.7	204.1	6.2
Multifamily Permits* (% change)	11.4	-0.2	1.3	101.6	-50.2	6.3

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

	U.S.		Pittsburgh	
	2007-2012†	2012-2017†	2007-2012†	2012-2017†
Employment Growth, (% change)	-0.6	1.7	0.2	0.5
Unemployment Rate, (%)	7.7	6.0	6.6	5.7
Median Household Income, (Ths. \$)	50.8	54.4	47.5	52.9
House Prices**, (% change)	-4.8	5.8	1.3	3.7
Single-Family Permits* (% change)	-12.3	8.3	-5.4	4.4
Multifamily Permits* (% change)	-4.2	10.1	-8.1	16.7

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

Table sources: Bureau of Census; Bureau of Labor Statistics; Bureau of Economic Analysis; National Association of Realtors; National Association of Home Builders; FHFA; Moody's Analytics; The PNC Financial Services Group

LONG-RUN EMPLOYMENT TRENDS

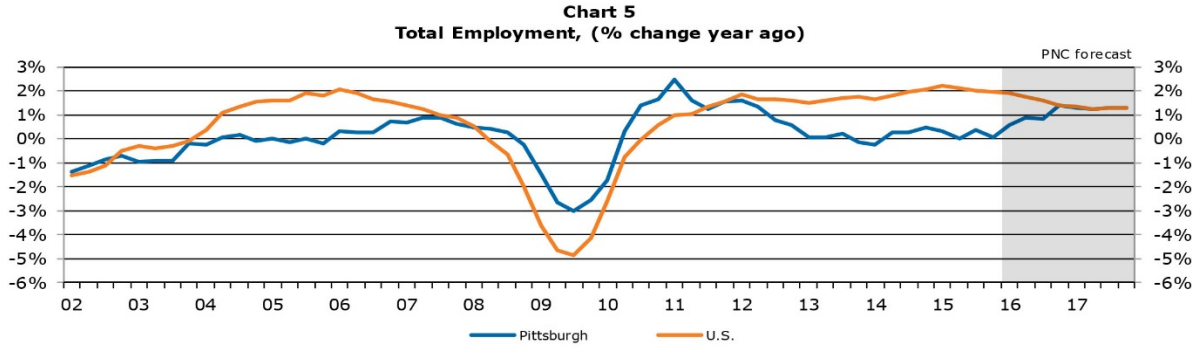


Chart sources: Bureau of Labor Statistics; The PNC Financial Services Group

LONG-RUN DEMOGRAPHIC TRENDS

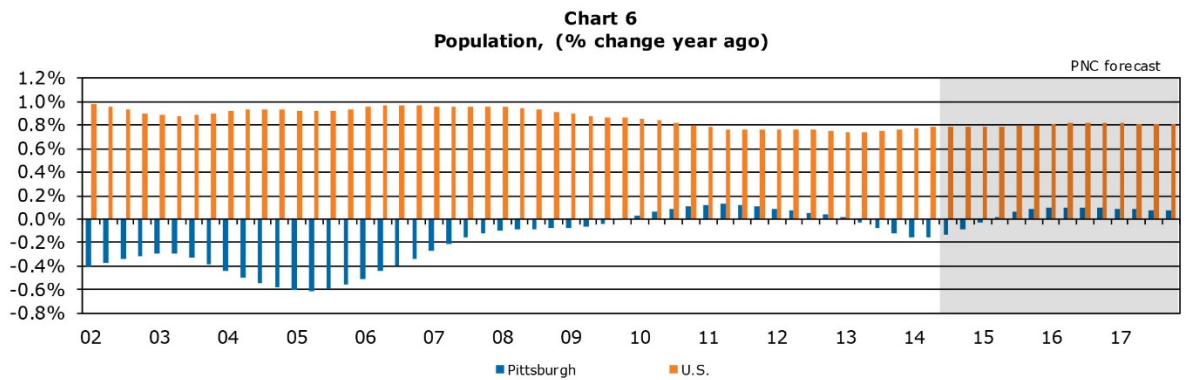


Chart sources: Bureau of Census; Moody's Analytics; The PNC Financial Services Group

LONG-RUN HOUSE-PRICE TRENDS

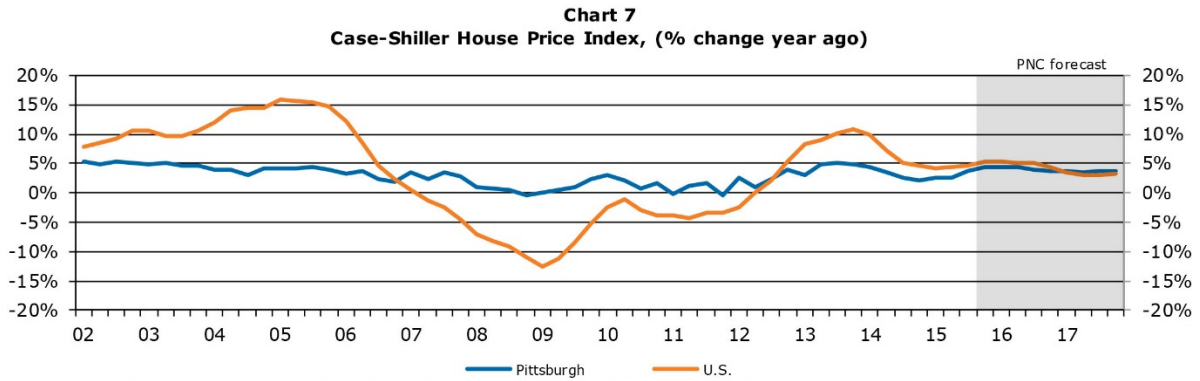


Chart source: National Association of Realtors; Fiserv, Inc.; The PNC Financial Services Group

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

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

Financial Matters Concerning the City of Pittsburgh

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

- The District, effective fiscal 2005, ceased to receive an annual appropriation of \$4 million from the City of Pittsburgh, which was established by the Regional Asset District (RAD) legislation to compensate the District for lost revenue by the elimination of the Personal Property Tax.
- This legislation has had the effect of reducing District revenue from this loss by approximately \$4 million annually.
- The District had a total of 0.25% of its Earned Income Tax authority shifted to the City of Pittsburgh by the end of 2009. This shift was structured such that 0.1% was transferred in 2007, 0.1% in 2008, and 0.05% in 2009. The total impact of 0.25% of the District's Earned Income Tax levy is projected to be approximately \$16.4 million in 2016.

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

In 2013, Allegheny County implemented countywide reassessed values. To comply with the anti-windfall provision of Act 1 of 2006, the District lowered its millage from 13.92 mills to 9.65 mills as a result of increased assessed values. During the course of the property assessment appeals, Real Estate Revenue was negatively affected, commercial property assessments have been reduced substantially upon appeal, and numerous individual taxpayers have had their property assessments reduced. This resulted in 2013 Real Estate Revenue being \$12.4 million less than in 2012. In order to offset the unanticipated reduction in Real Estate Revenue, the Board of Directors of the School District of Pittsburgh approved a millage increase up to the Act 1 index of 2%. This helped in recouping some of the lost revenue, as 2014 revenue increased by \$3.3 million over 2013, though it was still below 2012. After this increase, the District's millage rate has stayed level at 9.84 mills through 2016. Real Estate revenue through 2015 is still \$9.1 million less than 2012.

Short and Long-Term Financial Planning

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

The District faces a projected structural deficit for 2016 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 as well as uncertain State funding.
- There have been proposed increases in state funding, but none have been approved yet, and their impact on the district's financial forecast is unclear.
- Key cost drivers include increasing net costs from Charter Schools, underutilized classrooms, increasing costs in the areas of retirement, utilities, transportation, health care, and salaries.
- The impact of the General Assembly's action, in 2006, to eliminate \$20 million of the District's future annual revenues.
- Underutilized facilities create resource inequities and diseconomies of scale.
- Decisions made now through 2018 are critical to the District's financial stability.
- No desire to raise taxes beyond statutory limits.

Financial Transition of Grant Funding

Over the past six years, the School District of Pittsburgh has implemented programs and practices aimed at transforming District culture, improving teacher effectiveness, offering mentoring, and summer and out-of-school time opportunities for students. To spur these undertakings, the District has garnered significant support from local and national funders. As active grants begin to sunset, the District is taking proactive steps to ensure the stability of efforts positively impacting students and essential to meeting the District's obligations. The District plans through this period of financial transition in a way that preserves and strengthens practices to ensure all students graduate from a two or four-year college or receive workforce certification.

The District's vision for students in the Pittsburgh Public Schools has attracted generous support from the funding community, amidst a time of financial challenge. A significant portion of this funding has been used to support contracts and staff positions that have contributed to the design, launch and implementation of new initiatives intended to improve student outcomes, teacher effectiveness and District culture. Steps taken to date have positively impacted the District's financial picture. It will be important that we remain fiscally responsible during this period of financial transition as we plan to meet our commitments to maintain summer and out-of-school time, providing extra supports to students and ensuring that all students experience effective teaching.

The Board took recommendations related to the initial steps of this planning over the past year that will extend key contracts and staff positions aligned to maintaining the District's growth and evaluation system, the We Promise program and out-of-school time. The District leveraged current vacancies in Central Office to offset the costs associated with the extended contracts and staff positions. These positions are transitioning from grant funding throughout 2016, and 2017 will be the first year that the district supports these costs for the entire fiscal year. The additional annual cost of these positions is approximately \$1,230,000. There are ongoing steps in the process focusing on the absorption of program costs related to the District's Summer Dreamers Academy as well as other remaining grant-funded staff positions that have provided expertise and capacity to support District work.

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. Due to low enrollment, the Wilkinsburg School District announced it cannot provide the academic, extra-curricular and technology opportunities required to provide its students, in grades seven through twelve, the quality education they need. The Letter of Intent creates an educational partnership to meet the needs of Wilkinsburg's students and assigns students to Pittsburgh Westinghouse Academy 6-12.

Following several months of discussion and opportunities for community feedback, the Letter of Intent includes 18 terms that consider financial and academic factors, programs and services, transportation and student assignment.

As part of the agreement, Wilkinsburg School District students, in accordance with Section 1607 of the Public School Code, in grades seven through twelve, will be assigned by Wilkinsburg School District to attend Pittsburgh Westinghouse Academy 6-12, 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
- Have the opportunity to enroll in the various Magnet School offerings in the same manner, and subject to the same requirements, as all resident students of the Pittsburgh Public Schools beginning with the 2017-2018 school year. (During the first year of the agreement in 2016- 17, when Wilkinsburg students, shall be enrolled in Westinghouse and may apply for admission to a magnet school or program the following year.)
- 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.

Transition Planning

In order for Wilkinsburg School District and Pittsburgh Public Schools cross district partnership to be successful, it is essential that there is a smooth transition between the Wilkinsburg High School students in grades 7-12 and Pittsburgh Westinghouse students in grades 6-12. Both districts are committed to working collaboratively to execute a thoughtful transition plan that improves academic performance and ensures the safety and security of both Wilkinsburg and Westinghouse students and staff through four key strategies:

- Transition activities for students, families, staff and the community
- Resources to enhance academic programming, student support services and student safety
- Training and development of students and staff
- Dedicated staff responsible for supporting students during this transition

On June 1, 2016, the Pennsylvania Senate passed Act 35 of 2016. This act provides funding to facilitate the transition of Wilkinsburg students in grades 7-12 to Pittsburgh Westinghouse.

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, 2014.

This was the eighth 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, 2015.

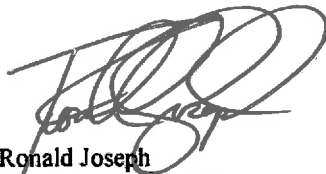
The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended December 31, 2014.

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, 2015.

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

Respectfully submitted,



Ronald Joseph
Chief Operations Officer
And Assistant Secretary



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

In accordance with Section 21-2129, Public School Code 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, 2015.

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, 2014

Executive Director/CEO

Association of School Business Officials International



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

School District of Pittsburgh

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended December 31, 2014*

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 "M. Pepera", written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO
President

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

John D. Musso, CAE, RSBA
Executive Director

School District of Pittsburgh
List of Elected and Appointed Officials
June 2016

Elected Officials

Board of Directors

Kevin Carter	Member
Cynthia Falls	Member
Moria Kaleida	Member
Dr. Regina Holley	President
Lynda Wrenn	Member
Terry Kennedy	Second Vice President
Carolyn Klug	Member
Thomas Sumpter	Member
Sylvia Wilson	First Vice President

School Controller's Office

Michael E. Lamb	School Controller
Michael Senko	Deputy School Controller

Appointed Officials

Superintendent's Office

Linda S. Lane	Superintendent and Secretary
Donna J. Micheaux	Deputy Superintendent

Finance and Operations Office

Ronald J. Joseph	Chief Operations Officer and Assistant Secretary
Pamela R. Capretta, CPA	Executive Director of Finance and Facilities Management and Assistant Secretary
Laura Cosharek	Financial Service Manager

School Performance Office

TBD	Chief of School Performance
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Information and Technology Office

Scott Gutowski	Chief Information Officer
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Human Resource Office

Jody Spolar	Chief Human Resource Officer
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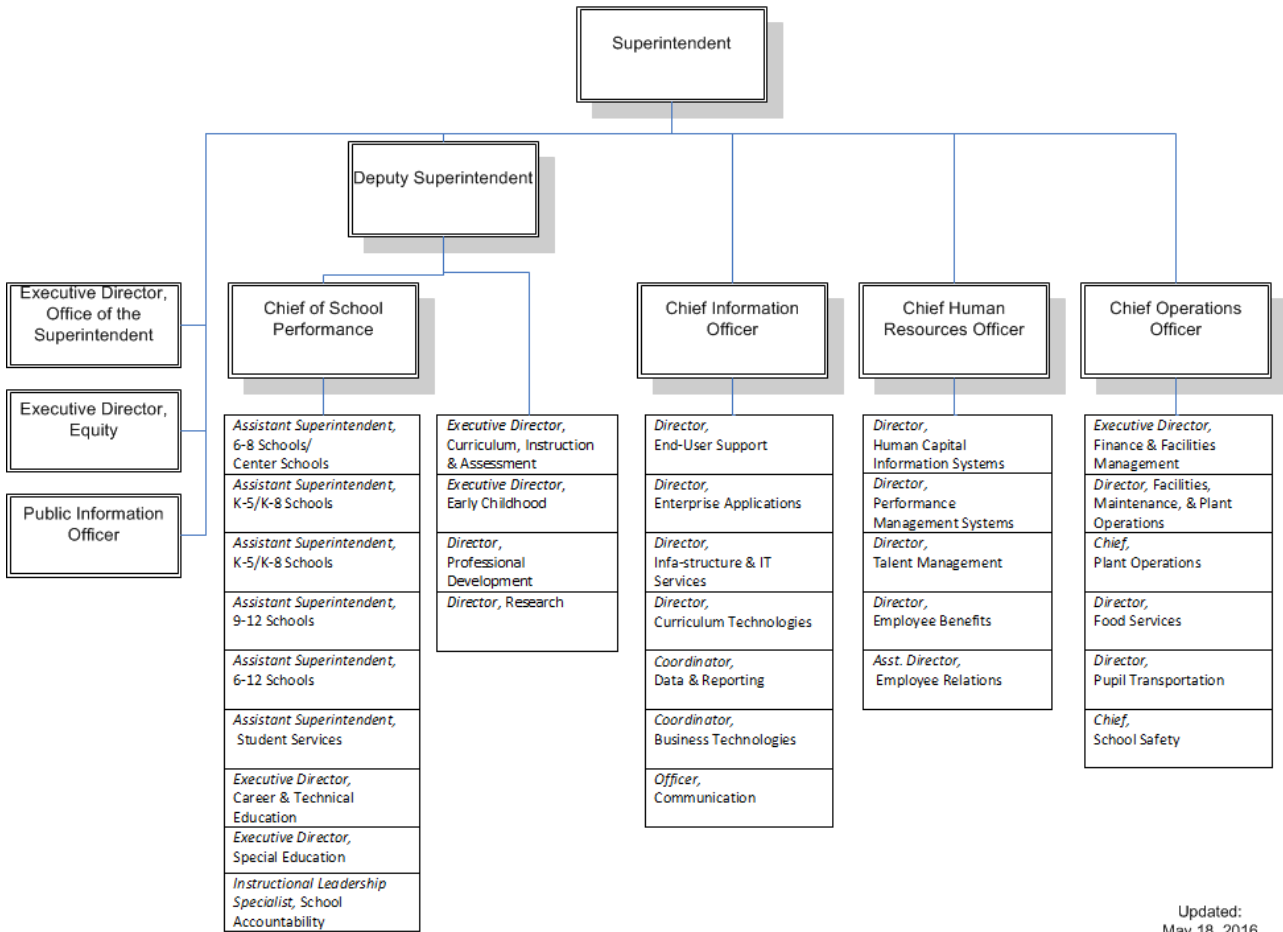
Law Office

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 June 2016



Updated:
May 18, 2016

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, 2015, 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, 2015, and the respective changes in financial position, and where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions*," and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*," which requires the District to record its net pension liability and related items on the government-wide financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–17 and the pension and other postemployment benefit information on pages 73 through 75 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 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 June 29, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
June 29, 2016

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. 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.

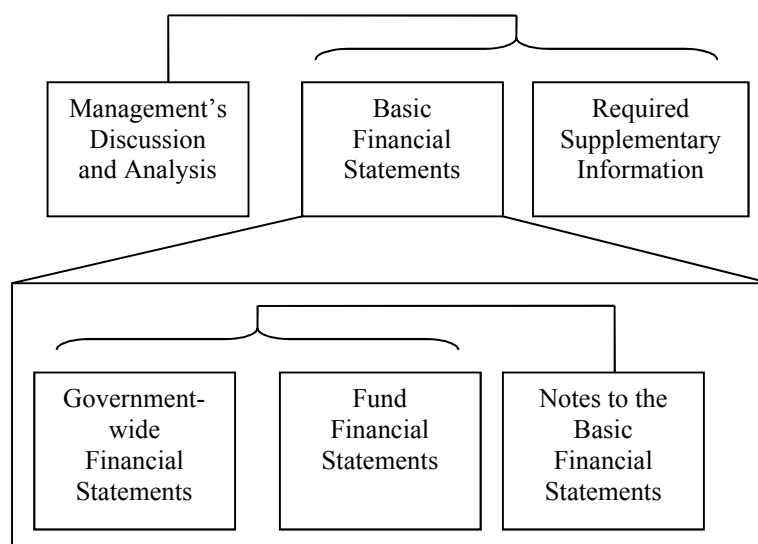
FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District's governmental activities exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$563,845,839 (net position). This amount reflects the recording of an \$870,638,000 net pension liability of which \$768,289,999 was recorded as a restatement of the government-wide net position as of January 1, 2015.
- Total net position of the District's governmental activities decreased by \$57,748,012, or 11.41%, while net position of business-type activities increased by \$597,102 or 5.65%.
- The unassigned fund balance of the general fund as of December 31, 2015, was \$86,923,714, or 15.95%, of total general fund expenditures and other financing uses. The assigned and unassigned general fund balance represents 19.41% of budgeted general fund expenditures and other financing uses for fiscal year 2016.
- The District established an OPEB Trust for post-employment health benefit by making a \$6,256,495 contribution to the trustee during 2015.

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 the 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 statement can be found on page 30 and 31 of this report. Statements of changes in assets and liabilities for the Agency funds can be found on page 86.

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 71 of this report.

THE SCHOOL DISTRICT OF PITTSBURGH AS A WHOLE

The District's total net position was \$(552,686,858) at December 31, 2015 and (as restated) \$(495,535,948) at December 31, 2014. The District's combined net position for governmental activities and business-type activities decreased by \$57,150,910 during fiscal year 2015. The following factors contributed to the decrease:

- A large portion of this decrease is due to the newly required accounting disclosures of reporting net pension liabilities on the net position statement. Net pension liability increased by \$77,639,000 for 2015.
- Due from other governments was \$135,510,668 in 2015 compared to \$13,391,372. The State of Pennsylvania is required to adopt a budget by June 30 of each year. In 2015 however, the State failed to pass the budget until December 29, 2015. Due to the budget impasse, School Districts did not receive any funding from the State until January 5, 2016. Though the District did not receive any funds from the State, it was able to avoid having to issue any short-term borrowing during this time due to adequate availability of funds.

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

TABLE 1 — NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 308,839,758	\$ 268,942,146	\$ 4,895,468	\$ 3,856,049	\$ 313,735,226	\$ 272,798,195
Capital assets	441,710,266	449,037,946	7,696,326	8,078,273	449,406,592	457,116,219
Other noncurrent assets	8,949,846	9,282,691			8,949,846	9,282,691
Total assets	759,499,870	727,262,783	12,591,794	11,934,322	772,091,664	739,197,105
Deferred outflows for pension *	31,375,068	24,709,000			31,375,068	24,709,000
Deferred charge on refunding	12,062,990	11,803,516			12,062,990	11,803,516
Total deferred outflows of resources	43,438,058	36,512,516			43,438,058	36,512,516
Total assets and deferred outflows of resources	802,937,928	763,775,299	12,591,794	11,934,322	815,529,722	775,709,621
Current liabilities	170,212,015	156,584,396	989,700	933,886	171,201,715	157,518,282
Non-current liabilities outstanding *	1,174,025,227	1,113,288,730	443,113	438,557	1,174,468,340	1,113,727,287
Total liabilities	1,344,237,242	1,269,873,126	1,432,813	1,372,443	1,345,670,055	1,271,245,569
Real estate taxes received in advance	15,388,525				15,388,525	
Deferred inflows for pension *	7,158,000				7,158,000	
Total deferred Inflows of resources	22,546,525				22,546,525	
Net position:						
Net investment in capital assets	110,927,600	93,747,943	7,696,326	8,078,273	118,623,926	101,826,216
Restricted	18,392,341	12,951,836			18,392,341	12,951,836
Unrestricted *	(693,165,780)	(612,797,606)	3,462,655	2,483,606	(689,703,125)	(610,314,000)
Total net position	\$ (563,845,839)	\$ (506,097,827)	\$ 11,158,981	\$ 10,561,879	\$ (552,686,858)	\$ (495,535,948)

* 2014 as restated due to the recording of the net pension liability in accordance with GASB Statement No. 68 See Note 1 page 41

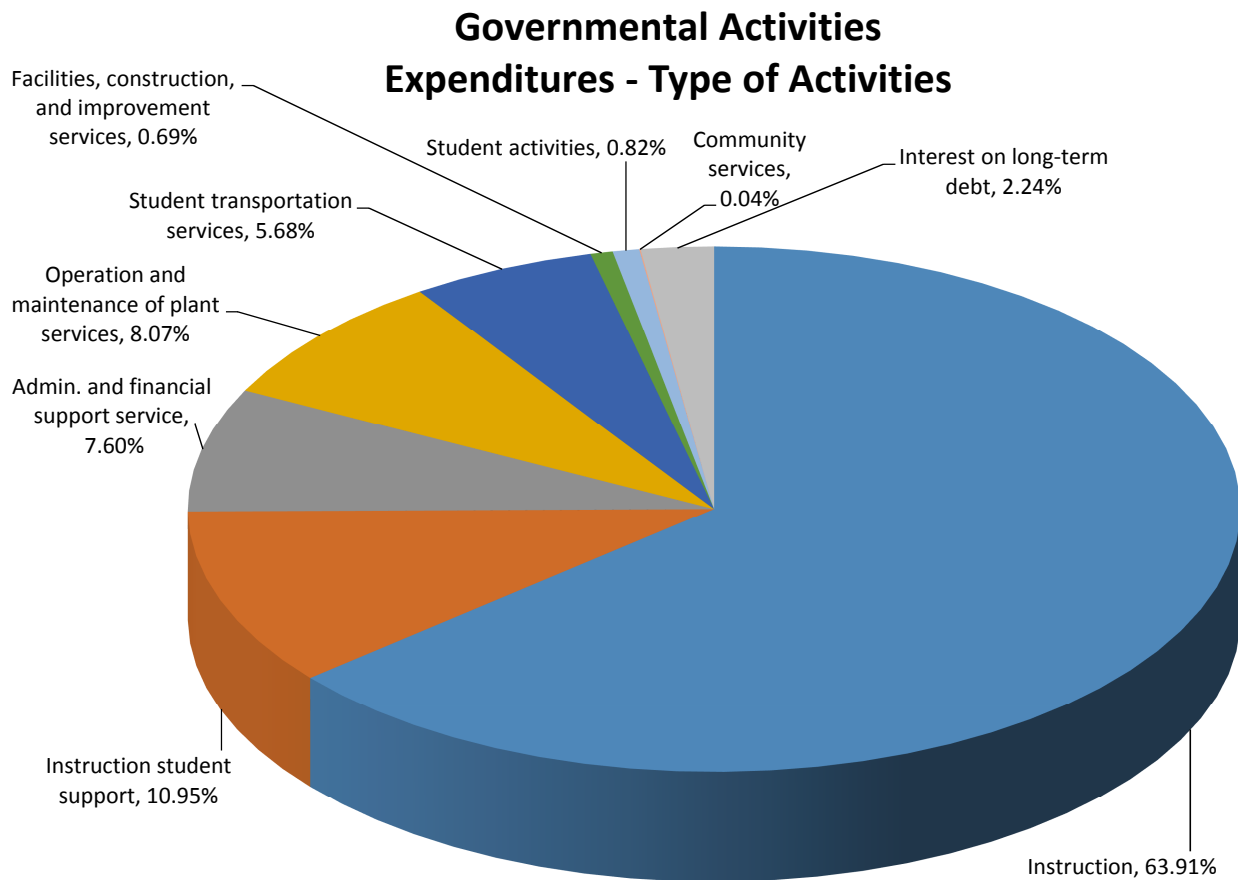
The District's net investment in capital assets for governmental activities of \$110,927,600 as of December 31, 2015, reflects its significant investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 2 — CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,156,220	\$ 2,325,206	\$ 1,033,129	\$ 1,347,648	\$ 4,189,349	\$ 3,672,854
Operating grants and contributions	83,350,244	84,614,775	16,152,072	15,444,970	99,502,316	100,059,745
Capital grants and state subsidies						
General revenues:						
Property and other taxes	295,096,993	281,485,729			295,096,993	281,485,729
Investment income	1,070,711	771,590			1,070,711	771,590
Federal and state grants and subsidies	233,699,572	248,356,557			233,699,572	248,356,557
Miscellaneous income	<u>8,464,262</u>	<u>11,385,123</u>			<u>8,464,262</u>	<u>11,385,123</u>
Total revenues	<u>624,838,002</u>	<u>628,938,980</u>	<u>17,185,201</u>	<u>16,792,618</u>	<u>642,023,203</u>	<u>645,731,598</u>
Expenses:						
Instruction	436,217,437	382,170,153			436,217,437	382,170,153
Instruction student support	74,714,596	63,231,453			74,714,596	63,231,453
Administrative and financial support services	51,982,083	41,313,696			51,982,083	41,313,696
Operation and maintenance of plant services	55,071,032	48,695,238			55,071,032	48,695,238
Student transportation	38,781,256	40,978,967			38,781,256	40,978,967
Student activities	5,580,447	5,070,318			5,580,447	5,070,318
Community services	256,939	53,681			256,939	53,681
Food services			16,588,099	16,807,538	16,588,099	16,807,538
Facilities	4,686,576	3,913,433			4,686,576	3,913,433
Interest on long-term debt	<u>15,295,648</u>	<u>15,434,255</u>			<u>15,295,648</u>	<u>15,434,255</u>
Total expenses	<u>682,586,014</u>	<u>600,861,194</u>	<u>16,588,099</u>	<u>16,807,538</u>	<u>699,174,113</u>	<u>617,668,732</u>
Change in net position	(57,748,012)	28,077,786	597,102	(14,920)	(57,150,910)	28,062,866
Net position — January 1	(506,097,827)	234,114,386	10,561,879	10,576,799	(495,535,948)	244,691,185
Effect of implementation of GASB Statement No. 68 *		<u>(768,289,999)</u>				<u>(768,289,999)</u>
Net position — December 31	<u>\$ (563,845,839)</u>	<u>\$ (506,097,827)</u>	<u>\$ 11,158,981</u>	<u>\$ 10,561,879</u>	<u>\$ (552,686,858)</u>	<u>\$ (495,535,948)</u>

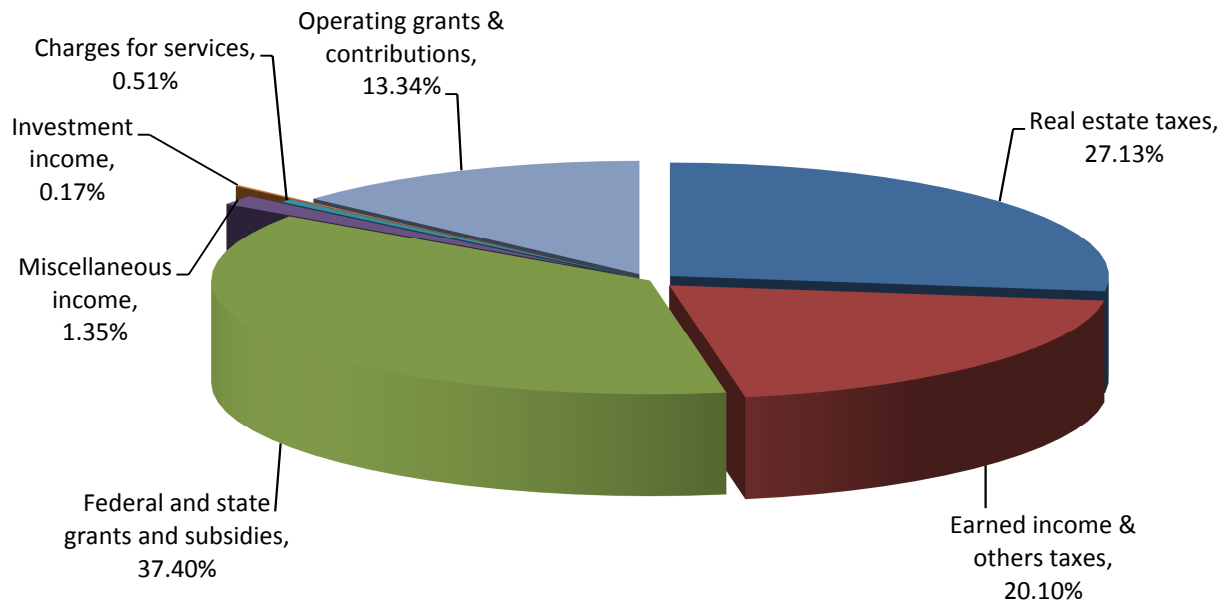
Governmental Activities — Net position for governmental activities decreased by \$57,748,012, as compared to an increase of \$28,077,786 in the prior fiscal year. Factors contributing to the changes:

- The dependence upon tax revenues for governmental activities is apparent. The District had expenses for governmental activities of \$682,586,014, while only \$3,156,220 has been provided from program specific charges and \$233,699,572 has been provided by the State and Federal Governments as operating grants. The District received \$157,059,248 from the State for Basic Education subsidy.
- Overall Local Tax Revenues of \$293.9 million outperformed 2014 revenues by \$10.3 million or 3.64%. Real Estate Tax collections of \$169,534,710 in 2015 was \$3,423,454 or 2.06% greater than 2015. A one-time Three Taxing Bodies Trust Disbursement of \$2,054,265 is included in 2015 Real Estate Taxes.
- The District budget of \$2,150,000 for sinking fund revenues was based on the PDE continuing to fund PLANCON. In 2014 the District did receive the moratorium funds, however PDE did not fund this line item for the 2016-2017 school year. The District received \$348,950 in Sinking Fund Revenues in 2015 compared to \$6,222,087 in 2014.
- All functional expenditure categories have increased due to the implementation of GASB #68.
- In 2015, Charter School expenditures increased by \$2,788,285 million or 5.14%, reflecting no new Charter Schools for the 2015-2016 school year.



Taxes, investment income, and local sources composed 49.26% of revenues for the District’s governmental activities as a whole.

Governmental Activities Revenues by Sources



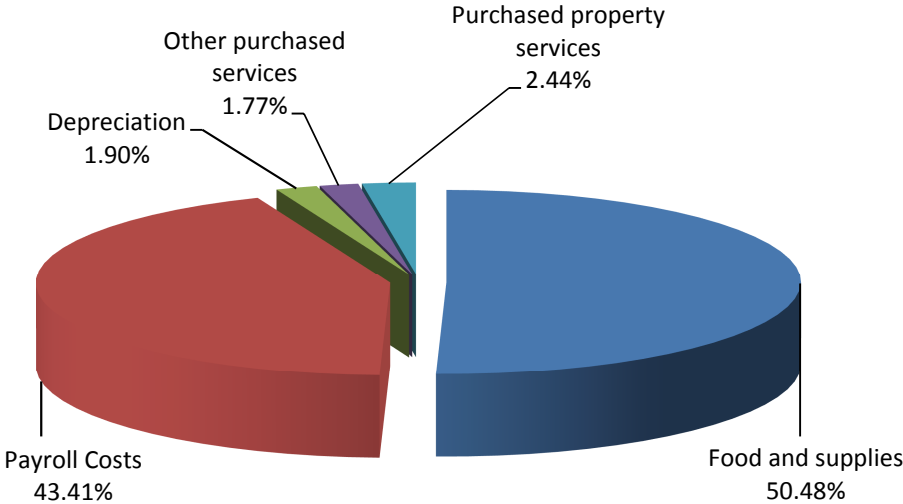
BUSINESS-TYPE ACTIVITIES

The net position of our food service activities increased by \$597,102 in fiscal year 2015, compared to the \$14,920 decrease in 2014.

- Revenues increased by \$392,583 or 2.34%, to \$17,185,201 for 2015.
- Charges for services revenue decreased by \$314,519 because our National School Lunch Program changed from Provision 2 to the Community Eligible Provision for school year 2015-2016. The Community Eligible Provision that was implemented enables all students to eat for free and also permits more of our breakfasts and lunches to be claimed under the higher reimbursement rate, which translates into higher federal reimbursement revenue.
- Operating expenditures decreased by \$219,439, or 1.31%, to \$16,588,099 for 2015.
- The costs of food and supplies decreased by \$436,435, or 4.98%, over the 2014 costs.
- Food service expenses for the year ended December 31, 2015, included \$405,424 for depreciation, which is a decrease of \$33,603 or 7.65%, over 2014. The District has made no significant improvements to capital food operations in several years.

- The District’s largest expenses for business-type activities, as displayed in the following chart, are food, supplies, and payroll costs.
- Operating grants and contributions revenue increased by \$707,102 or 4.58% for 2015.

Enterprise Funds - Food Service Expenditures 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 an increase in fund balance of \$8,546,421. The combined ending fund balance of total governmental funds was \$162,293,487. Of this total amount, \$86,923,714 constitutes fund balance which is available for spending at the government’s discretion. Assigned balances of \$39,752,983 represent intentions of the District to use funds for specific purposes, such as \$23,565,518 to support the 2016 budget shortfall. Committed funds of \$25,161,927 include \$3,193,792 for general fund contracts and \$2,872,570 for Capital Emergency funding. The District has \$9,702,809 in restricted capital projects imposed by debt covenants and \$402,165 restricted for scholarships.

The fund balance and the total change in fund balance by fund type as of December 31, 2015 and 2014 are as follows:

	Fund Balance December 31, 2015	Fund Balance December 31, 2014	Increase
General fund	\$ 133,232,030	\$ 129,213,110	\$ 4,018,920
Capital projects	21,496,499	12,401,051	9,095,448
Special revenue			-
Other governmental	<u>7,564,958</u>	<u>4,991,690</u>	<u>2,573,268</u>
	<u>\$ 162,293,487</u>	<u>\$ 146,605,851</u>	<u>\$ 15,687,636</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, 2015, was \$133,232,030, or 24.57%, of total general fund expenditures and other financing uses. The unassigned and assigned fund balance of the general fund as of December 31, 2015, was \$110,715,779, or 20.42%, of total general fund expenditures and other financing uses. The unassigned and assigned general fund balance represents 19.41% of budgeted general fund expenditures and other financing uses for 2016.

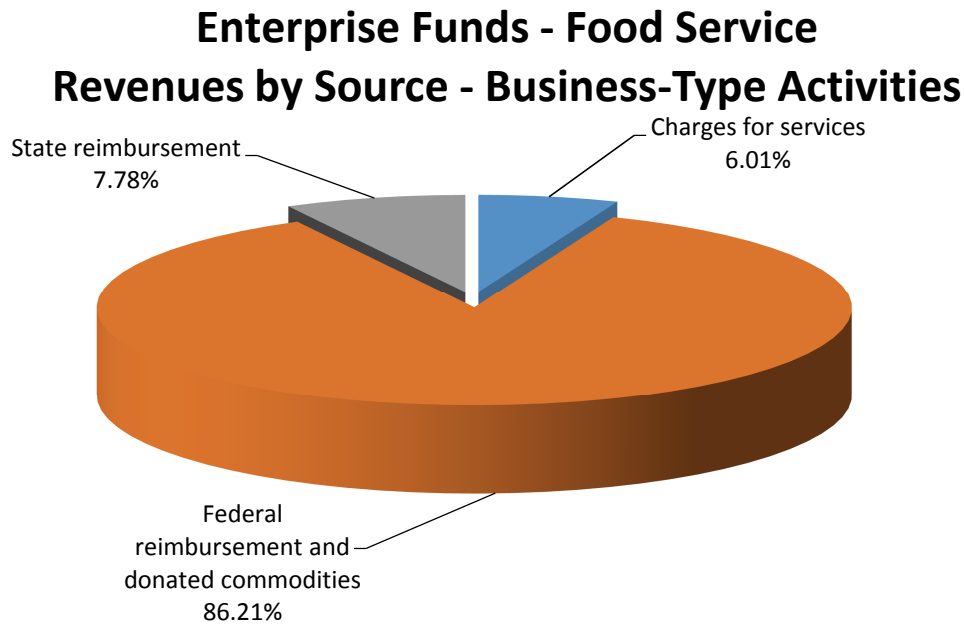
The fund balance of the District's general fund increased by \$4,018,920. Key factors in this increase were:

- The sale of various buildings owned by the District contributed \$248,290 to the fund balance.
- The special education contribution of \$70,565,738 was \$6,800,893, or 10.67%, greater than that of 2014.
- Overall Local Tax Revenues of \$293.9 million increased slightly by 3.6%:
 - Earned Income Tax collections saw a \$4,431,850 or 3.85% increase over 2014 collections. The District has benefited from income gains in the Pittsburgh labor market and state-wide Tax Collection Committee format.
 - Real Estate Tax in 2015 increased by \$5,907,381. \$2,054,265 came from the allocation of the Three Taxing Bodies trust fund.

The net increase of \$9,095,448 in the capital projects fund balance is due to:

- \$20,616,751 of expenditures and transfers out, which exceeds revenues and transfers in of \$7,333,025.
- Expenditures related to Capital Improvements increased by \$2,380,252 or 13.05% for 2015. Major district construction projects included additions and alterations to Pittsburgh Murray Elementary School.
- The District issued \$21,215,000 in general obligation bonds in 2015. The District issued a higher bond amount in anticipation to major renovations and additions to Pittsburgh Murray Elementary which started in December of 2015. Also, the District is taking a proactive approach to assess the water quality in all facilities and is installing new bi-level filtered, high efficiency coolers and bottled water filling stations at all schools.
- The General fund transferred \$7,247,291 to the Capital Improvement project in 2015. These funds will be used to fund 2016 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, 2015, federal and state reimbursement and donated commodities composed approximately 86.21% of food service revenues.



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 \$5,172,053 during 2015. Funds with significant changes were as follows:

- Change in net position before transfers for the internal service funds was a decrease of \$2,927,947.
- The General fund transferred \$7,000,000 to cover the Self-Insurance Healthcare fund 2015 short fall, and OPEB costs. Additionally, another \$1,000,000 was transferred to the general liability fund to cover the 2015 claims and judgments, and to fund anticipated claims in early 2016.
- Operating revenues increased \$1,419,448 or 2.23% from 2014. The District increased the percentage of payroll fund assessments from 1.50% to 1.81% for payrolls after April 30, 2014. Assessment changes for 2015 were budget neutral.
- Net position increased in the self-insurance health care fund by \$2,872,862. The net position balance is \$18,627,880 and the estimated liability for incurred but not paid claims is \$4,933,539, out of total liabilities of \$4,936,604. A \$1,251,772 chemotherapy settlement between UPMC Hospitals and Highmark is included in the claims payable.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2015 year, there was a \$3,409,886 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, 2014. A small number of budget transfers were approved by the District's Board, which did not increase the overall budget. The following are the highlights of the Board transfers:

- \$7,000,000 transferred to cover the Capital funding of Reserve Fund.
- \$1,000,000 transferred to cover the funding of the General Liability Self-Insurance Fund.
- \$100,000 transferred to cover expenditure in Central Duplication Services.
- \$5,000,000 transferred to cover future cash defeasance.

On the District's budgetary basis, actual results of 2015 for the General Fund were \$37,969,297 better than budgeted. See Note 2 for additional information on the District's budgetary basis.

Actual revenues were \$23,788,392 more than budgeted. Key factors contributing to this increase include:

- The Real Estate tax revenues are \$5,880,019, or 3.74%, more than budgeted.
- The Earned Income Tax revenues are \$7,586,080, or 6.78%, greater than budgeted.
- Investment income was \$398,642 or 66.4% greater than budgeted.
- Real Estate transfer tax revenues were \$4,191,956 more than budgeted.

Actual expenditures were \$120,074,234 less than budgeted, but when the final budget for expenditures is compared with actual expenditures and other financing sources and uses, the variance is \$14,180,905 less than budgeted. Key factors include:

- Instructional expenditures for regular elementary/secondary programs were \$7,320,362 less than budgeted.
- The District's principal and interest expense were \$125,000 and \$208,564 respectively, less than budgeted due to savings from refundings.
- Instructional expenditures for special elementary/secondary programs were \$73,472,617 less than budgeted. The appropriation for special elementary/secondary programs includes the District's budget for the operating transfer to the special education budget, which is recorded as an other financing use in the income statement. Once this transfer is taken into consideration, the variance is \$2,906,878 higher than budgeted.
- The District's budgeted contingency, originally adopted at \$1,843,160, ended the year with a \$20,621,228 balance. This increase was necessary to cover various operating transfers. The District does not record any expenditure to the contingency function.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets — The capital assets principally include school buildings, equipment, and machinery used to maintain and service those buildings. As of December 31, 2015, the District’s capital assets, net of depreciation, for its governmental and business-type activities amounted to \$441,710,266 and \$7,696,326, respectively, or a total of \$449,406,592, net of depreciation.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 24,085,757	\$ 24,318,868	\$	\$	\$ 24,085,757	\$ 24,318,868
Land improvements	8,306,629	8,279,303	43,878	43,878	8,350,507	8,323,181
Buildings & Improvements	396,040,100	403,078,081	7,315,475	7,608,649	403,355,575	410,686,730
Machinery and equipment	10,824,902	12,410,391	336,973	425,746	11,161,875	12,836,137
Computer software	161,353	951,303			161,353	951,303
Construction in progress	2,291,525				2,291,525	
Total	<u>\$441,710,266</u>	<u>\$449,037,946</u>	<u>\$ 7,696,326</u>	<u>\$ 8,078,273</u>	<u>\$449,406,592</u>	<u>\$457,116,219</u>

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 2015, the District had bonded debt outstanding of \$326,740,950, 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 \$2,605,362 are interest free except for the 2006 QZAB, which carries an interest rate of 1.38%. Two notes issued through the State Public School Board Authority are also outstanding in the amount of \$17,580,588, with a net rate of 1.304%. The Qualified School Construction Bonds in the amount of \$13,440,000 carries a net interest rate of 1.761%.

In 2015, the District issued \$25,750,000 in General Obligation Bonds Refunding series. The final maturity on this issue is 2027. The District also issued \$21,215,000 General Obligation Bonds. The final maturity on this issue is 2035.

The District’s total general obligations bonds and notes payable for its governmental activities decreased by \$18,121,855, due to the District’s efforts to reduce debt service expenditures and capital project expenditures. Such cost savings included cash refunding totaling \$1,750,000 in principal and an advanced refunding with \$827,717 in positive debt service savings.

SCHOOL DISTRICT OF PITTSBURGH'S OUTSTANDING DEBT

	Governmental Activities	
	2015	2014
General obligation and revenue bonds:		
General Obligation Bonds	\$ 250,580,000	\$ 265,440,000
Qualified Zone Academy Bonds	2,605,362	3,554,864
Taxable - Build America Bonds	42,535,000	42,535,000
Qualified School Construction Bonds	13,440,000	14,400,000
State Public School Board Authority Notes	17,580,588	18,932,941
Total	<u>\$ 326,740,950</u>	<u>\$ 344,862,805</u>

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

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

The District carries an "Aa3" underlying and an "Aa3" enhanced rating from Moody's Investors Service. The enhanced rating is based on Pennsylvania's Section 633 of the School Code as amended by Act 150 of 1975 School District Intercept Program, which calls for undistributed State aid to be funneled to bondholders in the case of a default. Standard & Poor's underlying rating is "Stable" and enhanced rating is also "Stable" on the District's bonds.

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

NEXT YEAR'S BUDGET

In December 2015, the Board of Directors adopted a 2016 general fund budget of \$570,449,097, excluding estimated encumbrance carryovers of \$3,420,339. The 2016 budget balanced revenues and expenditures using \$23,565,518 of the assigned general fund balance as of December 31, 2015. The assigned and unassigned general fund balance of \$110,715,779 as of December 31, 2015, satisfies the Board's fund balance policy requirement of 5%–15% of operating expenses budgeted for 2016.

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 2016 is 9.84, no change from 2015.

The Board of Directors also approved a 2016 capital program in the amount of \$35,655,500 to be funded from the issuance of general obligation debt, which will be issued in December 2016.

REQUEST FOR INFORMATION

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET POSITION AS OF DECEMBER 31, 2015

	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	\$ 42,485,530	\$ 3,725	\$ 42,489,255	Accounts payable	\$ 18,029,385	\$ 590,255	\$ 18,619,640
Cash with fiscal agents	100,000		100,000	Payroll withholdings	35,318,072		35,318,072
Investments	72,808,471	812,559	73,621,030	Accrued salaries payable	2,432,260	309,332	2,741,592
Accrued interest	35,309		35,309	Interest payable	5,216,450		5,216,450
Taxes receivables — net:				Unearned revenue	3,127,108		3,127,108
Earned income taxes	28,406,628		28,406,628	Other liabilities	892,443		892,443
Real estate taxes	31,413,393		31,413,393	Current portion of noncurrent liabilities	105,196,297	90,113	105,286,410
Due from other governments	132,569,629	2,941,039	135,510,668				
Internal balances — due to/from	13,498	(13,498)		Total current liabilities	170,212,015	989,700	171,201,715
Inventories		765,285	765,285	NONCURRENT LIABILITIES	1,174,025,227	443,113	1,174,468,340
Other receivables and prepaid expenses	1,007,300	386,358	1,393,658				
				Total liabilities	1,344,237,242	1,432,813	1,345,670,055
Total current assets	308,839,758	4,895,468	313,735,226	DEFERRED INFLOWS OF RESOURCES:			
NONCURRENT ASSETS:				Real estate taxes received in advance	15,388,525		15,388,525
Restricted — cash	2,212,769		2,212,769	Deferred inflows of resources for pension	7,158,000		7,158,000
Restricted — investments	6,074,598		6,074,598	Total deferred inflows of resources	22,546,525		22,546,525
Issuance Prepaid Insurance	662,479		662,479	NET POSITION:			
Capital assets not being depreciated:				Net investment in capital assets	110,927,600	7,696,326	118,623,926
Land	24,085,757		24,085,757	Restricted net position:			
Capital assets net of accumulated depreciation:				Capital projects	9,702,809		9,702,809
Land improvements	8,306,629	43,878	8,350,507	Workers' compensation	8,287,367		8,287,367
Buildings and improvements	396,040,100	7,315,475	403,355,575	Scholarships	402,165		402,165
Furniture, fixtures, machinery, and equipment	10,824,902	336,973	11,161,875	Total restricted net position	18,392,341	-	18,392,341
Other capital assets — intangible assets	161,353		161,353	Unrestricted	(693,165,780)	3,462,655	(689,703,125)
Construction in progress	2,291,525		2,291,525	Total net position	(563,845,839)	11,158,981	(552,686,858)
Total capital assets — net of accumulated depreciation	441,710,266	7,696,326	449,406,592				
Total noncurrent assets	450,660,112	7,696,326	458,356,438				
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred outflows of resources for pension	31,375,068		31,375,068				
Deferred charge on refunding	12,062,990		12,062,990				
Total deferred outflows of resources	43,438,058		43,438,058				
TOTAL	\$ 802,937,928	\$ 12,591,794	\$ 815,529,722	TOTAL	\$ 802,937,928	\$ 12,591,794	\$ 815,529,722

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

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	\$ 436,217,437	\$ 3,156,220	\$ 62,086,834	-	\$ (370,974,383)	\$ -	\$ (370,974,383)
Instruction student support	74,714,596		2,634,128		(72,080,468)		(72,080,468)
Administrative and financial support service	51,982,083		13,198,794		(38,783,289)		(38,783,289)
Operation and maintenance of plant services	55,071,032		25,946		(55,045,086)		(55,045,086)
Student transportation services	38,781,256		4,372,157		(34,409,099)		(34,409,099)
Facilities, construction, and improvement services	4,686,576				(4,686,576)		(4,686,576)
Student activities	5,580,447		596,124		(4,984,323)		(4,984,323)
Community services	256,939		436,261		179,322		179,322
Interest on long-term debt	15,295,648				(15,295,648)		(15,295,648)
Total governmental activities	682,586,014	3,156,220	83,350,244	-	(596,079,550)		(596,079,550)
Business-type activities — food service	16,588,099	1,033,129	16,152,072			597,102	597,102
Total business-type activities	16,588,099	1,033,129	16,152,072	-		597,102	597,102
Total primary government	\$ 699,174,113	\$ 4,189,349	\$ 99,502,316	\$ -	(596,079,550)	597,102	(595,482,448)
General revenues:							
Taxes:							
Real estate					169,534,710		169,534,710
Earned income					125,232,644		125,232,644
Others					329,639		329,639
Federal and state grants and subsidies not restricted to specific programs					233,699,572		233,699,572
Investment income					1,070,711		1,070,711
Miscellaneous income					8,464,262		8,464,262
Transfers							
Total general revenues and transfers					538,331,538		538,331,538
CHANGE IN NET POSITION -					(57,748,012)	597,102	(57,150,910)
NET POSITION — January 1, 2015 *					(506,097,827)	10,561,879	(495,535,948)
NET POSITION — December 31, 2015					\$ (563,845,839)	\$ 11,158,981	\$ (552,686,858)

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS AS OF DECEMBER 31, 2015

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
ASSETS:					
Cash	\$ 496,052	\$ 11,326,523	\$ 466,028	\$ 7,552,706	\$ 19,841,309
Cash with fiscal agent	100,000				100,000
Investments	47,788,525	12,519,539	151,125		60,459,189
Accrued interest	5,057				5,057
Taxes receivable — net	59,820,022				59,820,022
Due from other funds	11,269,250				11,269,250
Due from other governments	114,498,735		18,070,894		132,569,629
Other receivables	490,678	75	143,270	12,252	646,275
Prepaid items and contractual deposits	349,889	2,395			352,284
Total assets	<u>\$ 234,818,208</u>	<u>\$ 23,848,532</u>	<u>\$ 18,831,317</u>	<u>\$ 7,564,958</u>	<u>\$ 285,063,015</u>
LIABILITIES					
Accounts payable and accrued Retainage	\$ 6,853,861	\$ 2,352,033	\$ 3,486,508	\$	\$ 12,692,402
Due to other funds			11,269,250		11,269,250
Accrued salaries payable	7,592,123		509,492		8,101,615
Payroll withholdings payable	35,318,073				35,318,073
Unearned revenue	25,069		3,102,039		3,127,108
Prepayment and deposits	355,898		464,028		819,926
Total liabilities	<u>\$ 50,145,024</u>	<u>\$ 2,352,033</u>	<u>\$ 18,831,317</u>	<u>\$</u>	<u>\$ 71,328,374</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	30,276,065				30,276,065
Unavailable revenue - earned income taxes	5,776,564				5,776,564
Advanced revenue - state property tax subsidy	15,388,525				15,388,525
Total deferred inflows of resources	<u>\$ 51,441,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,441,154</u>
FUND BALANCES					
Nonspendable:					
Prepaid insurance and contractual deposits	\$ 349,889	\$ 2,395	\$ -	\$ -	\$ 352,284
Restricted for:					
Scholarships				402,165	402,165
Capital projects contracts		9,702,809			9,702,809
Committed to:					
Stabilization — capital emergency	2,872,570				2,872,570
Retirement	16,100,000				16,100,000
General fund contracts	3,193,792				3,193,792
Capital Projects Contracts		2,995,565			2,995,565
Assigned to:					
Board-approved subsequent years budget	23,565,518				23,565,518
Debt service				7,079,770	7,079,770
Special trust				83,023	83,023
Capital projects		8,795,730			8,795,730
Purchase orders	226,547				226,547
Unassigned	86,923,714				86,923,714
Total fund balances	<u>\$ 133,232,030</u>	<u>\$ 21,496,499</u>	<u>\$ -</u>	<u>\$ 7,564,958</u>	<u>\$ 162,293,487</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.					441,710,266
Current assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds.					36,052,629
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.					29,619,357
Certain liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.					(1,233,521,578)
NET POSITION OF GOVERNMENTAL ACTIVITIES					<u>\$ (563,845,839)</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, 2015

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Real estate	\$ 174,151,976	\$ -	\$ -	\$ -	\$ 174,151,976
Earned income	119,456,080				119,456,080
Other	329,639				329,639
Local nontax revenue	2,392,936	85,734	9,141,812		11,620,482
Federal and state grants and subsidies	249,279,062		83,350,244		332,629,306
Investment income	998,644		606		999,250
	<u>546,608,337</u>	<u>85,734</u>	<u>92,492,662</u>	<u></u>	<u>639,186,733</u>
Total revenues					
EXPENDITURES:					
Current — instruction:					
Regular programs	217,129,550		12,108,147		229,237,697
Special programs	2,320,697		97,875,431		100,196,128
Vocational education programs	4,973,481		427,655		5,401,136
Other instructional programs	983,598		2,849,331		3,832,929
Pre-Kindergarten	1,376,215		20,419,300		21,795,515
Non public schools			1,010,649		1,010,649
Support services:					
Pupil personnel	9,650,794		6,605,845		16,256,639
Instructional staff	12,453,304		10,484,453		22,937,757
Administration	29,765,695	4,063	6,401,220	44,072	36,215,050
Pupil health	5,750,244		2,853,033		8,603,277
Business	5,721,138	38,861	237,786		5,997,785
Operation and maintenance of plant services	47,461,312	2,402			47,463,714
Student transportation services	30,261,129		8,353,693		38,614,822
Support services — central	6,851,449		7,434,759		14,286,208
Operations of noninstructional services:					
Student activities	3,742,446		1,235,234		4,977,680
Community services	24,365		357,091		381,456
Facilities acquisition, construction, and improvement services	2,500,932	20,197,573			22,698,505
Debt service:					
Principal	36,296,855			2,190,000	38,486,855
Interest	16,561,955			193,662	16,755,617
Bond issuance costs		373,852		248,105	621,957
Tax refunds	2,870,929				2,870,929
	<u>436,696,088</u>	<u>20,616,751</u>	<u>178,653,627</u>	<u>2,675,839</u>	<u>638,642,305</u>
Total expenditures					

(continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 109,912,249	\$ (20,531,017)	\$ (86,160,965)	\$ (2,675,839)	\$ 544,428
OTHER FINANCING SOURCES (USES):					
Capital Lease	365,700				365,700
Face Value of Bonds Issued		21,215,000			21,215,000
Face Value of Refunding Bonds				25,750,000	25,750,000
Bond Discount					
Bond Premiums		1,164,174		3,175,970	4,340,144
Payments to Refunded Bond Escrow Agent				(28,675,926)	(28,675,926)
Sale of, or compensation for, capital assets	248,290				248,290
Transfers (out) in-special education	(70,565,738)		70,565,738		
Transfers in	1,942,826	7,247,291	17,536,116	5,001,000	31,727,233
Transfers out	(37,884,407)		(1,940,889)	(1,937)	(39,827,233)
Total other financing (uses) sources	(105,893,329)	29,626,465	86,160,965	5,249,107	15,143,208
CHANGE IN FUND BALANCES	4,018,920	9,095,448	-	2,573,268	15,687,636
FUND BALANCES — January 1, 2015	129,213,110	12,401,051		4,991,690	146,605,851
FUND BALANCES — December 31, 2015	\$ 133,232,030	\$ 21,496,499	\$ -	\$ 7,564,958	\$ 162,293,487

(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, 2015

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):	\$ 15,687,636
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.	(6,206,478)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(1,121,202)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	36,052,629
Revenues that were recognized as current financial resources that would have been accrued in prior periods in the statement of activities.	(47,601,891)
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.	18,111,742
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.	(77,895,355)
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>5,224,907</u>
Change in net position of governmental activities (Page 19)	<u>\$ (57,748,012)</u>

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, 2015

	Budgeted Amounts		Budgetary Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Real estate	\$ 157,080,000	\$ 157,080,000	\$ 162,960,019	\$ 5,880,019
Earned income	111,870,000	111,870,000	119,456,080	7,586,080
Real estate transfers tax	7,000,000	7,000,000	11,191,956	4,191,956
Public utility realty tax	348,124	348,124	329,609	(18,515)
Mercantile			30	30
Investment income	600,000	600,000	998,642	398,642
In lieu of taxes	197,505	197,505	192,874	(4,631)
State revenues received from intermediate source — other revenue from local sources and refund of prior years' expenditures	3,291,354	3,291,354	2,200,065	(1,091,289)
State grants and subsidies:				
Basic instructional subsidies	153,878,156	153,878,156	157,125,511	3,247,355
Subsidies for specific education programs	27,969,151	27,969,151	27,913,432	(55,719)
Subsidies for noneducational programs	31,912,930	31,912,930	30,360,057	(1,552,873)
Subsidies for state-paid benefits	31,339,741	31,339,741	31,001,801	(337,940)
Federal grants	4,325,984	4,325,984	2,878,261	(1,447,723)
Total revenues	\$ 529,812,945	\$ 529,812,945	\$ 546,608,337	\$ 16,795,392
EXPENDITURES:				
Instruction:				
Regular programs — elementary/secondary	\$ 233,851,624	\$ 225,064,543	\$ 217,744,181	\$ 7,320,362
Special programs — elementary/secondary	77,200,214	75,793,314	2,320,697	73,472,617
Vocational education programs	5,823,243	6,022,915	4,988,280	1,034,635
Other instructional programs — elementary/secondary	1,520,187	1,611,648	983,598	628,050
Pre-Kindergarten	850,000	850,000	1,376,215	(526,215)
Support services:				
Pupil personnel	10,613,535	10,613,535	10,550,135	63,400
Instructional staff	14,009,764	14,612,258	13,021,802	1,590,456
Administration	32,967,849	31,801,483	29,783,496	2,017,987
Pupil health	5,932,892	7,851,343	5,750,244	2,101,099
Business	6,590,605	6,692,258	6,160,088	532,170
Operation and maintenance of plant services	54,871,880	52,496,654	47,677,596	4,819,058
Student transportation services	37,335,783	34,187,663	30,537,126	3,650,537
Support services — central	7,951,872	8,091,923	6,997,101	1,094,822
Operations of noninstructional services:				
Student activities	4,889,535	4,916,358	3,762,252	1,154,106
Community services	30,000	30,182	24,365	5,817
Capital outlay — facilities acquisition, construction, and improvement services	2,506,258	2,869,982	2,709,512	160,470
Debt service:				
Principal	36,421,855	36,421,855	36,296,855	125,000
Interest	16,770,519	16,770,519	16,561,955	208,564
Tax refunds	4,800,000	2,871,000	2,870,929	71
Contingencies	1,843,160	20,621,228		20,621,228
Total expenditures	\$ 556,780,775	\$ 560,190,661	\$ 440,116,427	\$ 120,074,234

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Budgetary Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	\$ (26,967,830)	\$ (30,377,716)	\$ 106,491,910	\$136,869,626
OTHER FINANCING SOURCES (USES):				
Sale of, or compensation for, capital assets			248,290	248,290
Capital leases			365,700	365,700
Transfers in			1,942,826	1,942,826
Transfers out			(108,450,145)	(108,450,145)
Total other financing uses	-	-	(105,893,329)	(105,893,329)
CHANGE IN FUND BALANCE	(26,967,830)	(30,377,716)	598,581	30,976,297
FUND BALANCE — January 1, 2015	129,213,110	129,213,110	129,213,110	-
FUND BALANCE — December 31, 2015	\$ 102,245,280	\$ 98,835,394	\$ 129,811,691	\$ 30,976,297

See notes to financial statements.

(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS AS OF DECEMBER 31, 2015

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,725	\$ 22,644,221
Investments	812,559	12,349,282
Interest receivable		30,252
Due from other governments	2,941,039	
Inventories	765,285	
Other receivables	386,358	8,741
Total current assets	<u>4,908,966</u>	<u>35,032,496</u>
NONCURRENT ASSETS:		
Restricted cash		2,212,769
Restricted investments		6,074,598
Capital assets:		
Land	43,878	
Buildings	13,595,259	
Machinery and equipment	5,878,904	
Less accumulated depreciation	<u>(11,821,715)</u>	
Total capital assets (net of accumulated depreciation)	<u>7,696,326</u>	
Total noncurrent assets	<u>7,696,326</u>	<u>8,287,367</u>
TOTAL	<u>\$ 12,605,292</u>	<u>\$ 43,319,863</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 590,255	\$ 5,409,501
Due to other funds		
Accrued salaries	309,332	17,136
Current portion of compensated absences	90,113	
Current portion of workers' compensation reserve		1,500,000
Total current liabilities	<u>989,700</u>	<u>6,926,637</u>
NONCURRENT LIABILITIES:		
Compensated absences	443,113	
Workers' compensation reserve		6,787,367
Total noncurrent liabilities	<u>443,113</u>	<u>6,787,367</u>
TOTAL	<u>\$ 1,432,813</u>	<u>\$ 13,714,004</u>
NET POSITION:		
Investment in capital assets	\$ 7,696,326	\$ -
Unrestricted	<u>3,476,153</u>	<u>29,605,859</u>
Total	11,172,479	29,605,859
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(13,498)</u>	
TOTAL NET POSITION OF BUSINESS-TYPE ACTIVITIES (Page 18)	<u>\$ 11,158,981</u>	<u>\$ 29,605,859</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, 2015

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
OPERATING REVENUES:		
Contributions	\$ -	\$ 64,880,230
Charges for services	<u>1,033,129</u>	<u> </u>
Total operating revenues	<u>1,033,129</u>	<u>64,880,230</u>
OPERATING EXPENSES:		
Food service operations:		
Food and supplies	8,320,162	
Payroll costs	7,200,273	
Purchased property services	315,431	
Other purchased services	293,953	
Depreciation	405,424	
Support services — administration		417,810
Support services — central:		
Employee salaries, benefits, insurance, and supplies		695,886
Benefit payments		66,622,815
Claims and judgments		<u>143,130</u>
Total operating expense	<u>16,535,243</u>	<u>67,879,641</u>
OPERATING LOSS	<u>(15,502,114)</u>	<u>(2,999,411)</u>
NONOPERATING REVENUES:		
Federal reimbursements and donated commodities	14,815,014	
State reimbursements	1,337,058	
Investment earnings		<u>71,464</u>
Total nonoperating revenues	<u>16,152,072</u>	<u>71,464</u>
INCOME (LOSS) BEFORE TRANSFERS	649,958	(2,927,947)
TRANSFERS IN		<u>8,100,000</u>
CHANGE IN NET POSITION	649,958	5,172,053
NET POSITION — January 1, 2015	<u>10,522,521</u>	<u>24,433,806</u>
NET POSITION — December 31, 2015	<u>\$ 11,172,479</u>	<u>\$ 29,605,859</u>
CHANGE IN NET POSITION	\$ 649,958	
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS	<u>(52,856)</u>	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (Page 19)	<u>\$ 597,102</u>	

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions	\$ -	\$ 64,880,230
Receipts from customers and users	1,055,517	
Payments to suppliers	(8,029,031)	(337,555)
Payments to claimants		(66,246,782)
Payments to employees	<u>(7,141,562)</u>	<u>(700,835)</u>
Net cash used by operating activities	<u>(14,115,076)</u>	<u>(2,404,942)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal and state reimbursements	15,057,471	
Transfers from other funds		8,100,000
Advances to other funds	<u>(106,359)</u>	
Net cash provided by noncapital financing activities	<u>14,951,112</u>	<u>8,100,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(23,477)	
Transfers from other funds		
Net cash used in capital and related financing activities	<u>(23,477)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received		52,740
Purchase of investments	(812,559)	(12,751,726)
Sale of investments		<u>10,120,939</u>
Net cash used by investing activities	<u>(812,559)</u>	<u>(2,578,047)</u>
INCREASE IN CASH		3,117,011
CASH — January 1, 2015 (including \$1,242,259 for the internal service funds included in restricted assets)	<u>3,725</u>	<u>21,739,979</u>
CASH — December 31, 2015 (including \$2,212,769 for the internal service funds included in restricted assets)	<u>\$ 3,725</u>	<u>\$ 24,856,990</u>

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$(15,502,114)	\$(2,999,411)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Donated commodities	972,000	
Depreciation	405,424	
Changes in assets and liabilities:		
Increase in inventory	(73,144)	
Decrease in other receivables	22,388	219,878
Increase in accounts payable	1,659	646,764
Increase (decrease) in accrued salaries	49,243	(4,949)
Increase in compensated absences	9,468	
Decrease in the workers' compensation reserve		<u>(267,224)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$(14,115,076)</u>	<u>\$(2,404,942)</u>
NONCASH FINANCING TRANSACTION — Donated commodities	<u>\$ 972,000</u>	
See notes to financial statements.		(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS AS OF DECEMBER 31, 2015

	OPEB Trust	Escheated Property Private-Purpose Trust	Agency Funds
ASSETS:			
Cash	\$	\$ 372,482	\$ 923,471
Investments-Mutual fund	6,128,882		
Accounts Receivable	-	4,093	-
Total assets	<u>6,128,882</u>	<u>376,575</u>	<u>923,471</u>
LIABILITIES:			
Accounts payable	-	138,498	923,471
Total liabilities	<u>\$</u>	<u>\$ 138,498</u>	<u>\$ 923,471</u>
NET POSITION:			
Restricted for OPEB	6,128,882	-	-
Held in trust for escheated property	-	238,077	-
Total net position	<u>\$ 6,128,882</u>	<u>\$ 238,077</u>	<u>\$</u>

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS AS OF DECEMBER 31, 2015

	OPEB Trust	Escheated Property Private-Purpose Trust
ADDITIONS:		
Contributions		
District Funds	\$ 6,256,495	\$ 42,811
Private Contributions	-	6,628
	<u>6,256,495</u>	<u>49,439</u>
TOTAL ADDITIONS	<u>6,256,495</u>	<u>49,439</u>
DEDUCTIONS:		
Net Appreciation in fair value of investments	105,648	
Administrative Expenses	21,965	
Refunds Payees	-	-
Transfers to State	-	-
	<u>127,613</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>127,613</u>	<u>-</u>
CHANGE IN NET POSITION	<u>6,128,882</u>	<u>49,439</u>
NET POSITION — BEGINNING	<u>-</u>	<u>188,638</u>
NET POSITION— ENDING	<u>\$ 6,128,882</u>	<u>\$ 238,077</u>

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015, the District received \$27,739,055 from the Commonwealth for special education costs. The Intermediate Unit’s financial statements can be obtained at 1305 Muriel Street, Pittsburgh, PA 15203. The Intermediate Unit is not part of the District reporting entity and is not included in the accompanying financial statements in accordance with the GASB’s definition of the financial reporting entity and component units.

- b. *Government-Wide Financial Statements* — The *government-wide financial statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

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

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

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

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

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

i. Governmental Funds

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

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

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 an OPEB trust and escheated property. The measurement focus of these funds is similar to proprietary funds.

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

- d. *Measurement Focus and Basis of Accounting* — The government-wide financial statements are reported using the “economic resources” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year from which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

- The revenues are recognized when they become measurable and available to finance the District’s operations. Property and other taxes are susceptible to accrual and are recognized as current revenue when received during the year and also when received by the District within 60 days after the close of the year.
- Currently levied property and other taxes that are not received by the District within 60 days after the close of the current year are susceptible to accrual and are recorded as 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 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.

Agency Funds are used to account for assets held by the School 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.

All Fiduciary Funds use the accrual method of accounting.

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

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

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

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

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

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

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

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

- iv. Receivables and Payables — All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 22.27% of outstanding property taxes at December 31, 2015.

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, 2015, the District paid \$2,523,412 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 29

Real estate taxes are billed in January. The gross amount is due on February 29. 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 29, 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 2015 was 9.84 mills (\$1 per \$1,000 assessed valuation) on an assessed value of \$18.7 billion.

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

- v. Due from Other Governments — Grant revenues from federal, state, and local governmental agencies and other entities are recognized when expenditures are incurred. “Due from other governments” primarily represents the excess of grant expenditures over funds collected and other state subsidies.
- vi. Prepaids — The District uses specific identification methods to record insurance prepayments in governmental funds.
- vii. Capital Assets — Capital assets, which include property, plant, equipment, intangibles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental- or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$1,500 (plus all desktops, laptops, and network printers if the historical cost is less than \$1,500) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

Deferred inflows represent receivables, which will be collected and included in revenues of future fiscal years. In the General Fund, deferred inflows-unavailable relate to property and earned income tax receivables that were levied in the current and prior years, but will not be available to pay liabilities of the current period. In 2015, the District’s receipt of State gaming revenue to be used for 2016 Homestead reductions for property taxes is recorded as deferred inflows-advanced revenue.

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. 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 difference between expected and actual investment earnings, 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.

In the Special Revenue Funds, unearned revenues represent grant funds received prior to expenditure or grant funds that have been earned, but the resources are not considered to be available. Unearned revenues represent funds received in advance of being earned.

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

Unpaid earned vacation and unconverted personal leave days are accrued.

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

Severance pay is based on the accumulated balance of sick leave and personal leave. Administrator retirees are entitled to 50%–65% of their daily rate of pay at 75% of their accumulated balance as specified in specific contracts, and resignees are entitled to one-third of their accumulated balance. The daily rate for resignees is the lesser of \$60 per day or their daily rate. The accrual for severance compensation at December 31, 2015, is based on whether the employee is qualified to receive retirement pay or resignation pay at December 31, 2015.

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 2016. All vacation pay and severance pay is accrued when incurred in the government-wide and proprietary funds' financial statements for the estimated amount to be paid in future years. Liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

- x. Other Postemployment Benefits — 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.
- xi. Termination Benefits — As it relates to nonincentive plans, the District makes severance payments directly to 403(b) plans for current retirements of school administrators and Pittsburgh Federation of Teachers (PFT)-covered employees. For 2015, termination benefits for employees that elected retirement during the year was \$132,822. The cumulative discounted present value of this liability is \$220,107 as of December 31, 2015.
- 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, 2015, 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, 2015, the District had restrictions for scholarships and legally restricted construction funds via debt covenants as described in the governmental fund balance sheet.
- Committed — This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board of Public Education. Such commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Board resolution. The School District currently has a stabilization fund for one-time capital project or emergency operational expenditures, which was authorized by Policy #721, Fund Balance and Stabilization Fund, revised on July 24, 2013. The Board also has committed funds for future retirement benefits.
- Assigned — This category represents intentions of the District to use the funds for specific purposes as determined by the Board of Public Education. The assignment

cannot exceed the available spendable unassigned fund balance in any particular fund. Assigned fund balances as of December 31, 2015, are described in the governmental fund balance sheet.

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

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

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

- xiv. Net Position — The government-wide and proprietary fund financial statements are required to report three components of net position:
- Net Investment in Capital Assets — This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - Restricted — This component of net position consists of constraints placed on net position use through external restrictions. The amounts reported as restricted net position at December 31, 2015, represent funds for Workers’ Compensation liability, scholarships, and capital projects’ future expenditures.
 - Unrestricted — This component of net position consists of net position that does not meet the definition of “restricted” or “in capital assets.”
- xv. Interest Expense — The District accounts for interest on its debt as an expense of the period in which it is incurred. The District does not capitalize interest on debt as part of the cost of the asset.
- xvi. Estimates — The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets and liabilities, disclosure of contingent assets, and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.
- xvii. Risks and Uncertainties — Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements.

- xviii. Newly Adopted Accounting Pronouncements — The GASB has issued GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27,*” and Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68,*” were adopted in the current year by the School District. The objective of these statements are to improve financial reporting for state and local governmental pension plans. As a result of this implementation, the government-wide net position as of January 1, 2015 was restated with a decrease of \$768,289,999 to record the School District’s proportionate share of the PSERS total pension liability. The proportionate share is calculated utilizing the School District’s one-year reported covered payroll as it relates to PSERS total one-year reported covered payroll. The pension liability and its related components are described more fully in Note 6d.
- xix. Recent Accounting Pending Pronouncements — The GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the financial statements:

The GASB has issued GASB Statement No. 72, “*Fair Value Measurement and Application,*” effective for periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The GASB has issued 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,*” effective for the period beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for the period beginning after June 15, 2016. This statement 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).

The GASB has issued GASB Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*” and GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,*” to address reporting by governments that provide postemployment benefits to their employees and for governments that finance postemployment benefits for employees of other governments. These statements are effective for periods beginning after June 15, 2016 and June 15, 2017, respectively.

The GASB has issued GASB Statement No. 76, “*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,*” effective for the period beginning after June 15, 2015. This statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55.

The GASB has issued GASB Statement No. 77, “*Tax Abatement Disclosures,*” which is effective for periods beginning after December 15, 2015. This statement requires

governments that enter into tax abatement agreements to disclose information related to those agreements which enable various users of the financial statements to evaluate and assess the financial health of governments.

The GASB has issued GASB Statement No. 78, *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,”* which is effective for periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *“Accounting and Financial Reporting for Pensions.”* The issue is associated with pension provided through certain multiple-employer defined benefit pension plans.

The GASB has issued GASB Statement No. 79, *“Certain External Investment Pools and Pool Participants,”* effective for periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants by establishing criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes.

The GASB has issued GASB Statement No. 80, *“Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14,”* which is effective for periods beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The GASB has issued GASB Statement No. 81, *“Irrevocable Split-Interest Agreements,”* which is effective for periods beginning after December 15, 2016. 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.

The GASB has issued GASB Statement No. 82, *“Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73,”* effective for periods beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to the previously issued pension standards.

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, 2015	\$ 133,232,030
Deduct outstanding:	
Committed contracts	(3,193,792)
Assigned purchase orders	<u>(226,547)</u>
Budgetary basis — fund balance — December 31, 2015	<u>\$ 129,811,691</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 \$1,233,521,578 difference are as follows:

Bonds payable	\$ 309,160,362
Compensated absences	10,006,498
Notes payable	17,580,588
Premium on issuance (to be amortized as interest expense)	19,339,569
Less discount on issuance (to be amortized as interest expense)	(56,266)
Less deferred charge on refunding	(12,062,990)
Less deferred charge for insurance costs (to be amortized over life of debt)	(662,479)
Less deferred outflows for pension obligation	(31,375,068)
Accrued interest payable	5,216,450
Obligations under leases	6,524,214
Net OPEB obligation	32,054,700
Deferred inflows for pension obligation	7,158,000
Net pension obligations	<u>870,638,000</u>
 Net adjustment to reduce fund balance — total governmental funds to arrive at net assets — governmental activities	 <u>\$ 1,233,521,578</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 \$6,206,478 difference are as follows:

Capital outlays	\$ 21,397,755
Depreciation expense and changes in accumulated depreciation	<u>(27,604,233)</u>
 Net adjustment to decrease net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (6,206,478)</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 \$1,121,202 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>\$ (1,121,202)</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 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 \$18,111,742 difference are as follows:

Net proceeds/financing received — issuance of general obligation bonds payable, debt refunding, and capital leases	\$ 69,693,200
Repayment — to bondholders and lessors	<u>(51,581,458)</u>
Net adjustments to increase net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 18,111,742</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 \$77,895,355 difference are as follows:

Accrued expenses	\$ (78,919,646)
Amortization of premium	2,845,658
Amortization of bond discount and issuance insurance	<u>(1,821,367)</u>
Net adjustments to decrease net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (77,895,355)</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 \$(13,498) difference are as follows:

Internal payable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — prior years	\$ 39,358
Internal receivable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — current year	<u>(52,856)</u>
Net adjustment to increase net position — total enterprise funds to arrive at net position — business-type position activities	<u><u>\$(13,498)</u></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 2015. There were no supplemental budget appropriations in 2015.

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 150, *Investments*. GASB Codification Section 150 requires that investments be reported at fair value rather than cost. The District's investments are reported at fair value at December 31, 2015.

A summary of deposits and investments with financial institutions at December 31, 2015, is as follows:

Deposits and Investments

General Fund	\$ 48,284,577
Capital Projects Funds	23,846,062
Special Revenue Funds	617,153
Nonmajor Governmental Funds	7,552,706
Food Service Funds	816,284
Internal Service Funds	43,280,870
Private Purpose Trusts	372,482
OPEB Trust	6,128,882
Fiduciary Funds	923,471

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.

Investments are reported at fair value.

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

Custodial Credit Risk — Deposits — Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's deposit policy for custodial credit risk generally requires that no more than 50% of the District funds shall be invested in one institution in total. Deposits in excess of amounts covered by the FDIC are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name. As of December 31, 2015, \$126,427,149 of the District's \$136,117,155 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>\$ 126,427,149</u>
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As of December 31, 2015, the District had the following investments:

Unrestricted Investments	Maturity Date	Fair Value
Money market funds:		
PA School District Liquid Asset Fund (PSDLAF)	n/a	\$ 8,930,638
PA Local Government Investment Trust — Class (PLGIT)	n/a	3,131,458
PLGIT — ARM	60 days or less	10,816,231
PA INVEST	60 days or less	10,569,447
Federated Government Obligations Fund	36 days average	240,865
PNC Government Money Market Fund	60 days or less	1,336,772
Nonnegotiable certificates of deposit:		
PLGIT — .39%	06/24/16	5,000,000
PLGIT — .60%	06/24/16	5,000,000
PSDLAF — .25%	03/03/16	5,000,000
PSDLAF — .35%	03/29/16	1,000,000
PSDLAF — .60%	04/18/16	2,000,000
PSDLAF — .60%	09/29/16	1,000,000
Various - Each Certificate Under \$250,000 — .45% — 1.15%	01/15/16 - 7/31/17	7,461,000
Repurchase agreement	January 1, 2016	<u>12,134,619</u>
Total unrestricted investments		<u>\$ 73,621,030</u>
Restricted Investments		
Nonnegotiable certificates of deposit:		
Various — Each Certificate Under \$250,000 — .55% to 1.01%	01/11/16 - 7/31/17	\$ 941,000
Money market funds:		
PA OPEB Trust		6,128,882
PA Local Government Investment Trust (PLGIT) Fund		2,333,313
PA School Liquid Asset Fund (PSDLAF)		<u>2,800,285</u>
Total restricted investments		<u>\$ 12,203,480</u>

Restricted cash as of December 31, 2015, in the amount of \$2,212,769, 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 Risk — 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, 2015, the District’s investments were rated as follows:

Investments	Standard and Poor’s	Moody’s
PSDLAF	AAAm	N/A
PLGIT — Class	AAAm	N/A
PLGIT — ARM	AAAm	N/A
PA INVEST	AAAm	N/A
Federated Government Obligations Fund	AAAm	N/A
PNC Government Money Market Fund	AAAm	N/A

The repurchase agreement is not subject to credit risk disclosure as the securities underlying the repurchase agreement are U.S. 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 to 20% of a bank’s total capital and surplus. As of December 31, 2015, the repurchase agreement was 14% of the District’s total unrestricted and restricted investments.

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

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

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

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

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 for many participants. Investment allocations of the master trust are as follows as of December 31, 2015:

Fixed Income	65.5%
Domestic Equity	19.9%
International Equity	14.6%

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 \$6,128,882 at December 31, 2015. The OPEB Trust funds are not insured.

- b. **Receivables** — Receivables as of December 31, 2015, 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	\$ 40,684,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,684,027
Earned income	28,135,995						28,135,995
Due from other governments:							
Commonwealth of Pennsylvania	112,871,926				134,656		113,006,582
City of Pittsburgh	1,626,809		17,040,515				18,667,324
Federal			1,030,379		2,806,383		3,836,762
Other receivables	490,678	75	143,270	12,252	386,358	8,741	1,041,374
Interest	5,057					30,252	35,309
	<u>183,814,492</u>	<u>75</u>	<u>18,214,164</u>	<u>12,252</u>	<u>3,327,397</u>	<u>38,993</u>	<u>205,407,373</u>
Gross receivables							
Less allowance for uncollectibles	<u>9,000,000</u>						<u>9,000,000</u>
Net receivables	<u>\$ 174,814,492</u>	<u>\$ 75</u>	<u>\$ 18,214,164</u>	<u>\$ 12,252</u>	<u>\$ 3,327,397</u>	<u>\$ 38,993</u>	<u>\$ 196,407,373</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, 2015, 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 (General Fund)	\$	\$ 5,776,564	\$ -
State property tax relief (General Fund)	15,388,525		
Delinquent property taxes receivable (General Fund)		30,276,065	
Grant drawdowns prior to meeting all eligibility requirements (Special Revenue Funds and General Fund)	<u> </u>	<u> </u>	<u>3,127,108</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 15,388,525</u>	<u>\$ 36,052,629</u>	<u>\$ 3,127,108</u>

c. **Interfund Receivables, Payables, and Transfers** — The composition of interfund balances as of December 31, 2015, are as follows:

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

	Interfund Receivables	Interfund Payables
General Fund	\$ 11,269,250	\$
Special Revenue Fund	<u> </u>	<u>11,269,250</u>
Total	<u>\$ 11,269,250</u>	<u>\$ 11,269,250</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.

	Transfers — In					Total
	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Internal Service Fund	
Transfers — out:						
General fund	\$ -	\$ 7,247,291	\$ 88,101,854	\$ 5,001,000	\$ 8,100,000	\$ 108,450,145
Debt service funds	1,937					1,937
Special revenue funds	<u>1,940,889</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,940,889</u>
Total transfers — in	<u>\$ 1,942,826</u>	<u>\$ 7,247,291</u>	<u>\$ 88,101,854</u>	<u>\$ 5,001,000</u>	<u>\$ 8,100,000</u>	<u>\$ 110,392,971</u>

Transfers are used to 1) fund the District special education program that is accounted for as a Special Revenue fund; 2) move unrestricted General Fund revenues to finance various programs that the District accounts for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs; 3) General Fund transfer for capital improvements; 4) General Fund transfers to fund Internal Service Funds: OPEB funding, Central Duplication, and general liability claims; and 5) General Fund transfers to debt service fund for scheduled debt service and prepayment of debt service prior to maturity.

d. **Capital Assets** — Capital asset activities for the year ended December 31, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets — not being depreciated — land	\$ 24,318,868	\$ 12,062	\$ (245,173)	\$ 24,085,757
Construction in progress		2,291,525		2,291,525
Total capital assets — not being depreciated	<u>24,318,868</u>	<u>2,303,587</u>	<u>(245,173)</u>	<u>26,377,282</u>
Capital assets — being depreciated:				
Land improvements	13,878,018	735,991	(21,196)	14,592,813
Buildings	407,404,155	235,000	(1,125,029)	406,514,126
Building improvements	330,218,966	15,317,838	(745,039)	344,791,765
Computer software	5,066,149			5,066,149
Furniture, fixtures, machinery, and equipment	82,778,440	2,805,339	(2,214,713)	83,369,066
Total capital assets — being depreciated	<u>839,345,728</u>	<u>19,094,168</u>	<u>(4,105,977)</u>	<u>854,333,919</u>
Total at historical cost	<u>863,664,596</u>	<u>21,397,755</u>	<u>(4,351,150)</u>	<u>880,711,201</u>
Less accumulated depreciation for:				
Land improvements	(5,598,713)	(698,268)	10,797	(6,286,184)
Buildings	(240,256,401)	(8,541,109)	752,943	(248,044,567)
Building improvements	(94,288,639)	(13,191,598)	259,013	(107,221,224)
Computer software	(4,114,846)	(789,950)		(4,904,796)
Furniture, fixtures, machinery, and equipment	(70,368,051)	(4,383,308)	2,207,195	(72,544,164)
Total accumulated depreciation	<u>(414,626,650)</u>	<u>(27,604,233)</u>	<u>3,229,948</u>	<u>(439,000,935)</u>
Total capital assets — being depreciated — net	<u>424,719,078</u>	<u>(8,510,065)</u>	<u>(876,029)</u>	<u>415,332,984</u>
Governmental activities capital assets — net	<u>\$ 449,037,946</u>	<u>\$ (6,206,478)</u>	<u>\$ (1,121,202)</u>	<u>\$ 441,710,266</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets — being depreciated:				
Land improvements	\$ 43,878			43,878
Buildings	13,595,259			13,595,259
Furniture, fixtures, machinery, and equipment	5,856,175	23,477	(748)	5,878,904
Total capital assets — being depreciated	<u>19,495,312</u>	<u>23,477</u>	<u>(748)</u>	<u>19,518,041</u>
Less accumulated depreciation for:				
Buildings	(5,986,610)	(293,174)		(6,279,784)
Furniture, fixtures, machinery, and equipment	(5,430,429)	(112,250)	748	(5,541,931)
Total accumulated depreciation	<u>(11,417,039)</u>	<u>(405,424)</u>	<u>748</u>	<u>(11,821,715)</u>
Business-type activities capital assets — net	<u>\$ 8,078,273</u>	<u>\$ (381,947)</u>	<u>\$ -</u>	<u>\$ 7,696,326</u>

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

Governmental funds:	
Expenditures — Instruction	\$ 21,340,708
Expenditures — Instruction student support	5,325,563
Expenditures — Administrative and financial support service	270,333
Operation and maintenance of plant services	373,841
Student activities	65,189
Community services	48,473
Facilities, construction and improvement services	<u>180,126</u>
	<u>\$ 27,604,233</u>

In accordance with impairment guidance under GASB Codification Section 1400, *Reporting Capital Assets*, a net impairment loss of \$878,684 is included in program expenditures. The loss is related to the closing of various schools due to declining enrollment and change in manner of use.

Building	Regular Instruction	Instructional Support	Total Loss
Sheraden	\$ (452,763)	\$ (150,921)	\$ (603,684)
Rogers CAPA	<u>(206,250)</u>	<u>(68,750)</u>	<u>(275,000)</u>
Total	<u>\$ (659,013)</u>	<u>\$ (219,671)</u>	<u>\$ (878,684)</u>

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

Building	Carrying Value	Year of Closing	Future Use
Knoxville			
Elementary/Middle	2,408,054	July 1, 2006	May reopen as classroom space
Belmar Elementary	2,697,744	July 1, 2011	May reopen as classroom space
Fort Pitt Elementary	3,047,149	July 1, 2012	May reopen as classroom space
Northview Elementary	2,580,098	July 1, 2012	May reopen as classroom space
Stevens Elementary	1,327,608	July 1, 2012	May reopen as classroom space
McNaugher Spec. Ed. Ctr.	<u>1,034,593</u>	July 1, 2012	May reopen as classroom space
	<u>\$ 13,095,246</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 \$14,465,075.

- e. **Construction Commitments** — As of December 31, 2015, the District had the following committed construction projects:

Project	Total Contract Amount	Percentage Completed	Portion Completed	Total Remaining Committed
Murray	\$ 13,778,297	10.00%	\$ 1,377,830	\$ 12,400,467
Total	\$ 13,778,297	10.00%	\$ 1,377,830	\$ 12,400,467

The District has no pollution remediation liability under GASB Codification Section P40, *Pollution Remediation Obligations*, as of December 31, 2015.

After review of GASB Codification Section I50, *Investments*, the District determined that it does not hold any real estate for investments in an endowment fund as of December 31, 2015.

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.

f. **Long-Term Debt**

General Obligation Bonds — In 2015, the District issued General Obligation Bonds Series C in the amount of \$21,215,000. The Bonds will mature in September 2035. The original amount of current outstanding general obligation bonds and notes issued in prior years was \$520,183,000. The general obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 15- to 20-year serial bonds.

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

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

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

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

Advance Refunding — In 2015, the District issued refunding Series A of 2015 issue. The face amount of \$25,750,000 provided for the purchase of U.S. Government State and Local Government Series securities that were placed into escrow amounting to \$28,925,970. 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 \$3,175,970. This amount is being amortized over the remaining life of the refunded debt. Taking into consideration the prevailing interest rate environment at the time of the transaction, combined with the level of interest rates on its existing Series B of 2006 AND Series 2007 Bond issue, the District decided that it was economically beneficial to advance refund certain maturities of those issues. The maturities affected total \$25,750,000 in principal and include the following: Series of 2006 B — September 1, 2015 – September 1, 2017, and Series 2007 B — September 1, 2015–September 1, 2017. The refunding was accomplished by issuing the General Obligation Bonds Series A of 2015 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 \$827,717 or 3.19% of total refunded principal. The economic gain of the 2015 refunding was \$848,225.

QZAB — On December 15, 2000, the District issued QZABs for the first time. The U.S. Congress established QZABs in Section 226(a) of the Taxpayer Relief Act of 1997 to help strengthen schools serving large concentrations of low-income families. The federal government subsidizes these 15-year bonds by providing tax credits to bondholders that are approximately equal to the interest that states and communities would ordinarily pay to the holders of taxable bonds. The federal government allocates the authority to issue these bonds to states based on their proportion of the U.S. population living below the poverty line. Either of two criteria must be met for a school district to be eligible for QZAB funds. To qualify for the QZAB funds, the school district must be located in an Empowerment Zone or Enterprise Community or have at least 35% of the school district's students eligible for free or reduced-price lunches. Under this program, the District received bond proceeds of \$5,608,000 in 2006, \$10,952,000 in 2001, and \$2,568,000 in 2000 and received a 10% in-kind matching contribution of \$560,800, \$1,095,200, and \$256,800 from a corporation in 2006, 2001, and 2000, respectively. The in-kind contribution was designated for capital expenditures that are energy efficient. The 2000 QZABs have been in substance defeased. Accordingly, the trust account assets and the liabilities for the defeased QZABs are not included in the District's financial statements. QZABs of \$2,568,000 defeased in 2000 are outstanding at December 31, 2014. The District will make 10 equal payments of \$782,285 into a sinking fund and an 11th payment of \$747,295 for the 2001 QZAB Bonds. This sinking fund will pay interest to the District.

Cash Defeased Bonds — On November 9, 2015, the District defeased the remaining portion of the General Obligation Bonds Series A of 2005. The remaining principal outstanding was defeased in the amount of \$1,750,000. The resulting difference in debt service is a positive savings of \$98,220.

Legal Debt Margin — The District is subject to legal debt margin. This amount was \$817,941,039 for 2015.

Board Actions in Anticipation of Future Debt Offerings — At the December 2015 Board of Directors meeting, the Board authorized the arrangement for capital borrowing of \$35,655,500 for 2016.

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

Balance — January 1, 2015	\$ 344,862,805
Add debt issued or incurred:	
2015 Refunding Series	25,750,000
2015 GOB Series A	<u>21,215,000</u>
Less debt repayments or refundings:	
Payment to escrow for 2015 refunding series	(26,600,000)
2005 Series A Cash Defeasance	(1,750,000)
1/1/15—12/31/15 payments of Principal Bonds	<u>(36,736,855)</u>
Balance — December 31, 2015	<u>\$ 326,740,950</u>

General obligation bonds and notes payable at December 31, 2015, are summarized as follows:

Bonds	Original Interest Rates	Original Maturity Range	Issued	Amount Outstanding	Due within One Year
2002 Refunding bonds	3.00-5.38	2002-2016	\$ 51,505,000	\$ 1,375,000	\$ 1,375,000
2002A Refunding bonds	2.00-5.50	2002-2018	78,830,000	29,680,000	11,030,000
2006 Series B	3.75-5.00	2006-2026	53,335,000	3,810,000	1,860,000
2007 GOB	4.00-4.25	2007-2027	40,235,000	3,700,000	1,805,000
2009 A Refunding Bonds	3.00-5.00	2009-2019	28,570,000	11,645,000	2,955,000
2010 Refunding Series A	0.6-5.00	2010-2022	30,975,000	27,360,000	3,455,000
2010 Refunding Series B	0.6-5.00	2010-2018	6,660,000	5,065,000	1,635,000
2010 GOB Series C	0.6-4.00	2010-2030	6,000,000	4,925,000	265,000
2011 Refunding	1.00-3.00	2011-2023	9,995,000	9,475,000	5,000
2012 Refunding	2.00-5.00	2012-2024	71,130,000	58,965,000	4,555,000
2012 Series B	2.00-4.00	2012-2022	5,000,000	3,695,000	465,000
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	26,015,000	5,000
2014 GOB Series C	2.00-5.00	2014-2034	9,995,000	9,555,000	345,000
2015 Refunding	0.6-5.00	2015-2027	25,750,000	25,750,000	5,000
2015 GOB	2.00-5.00	2015-2035	<u>21,215,000</u>	<u>21,215,000</u>	<u>195,000</u>
Total			<u>475,935,000</u>	<u>250,580,000</u>	<u>29,955,000</u>
2006 QZAB	1.38	2006-2022	5,608,000	2,605,362	357,067
2009 Build American Funds*	5.002-6.042	2009-2029	42,535,000	42,535,000	-
2010 QSCB Series D*	6.85	2010-2029	<u>19,520,000</u>	<u>13,440,000</u>	<u>960,000</u>
Total			<u>67,663,000</u>	<u>58,580,362</u>	<u>1,317,067</u>
Notes					
2010 QSCB SPSBA Series A*	6.50	2010-2028	9,578,000	7,148,470	549,882
2010 QZAB SPSBA Series B*	6.50	2010-2028	<u>13,972,000</u>	<u>10,432,118</u>	<u>802,471</u>
Total			<u>23,550,000</u>	<u>17,580,588</u>	<u>1,352,353</u>
Total outstanding principal			<u>\$ 567,148,000</u>	<u>\$ 326,740,950</u>	<u>\$ 32,624,420</u>
Add interest payable in future years				<u>119,660,111</u>	
Total				<u>\$ 446,401,061</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
2016	\$ 32,624,420	\$ 15,924,774
2017	32,899,348	14,624,234
2018	33,744,343	13,185,459
2019	30,149,408	11,799,724
2020	29,169,542	10,651,245
2021-2025	112,786,830	36,979,396
2026-2030	45,862,059	15,561,831
2031-2035	<u>9,505,000</u>	<u>933,448</u>
Total	<u>\$ 326,740,950</u>	<u>\$ 119,660,111</u>

Changes in long-term liabilities:

	Beginning	Additions	Reductions	Ending	Due within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 265,440,000	\$ 46,965,000	\$ (61,825,000)	\$ 250,580,000	\$ 29,955,000
QZABs	17,954,864	-	(1,909,502)	16,045,362	1,317,067
Notes payable	18,932,941	-	(1,352,353)	17,580,588	1,352,353
Taxable	<u>42,535,000</u>	<u>-</u>	<u>-</u>	<u>42,535,000</u>	<u>-</u>
Total before premium/discount	344,862,805	46,965,000	(65,086,855)	326,740,950	32,624,420
Add (less) deferred amounts:					
Premium on issuance	18,000,090	4,340,146	(3,000,667)	19,339,569	3,000,667
Discount on issuance	<u>(61,180)</u>	<u>-</u>	<u>4,914</u>	<u>(56,266)</u>	<u>-</u>
Total general obligation bonds and notes payable	362,801,715	51,305,146	(68,082,608)	346,024,253	35,625,087
Arbitrage rebate					
Compensated absences	15,608,074	4,711,263	(4,846,454)	15,472,883	5,646,559
Postemployment health benefits	30,589,361	17,352,104	(15,886,765)	32,054,700	
Net pension liability	792,999,000	136,120,140	(58,481,140)	870,638,000	60,000,000
Termination benefits	517,627	132,822	(430,342)	220,107	220,107
Workers' compensation reserve	8,554,591	1,497,647	(1,764,871)	8,287,367	1,500,000
Capital leases	<u>8,689,049</u>	<u>365,700</u>	<u>(2,530,535)</u>	<u>6,524,214</u>	<u>2,204,544</u>
Governmental activities long-term liabilities	<u>\$1,219,759,417</u>	<u>\$ 211,484,822</u>	<u>\$(152,022,715)</u>	<u>\$ 1,279,221,524</u>	<u>\$ 105,196,297</u>
Business-type activities compensated absences	<u>\$ 523,758</u>	<u>\$ 101,792</u>	<u>\$ (92,324)</u>	<u>\$ 533,226</u>	<u>\$ 90,113</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, pension obligation, and compensated absences have been liquidated by the general fund in prior years.

- 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>\$ 8,287,367</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. One new lease was entered during 2015.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 16,300,093
Less accumulated depreciation	<u>10,231,111</u>
 Total	 <u>\$ 6,068,982</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, are as follows:

Years Ending December 31	Governmental Activities
2016	\$ 2,286,372
2017	1,976,159
2018	1,491,303
2019	<u>922,191</u>
 Total minimum lease payments	 6,676,025
 Less amount representing interest	 <u>151,811</u>
 Present value of minimum lease payments	 <u>\$ 6,524,214</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, 2015, are as follows:

Workers' compensation	\$ 11,440,873
Comprehensive general liability	2,205,794
Self-insurance health care	18,627,880

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 \$2,872,570.

Not included in the table above for the workers' compensation fund is the long-term portion of the claims reserve, which was \$6,787,367 as of December 31, 2015.

The funds for unemployment and workers' compensation are funded based on a percentage of gross payrolls, which was 0.8% and 1.01%, respectively, from January 1, 2015 to April 30, 2015 and .40% and 1.05%, respectively, from May 1, 2015 to December 31, 2015. 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, 2015, which utilized a discount rate of 3.5%. The Reserve was reviewed through December 31, 2015, and determined to be within reasonable range. Nonincremental claims adjustment expenses have not been included as part of the liability.

The self-insurance funds, actually maintained by the District to provide for future anticipated losses, were \$8,287,367 at December 31, 2015. The expense is based on a percentage of gross payrolls for the year. The contribution rate is 1.05% of gross at December 31, 2015.

Changes in the Reserve claims liability in fiscal 2015 and 2014 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2015	\$8,554,591	\$1,497,647	\$(1,764,871)	\$ 8,287,367
2014	\$8,357,841	\$2,213,993	\$(2,017,243)	\$ 8,554,591

c. Subsequent Events:

- i. Building Sales* - On March 26, 2015, the Board authorized the Administration to accept the \$225,000 offer from Pittsburgh Spice Company to purchase the Schaeffer School building and land. This settlement took place on March 8, 2016. On November 24, 2015, the Board authorized the Administration to accept \$235,000 from the Associated Master Plumbers of Allegheny County for the Sheraden building and land. This settlement took place on March 18, 2016.
- ii. State Budget* – The State of Pennsylvania began the 2015-16 fiscal year without an approved budget. Without an approved budget, funding could not be released to School Districts and other State agencies. As a result of the budget impasse, school districts throughout Pennsylvania were faced with difficult decisions such as borrowing to continue operations, program cuts, and closure. In January 2016, school districts experienced some relief from the budget impasse when some funding was released as part of a partial budget settlement. The impasse continued until March 2016 when the Governor allowed the approved budget to become law without his signature. However, the Governor vetoed the fiscal code. The impasse concluded in April 2016 when the Governor allowed the fiscal code to become law without his signature.
- iii. Collective Bargaining* – The District entered 2016 with expired contracts with its six bargaining units. In May 2016, the District approved a two year contract extension with the PFT Professional, Paraprofessional, and Technical Clerical bargaining units. In June 2016, the District approved a two year contract extension with AFSCME Local 2924 and the Building & Construction Trades Council.

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.state.pa.us.

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 collected 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 is provided. 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 School District’s contractually required pension contribution rate for the period January 1, 2015 to June 30, 2015 was 20.50% of covered payroll and for the period July 1, 2015 to December 31, 2015 was 25.00%, 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 School District was required to contribute 0.90% and 0.84%, respectively, of covered payroll to the Premium Assistance. The contribution rate will increase to 29.20% in fiscal year 2016.

The School District contributed approximately \$58,481,140 to PSERS for the year ended December 31, 2015, which represents its contribution towards pension benefits and Premium Assistance. Approximately \$33,627,419 is owed to PSERS as of December 31, 2015, which represents the School District’s required contribution for the end of year payroll and amounts delayed for payment due to the state budget impasse. 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 School District recorded reimbursements from the Commonwealth approximating \$24,336,063 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. *Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions* – At December 31, 2015, the School District reported a liability of \$870,638,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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, 2014 to June 30, 2015. The School 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, 2015, the School District’s proportion was 2.0100%, which was an increase of .0065% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the School District recognized pension expense of \$78,130,932. At December 31, 2015, the School 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
Net differences between expected and actual experience	\$ -	\$ (3,593,000)
Net differences between projected and actual earnings on pension plan investments		(1,762,000)
Changes in proportion	2,205,000	(1,803,000)
School District contributions subsequent to the measurement date	<u>29,170,068</u>	<u>-</u>
Total	<u>\$ 31,375,068</u>	<u>\$ (7,158,000)</u>

\$29,170,068 reported as deferred outflows of resources resulting from the School 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, 2016. 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:

2016	\$ (4,915,000)
2017	(4,915,000)
2018	(4,915,000)
2019	<u>9,792,000</u>
Total	<u>\$ (4,953,000)</u>

vii. *Actuarial Assumptions* – The total pension liability as of June 30, 2015 was determined by rolling forward PSERS' total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1.0%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disables annuitants, the RP-2000 Combined Disables Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

viii. *Discount Rate* – The discount rate used to measure the total pension liability was 7.50%. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	<u>100%</u>	

ix. *Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the School District’s proportionate share of the net pension liability calculated using the discount rates described above, as well as what the School 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 and lower than the current rate:

	1% Decrease <u>(-6.50%)</u>	Current Discount <u>(-7.50%)</u>	1% Increase <u>(-8.50%)</u>
School District's proportionate share of the net pension liability	<u>\$1,073,145,000</u>	<u>\$870,638,000</u>	<u>\$700,430,000</u>

e. **Contingent Liabilities and Commitments:**

- i. *Grants* — The District participates in state and federally assisted grant programs. These programs are subject to program compliance audits. The District is potentially liable for any expenditure, which may be disallowed pursuant to the terms of these grant programs. Adjustments related to final settlement of disallowed costs are charged to the General Fund in the year of disallowances.
- ii. *Litigation* — The District is involved in a number of claims and legal actions, including tax appeals, in the normal course of operations. The Office of the District's Solicitor and other District officials believe that such proceedings in the aggregate will not have a materially adverse effect on the District's financial condition or the power of the District to levy and collect taxes.
- iii. *Encumbrance Commitments* — The School District has signed various contracts related to various funds that began during the fiscal year 2015, but were not completed as of December 31, 2015. 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	\$	\$ 9,702,809	\$ 9,702,809
Committed — contracts	3,193,792	2,995,565	6,189,357
Assigned — purchase orders	<u>226,547</u>	<u> </u>	<u>226,547</u>
 Total	 <u>\$ 3,420,339</u>	 <u>\$ 12,698,374</u>	 <u>\$ 16,118,713</u>

- f. **Labor Relations** — Six bargaining units represent district employees. The largest unit, composed of teachers and other professionals, had a contract, which expired on June 30, 2015. The federation also represents approximately 570 paraprofessionals and approximately 23 technical-clerical employees. Collective bargaining agreements (CBAs) with these units also expired June 30, 2015. At a special legislative Board meeting held on May 18, 2016 the Board ratified a tentative agreement to extend the expired collective bargaining agreements through June 30, 2017. It includes step movements, an increase on all salary schedules by 1% retroactive to the start of the 2015-2016 school year and a 1.8% increase on all schedules at the start of the 2016-2017 school year. The five-year CBAs representing the custodial employees expired December 31, 2015. The CBA with building and trade employees expires January 15, 2016. Secretarial Clerical agreement is from January 1, 2011, through June 30, 2015.
- g. **Postemployment Health Benefits** — In addition to providing pension benefits, the District provides health insurance coverage for retired employees and their dependents. Substantially, all of the employees may become eligible for this benefit if they reach normal retirement age while

working for the District. The District is obligated to pay this benefit as a result of union contracts and Board rules and regulations for nonunion employees.

- i. *Plan Description* — The District administers a single-employer defined benefit health care plan (School District of Pennsylvania Retiree Health Plan). The plan provides employees, under age 65, health care insurance for eligible retirees and their dependents through the District’s self-insurance group health plan, which covers both active and retired members. The District also contributes funds toward a Medicare supplement reimbursement after age 65. The amount of the reimbursement depends on the date of retirement divided by out-of-pocket expenses. Benefit provisions are established through negotiations between the District and various unions.
- ii. *Funding Policy* — Contribution requirements are negotiated. The employee contribution depends on the bargaining agreement. Employees eligible under Article 140 of the CBA pay 5% of the premium, plus 20% of the premium difference from the prior year, plus the cumulative surcharge if they retired prior to July 1, 2008. The minimum retiree contribution is \$100 per month. After July 1, 2008, employees pay the pre-July 1, 2008, rate in effect on date of retirement, plus 50% of subsequent premium increases. Retiree contributions cannot exceed 50% of current premium. Employees not eligible under Article 140 of the CBA may elect coverage under Act 110 and pay 102% of the active premium or minimum of \$100 a month. Retirees contributed \$1,997,952 toward the plan in 2015. For the fiscal year 2015, the District contributed \$15,886,765 toward actual claims paid for eligible retired plan members and their dependents. The District contributions are paid from the Self-Insurance Health Care Fund.
- iii. *Annual OPEB Cost and Net OPEB Obligation* — The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Codification Section P50, *Postemployment Benefits Other Than Pension Benefits — Employer Reporting*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table shows the components of the District’s annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the District’s OPEB obligation to the plan.

Annual required contribution	\$ 17,897,516
Interest on net OPEB obligation	1,223,574
Adjustment to annual required contribution	<u>(1,768,986)</u>
Annual OPEB cost	17,352,104
Contributions made	<u>15,886,765</u>
Increase in net OPEB obligation	1,465,339
Net OPEB obligation — beginning of year	<u>30,589,361</u>
Net OPEB obligation — end of year	<u>\$ 32,054,700</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	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	\$ 17,352,104	91.5 %	\$ 32,054,700
December 31, 2014	18,044,826	60.8	30,589,361
December 31, 2013	18,100,936	71.2	23,514,269

- iv. *Funded Status and Funding Progress* — As of November 1, 2015, the actuarial accrued liability for benefits was \$180,994,776, of which \$174,799,635 was unfunded. The plan held assets of \$6,128,882 in a segregated, dedicated trust. The covered payroll (annual payroll of active employees covered by the plan) was \$238,398,597 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 73%. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.
- v. *Methods and Assumptions* — Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following assumptions were made:

- vi. *Retirement and Separation for Active Employees* — Assumed rates of retirement are slightly different as those used in the most recent PSERS valuation report.

Age	Less than 5 Years of Service	Between 5 and 10 Years of Service	10 or More Years of Service	Disability	Early Retirement*	Superannuation Retirement*
FEMALES						
25	13.00%	8.50%	5.00%	0.03%		
35	13.00%	5.50%	3.00%	0.06%		
40	10.90%	4.50%	1.50%	0.10%		
45	10.90%	4.00%	1.50%	0.15%		30.00%
50	10.90%	3.75%	1.75%	0.20%	0.00%	30.00%
55	10.90%	3.75%	3.00%	0.38%	15.00%	30.00%
60	10.90%	4.50%	5.50%	0.38%	15.00%	30.00%
61	10.90%	4.50%	10.00%	0.29%	15.00%	25.00%
62	0.00%	0.00%	0.00%	0.19%	25.00%	25.00%
63	0.00%	0.00%	0.00%	0.13%	20.00%	20.00%
64	0.00%	0.00%	0.00%	0.13%	20.00%	20.00%
65	0.00%	0.00%	0.00%	0.00%	25.00%	25.00%
71	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
MALES						
25	12.50%	5.50%	2.00%	0.02%		
35	11.00%	3.00%	1.50%	0.10%		
40	13.00%	3.50%	1.25%	0.18%		
45	13.00%	3.50%	1.25%	0.18%		25.00%
50	13.00%	3.50%	1.70%	0.28%	0.00%	25.00%
55	11.00%	3.50%	3.00%	0.43%	15.00%	30.00%
60	10.50%	3.50%	4.50%	0.58%	12.00%	28.00%
61	10.50%	3.50%	10.00%	0.36%	12.00%	25.00%
62	0.00%	0.00%	0.00%	0.31%	25.00%	25.00%
63	0.00%	0.00%	0.00%	0.20%	20.00%	20.00%
64	0.00%	0.00%	0.00%	0.20%	20.00%	20.00%
65	0.00%	0.00%	0.00%	0.00%	20.00%	20.00%
71	0.00%	0.00%	0.00%	0.00%	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.

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

viii. *Mortality* — Pre Retirement: The RP-2000 Non-annuitant Mortality Table, sex-distinct, fully generational, projected using two-dimensional Scale BB.

Post Retirement: The RP-2000 Healthy Annuitant Mortality Table, sex-distinct, fully generational, projected using two-dimensional Scale BB. For disabled lives not yet receiving benefits, the RP-2000 Disabled Mortality Table, sex-distinct, without projection is used.

ix. *Health Care Cost Trend Rate* — The expected rate of increase in health care insurance claims/premiums were based on blended rates of future inflation for medical and prescription drug benefits. Long-term trends were developed using the Society of Actuaries (SOA) Long-Term Health Care Trends Resource Model. Expected annual claims costs were developed from 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.

Current Valuation	
YEAR	RATE of Medical and Prescription Drugs
2016	7.75%
2017	7.50%
2018	7.25%
2019	7.00%
2020	6.75%
2021	6.50%
2022	6.25%
2023	6.00%
2024	5.75%
2025-2035	5.50%
2036-2051	5.00%
2052-2057	4.50%
2058 and later	4.00%

x. *Discount Rate* — Based on the blended expected returns of the District’s short-term investment portfolio and long term projected rate of holdings in the dedicated, segregated trust, a discount rate of 4.0% was used.

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

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

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

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

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

<u>CURRENT VALUATION</u>		<u>PREVIOUS VALUATION</u>	
<u>Age</u>	<u>Annual Increases</u>	<u>Age</u>	<u>Annual Increases</u>
12-14	0.0 %	12-20	0.5 %
15-19	-1.5%	21-30	2.0
20-24	5.5	31-40	3.0
25-29	5.0	41-60	4.0
30-39	2.0	61-70	3.0
40-44	3.0	71-80	2.0
45-49	4.5	81-90	1.0
50-54	4.0	91 and older	0.5
55-59	4.5		
60-64	4.0		
65-69	3.5		
70-79	3.0		
80-84	2.0		
85 and older	1.5		

- xiii.* Assumptions used on input variables for the SOA Long-Run Health Care Trends Resource Model (July 2014):

YEAR 2025 AND LATER:	<u>Updated</u>	<u>Baseline</u>
Rate of inflation (GDP deflator)	2.3%	2.2%
Rate of growth in real income/GDP per capita	1.7%	1.6%
Expected Health Share of GDP in 2020	18.5%	19.2%
Extra trend due to technology and other factors	1.3%	1.4%
Health share of GDP resistance point	22.0%	25.0%
Year for limiting cost growth to GDP growth	2060	2075

- xiv.* 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.
- xv.* Amortization period — 30 years
- xvi.* Amortization method — level dollar, open amortization
- xvii.* Actuarial cost method — projected unit credit
- xviii.* Actuarial value of assets – market value as of the valuation date.

**REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2015**

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN AS OF DECEMBER 31, 2015

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, 2011		\$ 169,535,800	\$ 169,535,800	0.00%	\$ 250,697,358	61.60%
November 1, 2013		188,852,166	188,852,166	0.00	232,032,889	81.39
November 1, 2015	\$ 6,128,882	180,994,776	174,865,894	3.39	238,398,597	73.35

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2015*
District's proportion of the net pension liability	2.0100%
District's proportionate share of the net pension liability	\$ 870,638,000
District's covered-employee payroll	258,611,741
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	336.6583%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	54.3600%

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS

	2015*
Contributions recognized by PSERS	\$ 60,773,351
District's covered-employee payroll	\$ 259,592,860
Contributions as a percentage of covered-employee payroll	23.4110%

* The amounts presented for each year were determined as of the fiscal year-end. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is complete, the 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 FOR THE YEAR ENDED DECEMBER 31, 2015

	Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
100 Personnel services — salaries	\$ 173,429,878	\$ 170,006,428	\$	\$ 3,423,450
200 Personnel services — employee benefits	99,490,399	96,584,860		2,905,539
300 Purchased professional and technical services	83,570,735	79,354,478	2,173,619	2,042,638
400 Purchased property services	9,910,090	8,768,752	342,913	798,425
500 Other purchased services	100,672,506	98,900,679	419,032	1,352,795
600 Supplies	11,525,168	9,678,397	169,226	1,677,545
700 Property	5,528,926	5,143,933	297,145	87,848
800 Other objects	19,851,613	19,583,340		268,273
900 Other financing uses	<u>56,887,572</u>	<u>56,759,666</u>		<u>127,906</u>
Budgetary basis	<u>\$ 560,866,887</u>	<u>\$ 544,780,533</u>	<u>\$ 3,401,935</u>	<u>\$ 12,684,419</u>
Transfer for Special Education budgeted as expenditures		(70,565,738)		
Transfer for Special Revenue Fund Indirect Costs budgeted as expenditures		(17,536,116)		
Transfer for Other Governmental Funds, Capital Projects, and Internal Service Fund not budgeted		(20,348,291)		
Capital Leases not budgeted		<u>365,700</u>		
GAAP expenditures		<u>\$ 436,696,088</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, 2015

	Debt Service Fund	Special Revenue Funds		Total
		Special Trust Fund	Westinghouse Scholarship	
ASSETS				
Cash	\$ 7,067,518	\$ 83,023	\$ 402,165	\$ 7,552,706
Other Receivables	<u>12,252</u>	<u> </u>	<u> </u>	<u>12,252</u>
TOTAL ASSETS	<u>\$ 7,079,770</u>	<u>\$ 83,023</u>	<u>\$ 402,165</u>	<u>\$ 7,564,958</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
TOTAL LIABILITIES	<u>\$ <u> </u></u>	<u>\$ <u> </u></u>	<u>\$ <u> </u></u>	<u>\$ <u> </u></u>
FUND BALANCE:				
Restricted for — scholarships	\$	\$	\$ 402,165	\$ 402,165
Assigned to:				
Debt service	7,079,770			7,079,770
Special trust	<u> </u>	<u>83,023</u>	<u> </u>	<u>83,023</u>
TOTAL FUND BALANCE	<u>\$ 7,079,770</u>	<u>\$ 83,023</u>	<u>\$ 402,165</u>	<u>\$ 7,564,958</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 7,079,770</u>	<u>\$ 83,023</u>	<u>\$ 402,165</u>	<u>\$ 7,564,958</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, 2015

		Special Revenue Funds		
	Debt Service Fund	Special Trust Fund	Westinghouse Scholarship	Total
REVENUES				
Investment income	\$ _____	\$ _____	\$ _____	\$ _____
Total revenues	_____	_____	_____	_____
EXPENDITURES				
Support Services:				
Administration	34,072	10,000		44,072
Debt service:				
Principal	2,190,000			2,190,000
Interest	193,662			193,662
Bond issuance costs	248,105			248,105
Total expenditures	2,665,839	10,000		2,675,839
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,665,839)	(10,000)		(2,675,839)
OTHER FINANCING SOURCES AND USES				
Face Value of Refunding Bond Proceeds	25,750,000			25,750,000
Bond Premiums	3,175,970			3,175,970
Payments to Refund Bond and Sale of/or Compensation of Fixed Assets	(28,675,926)			(28,675,926)
Transfers in	5,001,000			5,001,000
Transfers out	(1,937)			(1,937)
Total other financing sources and uses	5,249,107			5,249,107
CHANGES IN FUND BALANCES	2,583,268	(10,000)		2,573,268
FUND BALANCES — January 1, 2015	4,496,501	93,023	402,166	4,991,690
FUND BALANCES — December 31, 2015	\$ 7,079,769	\$ 83,023	\$ 402,166	\$ 7,564,958

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, 2015

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
ASSETS						
CURRENT ASSETS:						
Cash	\$ 4,078,297	\$4,119,259	\$2,305,888	\$ 101,722	\$12,039,055	\$22,644,221
Investments	845,920				11,503,362	12,349,282
Interest receivable	16,926				13,326	30,252
Other receivables					8,741	8,741
Total current assets	<u>4,941,143</u>	<u>4,119,259</u>	<u>2,305,888</u>	<u>101,722</u>	<u>23,564,484</u>	<u>35,032,496</u>
NONCURRENT ASSETS:						
Restricted cash	2,212,769					2,212,769
Restricted investments	6,074,598					6,074,598
Total noncurrent assets	<u>8,287,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,287,367</u>
TOTAL	<u>\$13,228,510</u>	<u>\$4,119,259</u>	<u>\$2,305,888</u>	<u>\$ 101,722</u>	<u>\$23,564,484</u>	<u>\$43,319,863</u>
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES:						
Accounts payable	\$ 270,501	\$ 95,397	\$ 100,094	\$ 6,905	\$ 4,936,604	\$ 5,409,501
Accrued salaries	17,136					17,136
Current portion of workers' compensation reserve	1,500,000					1,500,000
Total current liabilities	<u>1,787,637</u>	<u>95,397</u>	<u>100,094</u>	<u>6,905</u>	<u>4,936,604</u>	<u>6,926,637</u>
NONCURRENT LIABILITIES:						
Workers' compensation reserve	6,787,367					6,787,367
Total noncurrent liabilities	<u>6,787,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,787,367</u>
TOTAL	<u>\$ 8,575,004</u>	<u>\$ 95,397</u>	<u>\$ 100,094</u>	<u>\$ 6,905</u>	<u>\$ 4,936,604</u>	<u>\$13,714,004</u>
NET POSITION — Unrestricted	<u>\$ 4,653,506</u>	<u>\$4,023,862</u>	<u>\$2,205,794</u>	<u>\$ 94,817</u>	<u>\$18,627,880</u>	<u>\$29,605,859</u>
TOTAL	<u>\$13,228,510</u>	<u>\$4,119,259</u>	<u>\$2,305,888</u>	<u>\$ 101,722</u>	<u>\$23,564,484</u>	<u>\$43,319,863</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, 2015

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
OPERATING REVENUES — Contributions	\$ 2,710,859	\$ 1,447,553	\$	\$ 12,223	\$ 60,709,595	\$ 64,880,230
Total operating revenues	<u>2,710,859</u>	<u>1,447,553</u>		<u>12,223</u>	<u>60,709,595</u>	<u>64,880,230</u>
OPERATING EXPENSES:						
Support services — administration			417,810			417,810
Support services — central:						
Operation of office — salaries and benefits, supplies, etc.	544,626	13,770	92,610	44,880		695,886
Benefit payments	1,497,647	253,267			64,871,901	66,622,815
Claims and judgments			143,130			143,130
Total operating expenses	<u>2,042,273</u>	<u>267,037</u>	<u>653,550</u>	<u>44,880</u>	<u>64,871,901</u>	<u>67,879,641</u>
OPERATING (LOSS) INCOME	668,586	1,180,516	(653,550)	(32,657)	(4,162,306)	(2,999,411)
NONOPERATING REVENUES — Investment earnings	<u>36,296</u>				<u>35,168</u>	<u>71,464</u>
INCOME (LOSS) BEFORE TRANSFERS	704,882	1,180,516	(653,550)	(32,657)	(4,127,138)	(2,927,947)
TRANSFERS IN			<u>1,000,000</u>	<u>100,000</u>	<u>7,000,000</u>	<u>8,100,000</u>
CHANGE IN NET POSITION	704,882	1,180,516	346,450	67,343	2,872,862	5,172,053
NET POSITION — January 1, 2015	<u>3,948,624</u>	<u>2,843,346</u>	<u>1,859,344</u>	<u>27,474</u>	<u>15,755,018</u>	<u>24,433,806</u>
NET POSITION — December 31, 2015	<u>\$ 4,653,506</u>	<u>\$ 4,023,862</u>	<u>\$ 2,205,794</u>	<u>\$ 94,817</u>	<u>\$ 18,627,880</u>	<u>\$ 29,605,859</u>

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Contributions	\$ 2,710,859	\$ 1,447,553	\$	\$ 12,223	\$ 60,709,595	\$ 64,880,230
Payments to suppliers			(341,008)	3,453		(337,555)
Payments to claimants	(1,678,774)	(189,258)	(143,130)		(64,235,620)	(66,246,782)
Payments to employees	(549,575)	(13,770)	(92,610)	(44,880)		(700,835)
Net cash (used in) provided by operating activities	482,510	1,244,525	(576,748)	(29,204)	(3,526,025)	(2,404,942)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES — Transfers to/from other funds						
			1,000,000	100,000	7,000,000	8,100,000
Net cash provided by noncapital financing activities			1,000,000	100,000	7,000,000	8,100,000
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	23,765				28,975	52,740
Purchase of investments	(5,788,567)				(6,963,159)	(12,751,726)
Sale of investments	6,180,381				3,940,558	10,120,939
Net cash used in investing activities	415,579				(2,993,626)	(2,578,047)
INCREASE IN CASH	898,089	1,244,525	423,252	70,796	480,349	3,117,011
CASH — January 1, 2015 (including \$1,242,259 for the internal service funds included in restricted assets)	5,392,977	2,874,734	1,882,636	30,926	11,558,706	21,739,979
CASH — December 31, 2015 (including \$2,212,769 for the internal service funds included in restricted assets)	\$ 6,291,066	\$ 4,119,259	\$2,305,888	\$101,722	\$ 12,039,055	\$ 24,856,990
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:						
Operating (loss) income	\$ 668,586	\$ 1,180,516	\$ (653,550)	\$ (32,657)	\$ (4,162,306)	\$ (2,999,411)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:						
Changes in assets and liabilities:						
Decrease in other receivables	3,514				216,364	219,878
Increase in accounts payable	82,583	64,009	76,802	3,453	419,917	646,764
Decrease in accrued salaries	(4,949)					(4,949)
Decrease in the workers' compensation reserve	(267,224)					(267,224)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ 482,510	\$ 1,244,525	\$ (576,748)	\$ (29,204)	\$ (3,526,025)	\$ (2,404,942)

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, 2015

STUDENT ACTIVITIES FUNDS	Balance at December 31, 2014	Additions	Deductions	Balance at December 31, 2015
ASSETS				
CASH	<u>\$ 821,458</u>	<u>\$ 1,960,645</u>	<u>\$ 1,858,632</u>	<u>\$ 923,471</u>
LIABILITIES				
ACCOUNTS PAYABLE	<u>\$ 821,458</u>	<u>\$ 1,960,645</u>	<u>\$ 1,858,632</u>	<u>\$ 923,471</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>	88–92
Revenue Capacity	
<i>These schedules contain information to help the reader assess the District’s most significant local revenue source — the property tax.</i>	93–98
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>	99–102
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>	103–104
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>	105–114

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

	2006	2007	2008	2009	2010	2011	2012*	2013	2014#	2015
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 11,510,006	\$ 7,109,093	\$ 24,410,706	\$ 22,263,955	\$ 14,027,441	\$ 77,248,874	\$ 82,888,604	\$ 81,325,299	\$ 93,747,943	\$ 110,927,600
RESTRICTED:										
Capital projects	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857	26,741,390	24,257,688	14,308,575	4,397,245	9,702,809
Workers' compensation	12,927,190	10,739,563	9,432,849	9,360,939	8,694,871	7,401,511	8,067,407	8,357,841	8,554,591	8,287,367
Scholarships						404,737	402,060	402,125	402,166	402,165
Unrestricted	66,838,899	75,027,227	90,939,469	92,143,099	92,711,757	75,006,876	86,220,059	129,720,546	(613,199,772)	(693,165,780)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	\$ 117,189,860	\$ 124,097,494	\$ 153,680,947	\$ 152,953,778	\$ 163,643,926	\$ 186,803,388	\$ 201,835,818	\$ 234,114,386	\$ (506,097,827)	\$ (563,845,839)
BUSINESS-TYPE ACTIVITIES:										
Investment in capital assets	\$ 10,638,946	\$ 10,140,217	\$ 9,880,588	\$ 9,632,120	\$ 9,444,693	\$ 9,132,366	\$ 8,938,446	\$ 8,511,569	\$ 8,078,273	\$ 7,696,326
Unrestricted	1,609,760	3,195,007	2,494,152	1,891,348	2,476,226	2,509,650	2,526,898	2,065,230	2,483,606	3,462,655
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	\$ 12,248,706	\$ 13,335,224	\$ 12,374,740	\$ 11,523,468	\$ 11,920,919	\$ 11,642,016	\$ 11,465,344	\$ 10,576,799	\$ 10,561,879	\$ 11,158,981
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 22,148,952	\$ 17,249,309	\$ 34,291,294	\$ 42,066,213	\$ 23,472,134	\$ 86,381,240	\$ 91,827,050	\$ 89,836,868	\$ 101,826,216	\$ 118,623,926
RESTRICTED:										
Capital projects	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857	26,741,390	24,257,688	14,308,575	4,397,245	9,702,809
Workers' compensation	12,927,190	10,739,563	9,432,849	9,360,939	8,694,871	7,401,511	8,067,407	8,357,841	8,554,591	8,287,367
Scholarships						404,737	402,060	402,125	402,166	402,165
Unrestricted	68,448,659	78,222,235	93,433,621	83,864,309	95,187,983	77,516,526	88,746,957	131,785,776	(610,716,166)	(689,703,125)
TOTAL PRIMARY GOVERNMENT NET POSITION	\$ 129,438,566	\$ 137,432,718	\$ 166,055,687	\$ 164,477,246	\$ 175,564,845	\$ 198,445,404	\$ 213,301,162	\$ 244,691,185	\$ (495,535,948)	\$ (552,686,858)

*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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXPENSES:										
Governmental activities:										
Instruction	\$ 343,103,518	\$ 412,481,720	\$ 354,803,355	\$ 359,892,900	\$ 367,624,843	\$ 368,705,063	\$ 380,972,744	\$ 358,810,259	\$ 382,170,153	\$ 436,217,437
Instruction student support	50,212,401	18,788,145	72,889,909	76,343,837	77,196,218	75,518,995	70,870,488	68,253,479	63,231,453	74,714,596
Administrative and financial support services	70,317,359	43,726,558	41,744,853	41,894,934	39,632,257	38,128,199	34,942,606	40,144,112	41,313,696	51,982,083
Operation and maintenance of plant services	54,293,456	51,465,382	52,652,003	50,554,945	50,102,490	45,550,945	44,339,221	45,513,462	48,695,238	55,071,032
Student transportation services	36,265,693	37,350,251	40,407,143	38,990,860	39,531,164	41,965,337	40,395,225	40,969,897	40,978,967	38,781,256
Facilities	4,741,647	4,309,043	4,068,041	10,313,503	9,391,546	6,273,147	3,548,719	4,726,749	3,913,433	4,686,576
Student activities	6,517,464	6,577,584	6,234,205	6,287,969	6,065,262	6,090,136	4,863,727	4,796,054	5,070,318	5,580,447
Community services	1,097,706	960,216	438,186	174,651	393,461	410,847	488,147	453,191	53,681	256,939
Scholarships and awards				25,881				64,458		
Food service	59,506	1,019,772	541,103	9,261	34,672	24,340				
Interest on long-term debt	23,213,046	25,369,995	25,453,453	25,581,149	24,948,700	24,117,689	25,588,548	17,422,337	15,434,255	15,295,648
Total governmental activities	589,821,796	602,048,666	599,232,251	610,069,890	614,920,613	606,784,698	606,009,425	581,153,998	600,861,194	682,586,014
Business-type activities:										
Food service operations	13,754,932	13,480,029	14,717,475	14,997,269	15,202,951	16,182,934	15,786,992	16,468,871	16,807,538	16,588,099
Educational management	169,923	250,860								
Total business-type activities	13,924,855	13,730,889	14,717,475	14,997,269	15,202,951	16,182,934	15,786,992	16,468,871	16,807,538	16,588,099
Total primary government	603,746,651	615,779,555	613,949,726	625,067,159	630,123,564	622,967,632	621,796,417	597,622,869	617,668,732	699,174,113
PROGRAM REVENUES:										
Governmental activities:										
Charges for services — instruction	2,981,589	5,382,047	4,232,887	3,900,934	3,735,342	2,991,286	3,815,824	3,930,445	2,325,206	3,156,220
Operating grants and contributions	107,342,376	93,878,334	94,837,622	93,464,939	100,337,549	106,542,663	77,057,566	101,244,617	84,614,775	83,350,244
Capital grants and contributions				1,145,639						
Total governmental activities program revenues	110,323,965	99,260,381	99,070,509	98,511,512	104,072,891	109,533,949	80,873,390	105,175,062	86,939,981	86,506,464
Business-type activities:										
Charges for services — food sales	4,956,902	4,673,892	3,046,494	2,359,785	2,878,544	2,641,351	2,131,414	1,561,222	1,347,648	1,033,129
Operating grants and contributions	9,852,424	9,918,718	11,638,102	12,212,629	12,651,008	13,234,530	13,183,351	14,018,783	15,444,970	16,152,072
Total business-type activities program revenues	14,809,326	14,592,610	14,684,596	14,572,414	15,529,552	15,875,881	15,314,765	15,580,005	16,792,618	17,185,201
Total primary government program revenues	125,133,291	113,852,991	113,755,105	113,083,926	119,602,443	125,409,830	96,188,155	120,755,067	103,732,599	103,691,665
NET (EXPENSE) REVENUE:										
Governmental activities	(479,497,831)	(502,788,285)	(500,161,742)	(511,558,378)	(510,847,722)	(497,250,749)	(525,136,035)	(475,978,936)	(513,921,213)	(596,079,550)
Business-type activities	884,471	861,721	(32,879)	(424,855)	326,601	(307,053)	(472,227)	(888,866)	(14,920)	597,102
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$(478,613,360)	\$(501,926,564)	\$(500,194,621)	\$(511,983,233)	\$(510,521,121)	\$(497,557,802)	\$(525,608,262)	\$(476,867,802)	\$(513,936,133)	\$(595,482,448)

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GENERAL REVENUES:										
Taxes:										
Real estate	\$ 182,844,940	\$ 180,610,786	\$ 201,056,780	\$ 165,639,728	\$ 167,021,527	\$ 169,716,831	\$ 173,301,574	\$ 162,571,466	\$ 166,111,256	\$ 169,534,710
Earned income	98,113,842	99,463,263	97,449,958	94,278,868	96,580,035	103,534,131	101,468,207	110,783,535	115,024,230	125,232,644
Others	2,951,903	460,595	625,808	404,485	383,480	371,537	378,740	354,304	350,243	329,639
Federal and state grants and subsidies	199,519,748	213,084,958	214,935,445	238,629,300	246,496,380	238,940,940	249,703,582	222,617,705	248,356,557	233,699,572
Investment income	10,331,541	11,482,539	7,856,272	5,051,424	3,309,796	2,993,901	4,036,901	599,483	771,590	1,070,711
Miscellaneous income	8,960,996	4,809,711	6,868,385	6,400,064	7,817,222	4,880,807	13,954,913	11,331,261	11,385,123	8,464,262
Transfers	(619,703)	(215,933)	952,547	427,340	(70,570)	(27,936)	(295,462)	(250)		
Total government activities	<u>502,103,267</u>	<u>509,695,919</u>	<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>
BUSINESS-TYPE ACTIVITIES:										
Investment income	14,225	12,644	8,941	923	280	214	93	71		
Gain on disposal of assets		(3,780)	16,000							
Transfers	619,703	215,933	(952,546)	(427,340)	70,570	27,936	295,462	250	0	0
Total business-type activities	<u>633,928</u>	<u>224,797</u>	<u>(927,605)</u>	<u>(426,417)</u>	<u>70,850</u>	<u>28,150</u>	<u>295,555</u>	<u>321</u>		
Total primary government	<u>502,737,195</u>	<u>509,920,716</u>	<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>
CHANGE IN NET POSITION:										
Governmental activities	22,605,436	6,907,634	29,583,453	(727,169)	10,690,148	23,159,462	17,412,420	32,278,568	28,077,786	(57,748,012)
Business-type activities	1,518,399	1,086,518	(960,484)	(851,272)	397,451	(278,903)	(176,672)	(888,545)	(14,920)	597,102
TOTAL PRIMARY GOVERNMENT	<u>\$ 24,123,835</u>	<u>\$ 7,994,152</u>	<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>

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GENERAL FUND:										
Reserved	\$ 3,100,904	\$ 4,171,947	\$ 4,693,507	\$ 3,548,327	\$ 3,492,476	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	71,850,561	69,231,998	67,346,931	67,972,380	69,036,774					
Nonspendable						170,612	269,927	307,261	314,304	349,889
Committed						6,933,108	6,553,447	22,196,273	22,924,133	22,166,362
Assigned						22,448,457	10,471,624	18,097,109	27,597,380	23,792,065
Unassigned						52,548,417	71,663,229	73,136,786	78,377,293	86,923,714
Total general fund	<u>74,951,465</u>	<u>73,403,945</u>	<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>
CAPITAL PROJECTS:										
Reserved	13,970,759	17,772,085	9,519,459	24,365,531	22,110,291					
Unreserved	11,943,006	13,449,526	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
Committed								850,538	1,870,946	2,995,565
Assigned						663,516	3,402,657	5,466,014	6,132,860	8,798,125
Total capital projects	<u>25,913,765</u>	<u>31,221,611</u>	<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>
SPECIAL FUNDS — unreserved	<u>4,449,482</u>	<u>4,213,474</u>	<u>5,084,453</u>	<u>4,852,781</u>	<u>3,621,026</u>					
Total special funds	<u>4,449,482</u>	<u>4,213,474</u>	<u>5,084,453</u>	<u>4,852,781</u>	<u>3,621,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER GOVERNMENTAL FUNDS:										
Reserved		84,532	79,460	5,191	5,191					
Unreserved	3,244,532	2,175,837	421,273	560,545	446,415					
Restricted						404,737	402,060	402,125	402,166	402,165
Assigned						145,819	113,023	4,815,652	4,589,524	7,162,793
Total other governmental funds	<u>3,244,532</u>	<u>2,260,369</u>	<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>
TOTAL ALL FUNDS	<u>\$ 108,559,244</u>	<u>\$ 111,099,399</u>	<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>

Note: The District implemented GASB Statement No. 54 in 2011, which changed the Fund balance classifications. - 91 -

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES:										
Taxes	\$ 288,729,045	\$ 285,479,159	\$ 291,178,837	\$ 272,514,477	\$ 265,323,836	\$ 277,216,462	\$ 268,716,062	\$ 276,842,166	\$ 283,619,068	\$ 293,937,695
Local nontax revenue	11,930,587	9,992,883	3,298,412	2,630,043	10,833,651	7,677,799	24,914,237	15,729,961	13,710,331	11,620,482
Federal and state grants and subsidies	306,874,124	306,579,696	310,462,249	333,198,409	347,526,827	345,678,755	319,744,518	331,146,993	332,971,291	332,629,306
Investment earnings	8,220,724	9,251,027	4,973,882	2,483,855	976,068	769,117	563,967	599,483	730,103	999,250
Total revenues	<u>615,754,480</u>	<u>611,302,765</u>	<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>
EXPENDITURES:										
Instruction	303,497,446	308,178,614	337,069,804	338,411,054	345,965,024	350,491,668	349,729,619	337,432,338	356,458,279	361,474,054
Support service instruction	47,216,488	49,249,383	48,260,865	47,036,824	46,800,516	44,839,308	42,377,082	41,429,984	39,574,812	39,194,396
Administration and business	61,203,994	57,744,635	58,659,072	57,567,589	58,467,395	58,442,147	47,219,258	54,887,662	54,071,188	56,499,043
Pupil health	6,284,059	6,775,578	6,319,601	6,288,538	6,714,603	8,898,877	7,808,347	8,984,190	8,428,528	8,603,277
Operation and maintenance	55,163,987	51,272,510	53,350,551	49,934,296	50,099,238	46,627,161	44,503,401	45,728,784	48,876,362	47,463,714
Transportation	36,117,732	37,308,662	40,410,946	38,979,412	39,525,502	41,973,598	40,397,190	40,973,160	40,983,089	38,614,822
Operation of noninstructional services	6,901,707	8,250,935	7,786,860	6,706,366	6,477,685	6,807,541	5,249,755	5,180,752	5,433,551	5,359,136
Facilities — capital outlay	41,983,063	39,676,515	33,785,391	42,189,499	34,934,141	26,465,287	19,379,285	15,612,673	19,774,374	21,397,755
Facilities — noncapital outlay	2,087,916	2,123,683	1,778,179	6,036,703	1,504,316	880,021	(477,942)	(32,332)	(639,763)	1,300,750
Debt service principal and interest:										
Principal	31,438,004	35,012,840	37,088,505	34,845,747	35,458,134	37,065,702	36,762,657	42,497,321	38,472,050	38,483,949
Interest	22,129,727	23,207,737	23,621,598	23,668,629	24,261,943	22,027,296	21,242,131	20,542,129	17,497,178	16,758,523
Charter schools ¹	28,320,639	26,866,103								
Other charges	7,945,318	5,898,269	3,342,782	4,944,404	5,240,846	4,157,522	3,076,852	3,356,152	4,307,056	3,492,886
Total expenditures	<u>650,290,080</u>	<u>651,565,464</u>	<u>651,474,154</u>	<u>656,609,061</u>	<u>655,449,343</u>	<u>648,676,128</u>	<u>617,267,635</u>	<u>616,592,813</u>	<u>633,236,704</u>	<u>638,642,305</u>
EXCESS OF REVENUES OVER/ UNDER EXPENDITURES	<u>(34,535,600)</u>	<u>(40,262,699)</u>	<u>(41,560,774)</u>	<u>(45,782,277)</u>	<u>(30,788,961)</u>	<u>(17,333,995)</u>	<u>(3,328,851)</u>	<u>7,725,790</u>	<u>(2,205,911)</u>	<u>544,428</u>
OTHER FINANCING SOURCES (USES):										
Issuance of general obligation bonds	53,355,000	40,235,000	29,050,000	42,535,000	49,070,000		5,000,000		9,995,000	21,215,000
Premium on refunding	245,280			33,460,000	37,635,000	9,995,000	71,130,000		3,222,496	3,175,970
Premium on general obligation bonds	555,983	549,205	389,851	2,094,295	5,287,951	(21,483)	9,944,668		378,833	1,164,174
Issuance of refunding bonds	6,350,000								36,740,000	25,750,000
Issuance of QZAB	5,608,000									
Debt service (payments to refunded bond escrow agent)	(6,519,498)			(34,029,604)	(42,498,310)	(9,750,498)	(80,059,491)		(42,091,668)	(28,675,926)
Other capital leases		2,400,000	4,954,942			2,173,989	4,509,890	2,324,301	6,926,213	365,700
Sale of or compensation for capital assets	2,849,320	11,732	1,263,651	1,270,639	51,619	634,240	774,188	11,482,942	1,577,107	248,290
Transfers in	20,853,200	19,618,867	22,623,705	23,656,159	21,684,483	20,698,731	23,731,631	34,811,370	29,029,304	31,727,233
Transfers out	(21,472,902)	(20,011,951)	(21,671,159)	(23,228,819)	(21,755,052)	(21,151,667)	(28,027,093)	(36,811,620)	(30,229,304)	(39,827,233)
Total other financing sources	<u>61,824,383</u>	<u>42,802,853</u>	<u>36,610,990</u>	<u>45,757,670</u>	<u>49,475,691</u>	<u>2,578,312</u>	<u>7,003,793</u>	<u>11,806,993</u>	<u>15,547,981</u>	<u>15,143,208</u>
NET CHANGE IN FUND BALANCES	<u>\$ 27,288,783</u>	<u>\$ 2,540,154</u>	<u>\$ (4,949,784)</u>	<u>\$ (24,607)</u>	<u>\$ 18,686,730</u>	<u>\$ (14,755,683)</u>	<u>\$ 3,674,942</u>	<u>\$ 19,532,783</u>	<u>\$ 13,342,070</u>	<u>\$ 15,687,636</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>8.81 %</u>	<u>9.51 %</u>	<u>9.83 %</u>	<u>9.52 %</u>	<u>9.51 %</u>	<u>9.50 %</u>	<u>9.70 %</u>	<u>10.49 %</u>	<u>9.12 %</u>	<u>8.95 %</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
2006	173,796,113	9,048,826	98,113,842	66,734	459,540	281,485,055
2007	172,240,306	8,370,480	99,463,263	22,102	426,761	280,522,912
2008	¹ 192,508,265	8,548,515	97,449,958	12,426	380,376	298,899,540
2009	² 159,517,055	6,122,673	94,278,868	5,392	399,091	260,323,079
2010	² 159,966,438	7,055,089	96,580,035	4,321	379,159	263,985,042
2011	² 160,750,157	8,966,674	103,534,131	631	370,906	273,622,499
2012	² 165,594,664	7,706,910	101,468,207	-	378,740	275,148,521
2013	² 151,666,977	10,904,489	110,783,535	2,965	351,339	273,709,305
2014	² 156,014,965	10,096,291	115,024,230	206	350,037	281,485,729
2015	² 158,342,753	11,191,957	125,232,644	30	329,609	295,096,993

¹ Reflects one-time change to deferred revenue for property tax reduction.

² 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
2006	181,040,104	98,113,842	66,734	9,048,826	459,540	288,729,046
2007	176,997,680	99,463,263	22,102	8,370,478	426,761	285,280,284
2008	177,550,700	97,449,958	12,426	8,548,515	380,376	283,941,975
2009 ²	163,984,723	94,278,868	5,392	6,122,673	399,091	264,790,747
2010 ²	161,280,364	96,580,035	4,321	7,055,089	379,159	265,298,968
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	162,960,719	119,456,080	30	11,191,257	329,609	293,937,695

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			
2006	\$ 7,359,655	\$ 13,258,151	\$ 20,617,806	\$ 7,247,496	\$ 13,370,310	\$ 15,315,361	0.873	30.76
2007	7,365,189	13,809,440	21,174,629	7,696,640	13,477,989	15,581,490	0.865	30.76
2008	7,302,960	13,792,448	21,095,408	7,826,233	13,269,175	15,164,771	0.875	30.76
2009	7,348,092	14,068,732	21,416,824	7,985,191	13,431,633	15,581,941	0.862	30.76
2010	7,359,741	14,049,120	21,408,861	8,115,436	13,293,425	15,553,307	0.855	30.76
2011	7,394,893	14,657,384	22,052,277	8,519,619	13,532,658	15,833,210	0.855	30.76
2012	7,399,525	15,054,547	22,454,072	8,742,618	13,711,454	16,042,401	0.855	31.76
2013	10,408,915	22,610,396	33,019,311	12,714,616	20,304,695	20,304,695	1.000	24.91
2014	10,235,792	20,960,046	31,195,838	12,464,686	18,731,152	18,731,152	1.000	25.10
2015	10,380,472	20,908,046	31,288,518	12,535,072	18,753,446	18,753,446	1.000	28.07

*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⁾
2006	13.920	10.800	13.500	4.690	29.410	32.110
2007	13.920	10.800	13.500	4.690	29.410	32.110
2008	13.920	10.800	13.500	4.690	29.410	32.110
2009	13.920	10.800	13.500	4.690	29.410	32.110
2010	13.920	10.800	13.500	4.690	29.410	32.110
2011	13.920	10.800	13.500	4.690	29.410	32.110
2012	13.920	10.800	13.500	5.690	30.410	33.110
2013 ⁽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

⁽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/municipal)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL PROPERTY TAXPAYERS 2015 AND NINE YEARS AGO

Taxpayer	2015			2006		
	(1) Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
500 Grant Street Associates/Mellon Bank	\$ 372,004,000	1	18.64 %	\$ 457,943,000	1	28.50 %
PNC	286,019,100	2	14.33	174,660,000	4	10.87
Holdings Acquisition Co LP	248,136,300	3	12.43			
Buncher Company	242,548,900	4	12.15	194,923,000	2	12.13
600 GS Prop LP	233,211,300	5	11.68	160,000,000	5	9.96
HRLP Fourth Avenue LLC	179,400,000	6	8.99			
Oxford Development	154,000,000	7	7.72	112,000,000	6	6.97
IX Liberty Center Owner LP	123,500,000	8	6.19			
Liberty Avenue Holdings LLC	79,000,000	9	3.96			
North Shore Developers	78,000,000	10	3.91			
Market Assoc. Limited				185,000,000	3	11.51
Grant Liberty Dev. Group				111,000,000	7	6.91
Gateway Trizec, Inc.				71,700,000	8	4.46
Penn Liberty Holdings				84,970,000	9	5.29
Harrahs Forest City Assoc.				54,798,000	10	3.41
Total assessed value (in thousands)	<u>\$1,995,819,600</u>			<u>\$1,606,994,000</u>		

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

Source: City of Pittsburgh, Department of Finance

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Levy Year	Taxable Valuation (Millions) 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
2006	13,126.6	\$ 181,746,627	\$ 171,703,252	94.47	\$ 6,736,010	\$ 178,439,262	98.18
2007	12,902.6	179,605,293	171,657,699	95.57	6,594,137	178,251,836	99.25
2008	12,977.5	180,648,220	171,075,386	94.70	6,963,335	178,038,721	98.56
2009	11,784.7	164,044,094	157,206,287	95.83	6,786,827	163,993,115	99.97
2010	11,787.9	164,088,430	155,802,011	94.95	6,099,658	161,901,669	98.67
2011	11,954.5	166,407,623	158,769,241	95.41	6,217,115	164,986,355	99.15
2012	12,217.6	170,069,937	159,318,698	93.68	6,001,304	165,320,002	97.21
2013	16,207.1	156,398,875	152,027,206	97.20	4,158,203	156,185,409	99.86
2014	16,211.6	159,522,560	152,331,919	95.49	3,430,345	155,762,264	97.64
2015	16,523.6	162,592,276	155,539,550	95.66	-	155,539,550	95.66

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					
2006	\$477,915,813	\$ 434,933	\$478,350,746	3.12	\$1,413.17	\$1,411.73	0.58
2007	483,261,615	2,690,494	485,952,109	3.12	1,435.46	1,427.52	0.56
2008	474,549,063	6,469,776	481,018,839	3.17	1,420.89	1,401.78	0.55
2009	482,643,574	5,178,368	487,821,942	3.18	1,440.99	1,425.69	0.56
2010	496,589,687	5,817,370	502,407,057	3.26	1,625.48	1,606.53	0.58
2011	458,623,303	6,376,540	464,999,843	2.94	1,504.33	1,483.70	0.53
2012	426,748,532	6,557,544	433,306,076	2.70	1,401.80	1,380.59	0.50
2013	393,289,363	6,373,885	399,663,248	1.88	1,235.34	1,214.72	0.44
2014	362,801,715	8,689,049	371,490,764	1.89	1,143.78	1,115.67	0.41
2015	346,024,253	6,524,214	352,548,467	1.78	1,078.15	1,057.05	0.38

⁽¹⁾ Presented Net of original issuance discount and premiums.

⁽²⁾ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 95 for property value data.

⁽³⁾ See the Schedule of Demographic and Economic Statistics on page 103 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
2006	\$ 31,438,004	\$ 22,129,727	\$ 53,567,731	\$ 650,290,080	8.24
2007	35,012,840	23,207,738	58,220,578	651,565,463	8.94
2008	37,088,505	23,621,598	60,710,103	651,474,153	9.33
2009	34,845,747	23,668,629	58,514,376	656,609,061	8.91
2010	34,364,158	24,261,943	58,626,101	655,449,343	8.94
2011	37,065,703	22,027,296	59,092,999	648,676,128	9.11
2012	36,762,657	21,242,131	58,004,788	617,267,635	9.40
2013	42,497,321	20,542,129	63,039,450	616,592,813	10.22
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	638,642,305	8.65

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

DIRECT AND OVERLAPPING DEBT OF GOVERNMENTAL DEBT AS OF DECEMBER 31, 2015

Jurisdiction	Net Debt Outstanding	Percentage Applicable to School District	Amount Applicable to School District
DIRECT DEBT — School district of Pittsburgh:			
General obligation bonds	\$ 309,160,362	100 %	\$ 309,160,362
Notes	17,580,588	100	17,580,588
Premium and discount	19,283,303	100	19,283,303
Capital leases	<u>6,524,214</u>	100	<u>6,524,214</u>
Total direct debt	<u>352,548,467</u>		<u>352,548,467</u>
OVERLAPPING DEBT:			
Allegheny County ⁽²⁾	\$ 823,329,000	25 %	\$ 205,832,250
City of Pittsburgh:			
City	501,394,000	100	501,394,000
Auditorium authority ⁽¹⁾	490,000	50	245,000
Parking authority	<u>71,156,000</u>	100	<u>71,156,000</u>
Total overlapping debt	<u>1,396,369,000</u>		<u>778,627,250</u>
TOTAL DEBT AND OVERLAPPING DEBT	<u><u>\$1,748,917,467</u></u>		<u><u>\$1,131,175,717</u></u>

Source: City of Pittsburgh, Department of Finance

⁽¹⁾ Based on contractual agreements.

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

⁽³⁾ Percentage of the City liability.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$1,074,251,941	\$1,093,536,657	\$1,112,485,535	\$1,133,187,826	\$1,140,382,642	\$1,141,809,645	\$1,155,188,600	\$1,160,685,897	\$1,166,865,779	\$1,170,489,505
Total net debt applicable to limit	<u>470,416,786</u>	<u>475,638,946</u>	<u>467,600,441</u>	<u>474,754,695</u>	<u>487,810,536</u>	<u>458,136,373</u>	<u>424,534,720</u>	<u>389,270,723</u>	<u>371,490,764</u>	<u>352,548,467</u>
Legal debt margin	<u>\$ 603,835,155</u>	<u>\$ 617,897,711</u>	<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>\$ 817,941,038</u>
Total net debt applicable to the limit as a percentage to debt limit	<u>43.79 %</u>	<u>43.50 %</u>	<u>42.03 %</u>	<u>41.90 %</u>	<u>42.78 %</u>	<u>40.12 %</u>	<u>36.75 %</u>	<u>33.54 %</u>	<u>30.83 %</u>	<u>30.12 %</u>

Legal Debt Margin Calculation for Fiscal Year 2014

	2012	2013	2014	Total
Total general funds	\$ 516,788,048	\$ 518,794,476	\$ 535,949,482	\$1,571,532,006
Less required deduction rental and sinking fund reimbursement	<u>(2,678,718)</u>	<u>(1,978,528)</u>	<u>(6,222,087)</u>	<u>(10,879,333)</u>
Total net general fund revenues	<u>\$ 514,109,330</u>	<u>\$ 516,815,948</u>	<u>\$ 529,727,395</u>	<u>\$1,560,652,673</u>
Average of three years				<u>\$ 520,217,558</u>
Multiply by 225% ⁽¹⁾				<u>225 %</u>
Debt limit				\$ 1,170,489,505
Less total net debt applicable to limit				<u>352,548,467</u>
Legal debt margin				<u>\$ 817,941,038</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 Income ¹	Per Capita Personal Income ²	Median Age	School Enrollment ³	Unemployment Rate ⁴
2006	338,533	83,167,643	34,685	35.7	30,969	4.90
2007	338,533	87,003,015	36,530	36.0	29,902	5.00
2008	338,533	91,100,723	38,550	39.2	28,436	6.00
2009	338,533	97,006,591	41,206	36.6	27,922	8.00
2010	309,107	99,171,917	42,104	36.6	27,132	8.00
2011	309,107	99,610,767	42,298	35.0	26,652	6.60
2012	309,107	100,655,536	42,688	33.2	26,463	6.70
2013	309,107	112,990,235	47,862	33.2	25,906	6.20
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

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 2015 AND NINE YEARS AGO

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment *	Employees	Rank	Percentage of Total City Employment *
University of Pittsburgh Medical Center	43,000	1	12.64 %	30,957	1	10.02 %
Highmark Health	22,000	2	6.47 %			
U.S. Government	17,347	3	5.10	19,224	2	6.22
Commonwealth of Pennsylvania	12,822	4	3.77	14,023	3	4.54
University of Pittsburgh	12,386	5	3.64	10,714	6	3.47
Giant Eagle, Inc.	10,742	6	3.16	12,220	4	3.96
The Bank of New York Mellon	7,600	7	2.06			
Allegheny County	6,750	8	1.98	6,607	8	2.14
Wal-Mart Stores	6,200	9	1.82	9,705	7	3.14
Eat 'n Park Hospitality Group	5,614	10	1.65			
West Penn Allegheny Health System				11,462	5	3.71
Mellon Financial Group				6,300	10	2.04
PNC Financial Services Group, Inc.				6,568	9	2.13

Sources:

Pittsburgh Business Times 2007 Book of Lists
Pittsburgh Business Times 2015-2016 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

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Elementary school [#]	15,864	15,363	14,667	12,268	12,081	11,828	11,906	11,815	11,562	11,485
Middle school	4,001	3,825	3,658	5,674	5,555	5,654	5,466	5,439	5,224	5,066
Secondary school	9,247	8,634	7,777	7,617	7,166	7,054	6,912	6,652	6,736	6,575
Special education	333	443	547	564	524	495	565	619	581	513
Pre-K/Headstart	<u>1,452</u>	<u>1,637</u>	<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>
Total	<u>30,897</u>	<u>29,902</u>	<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>

[#] 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 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Number of schools:										
Elementary	39	39	39	39	38	38	34	34	34	34
Junior/middle	11	11	11	9	7	7	7	7	7	7
Senior	11	11	12	14	14	11	9	9	10	10
Special	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total public schools	65	65	66	66	63	60	53	53	54	54
Number of charter schools ⁽¹⁾	<u>23</u>	<u>22</u>	<u>24</u>	<u>24</u>	<u>25</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>32</u>	<u>33</u>
Total	<u>88</u>	<u>87</u>	<u>90</u>	<u>90</u>	<u>88</u>	<u>86</u>	<u>79</u>	<u>79</u>	<u>86</u>	<u>87</u>
School enrollment:										
Elementary	15,864	15,363	14,667	12,268	12,081	11,828	11,906	11,815	11,562	11,485
Junior/middle	4,001	3,825	3,658	5,674	5,555	5,654	5,466	5,439	5,224	5,066
Senior/special/vocational	9,247	8,634	7,777	7,617	7,166	7,054	6,912	6,652	6,736	6,575
Special	333	443	547	564	524	495	565	619	581	513
Pre-K	<u>1,452</u>	<u>1,637</u>	<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>
Total public schools	30,897	29,902	28,436	27,922	27,132	26,652	26,463	25,906	25,504	25,003
Charter schools	<u>2,095</u>	<u>2,087</u>	<u>2,467</u>	<u>2,945</u>	<u>3,117</u>	<u>2,971</u>	<u>3,306</u>	<u>3,498</u>	<u>3,737</u>	<u>3,840</u>
Total	<u>32,992</u>	<u>31,989</u>	<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>
Number of public high school graduates	1,908	1,744	1,818	1,676	1,726	1,553	1,588	1,571	1,511	1,336
Number of high school/charter graduates ⁽²⁾	<u>153</u>	<u>205</u>	<u>245</u>	<u>264</u>	<u>297</u>	<u>285</u>	<u>310</u>	<u>348</u>	<u>407</u>	<u>307</u>
Total number of high school graduates	<u>2,061</u>	<u>1,949</u>	<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>

⁽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 % *
2006	\$ 554,739,286	30,897	\$ 17,954	8.20	\$ 603,746,651	\$ 19,541	8.86	2,555	12	91.30
2007	553,668,371	29,902	18,516	3.13	615,779,554	20,593	5.39	2,466	12	91.40
2008	555,200,481	28,436	19,525	5.45	613,949,726	21,591	4.84	2,303	12	90.90
2009	549,868,483	27,922	19,693	0.86	625,067,159	22,484	3.60	2,315	12	91.10
2010	561,258,073	27,132	20,686	5.04	630,123,564	23,224	3.74	2,259	12	91.70
2011	564,411,811	26,652	21,177	2.37	622,967,632	23,374	0.64	2,196	12	93.10
2012	544,871,394	26,463	20,590	(2.77)	621,796,417	23,497	0.52	1,901	14	92.20
2013	537,973,022	25,906	20,766	0.86	597,622,869	23,179	(1.35)	1,942	13	92.80
2014	558,132,865	25,504	21,884	5.38	617,668,732	24,219	4.48	1,929	13	94.30
2015	560,701,328	25,003	22,425	2.47	699,174,113	27,964	15.46	1,962	13	91.40

* 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 FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration:										
Officials, administrators, and managers	74	84	87	106	108	93	101	102	113	119
Legal services	3	3	2	2	2	2	2	1	1	1
Clerical and other nonprofessional	691	659	661	652	585	561	562	549	516	530
Total administration	<u>768</u>	<u>746</u>	<u>750</u>	<u>760</u>	<u>695</u>	<u>656</u>	<u>665</u>	<u>652</u>	<u>630</u>	<u>650</u>
Instruction:										
Principals	73	75	72	73	73	77	62	66	62	65
Supervisors and assistant principals	68	64	50	40	34	25	23	19	29	29
Teachers	2,555	2,466	2,303	2,315	2,166	2,196	1,896	1,942	1,929	1,962
Librarians	56	52	48	45	40	35	24	20	23	22
Professionals and support staff	701	694	651	688	599	522	423	413	385	375
Total instruction	<u>3,453</u>	<u>3,351</u>	<u>3,124</u>	<u>3,161</u>	<u>2,912</u>	<u>2,855</u>	<u>2,428</u>	<u>2,460</u>	<u>2,428</u>	<u>2,453</u>
Pupil affairs:										
Directors and coordinators	9	8	8	1	1	1	-	-	-	-
Attendance personnel	62	54	53	53	51	47	38	40	40	43
Guidance and psychological personnel	160	154	150	147	138	126	121	121	113	112
Total pupil affairs	<u>231</u>	<u>216</u>	<u>211</u>	<u>201</u>	<u>190</u>	<u>174</u>	<u>159</u>	<u>161</u>	<u>153</u>	<u>155</u>
Health services:										
Nurses and health worker	35	35	35	37	35	40	39	41	41	42
Dentist and hygienists	3	3	3	3	3	3	3	3	3	3
Total health services	<u>38</u>	<u>38</u>	<u>38</u>	<u>40</u>	<u>38</u>	<u>43</u>	<u>42</u>	<u>44</u>	<u>44</u>	<u>45</u>
Operation and maintenance:										
Supervisors	13	13	13	14	13	12	11	11	11	10
Operation and maintenance	406	383	374	375	367	347	338	329	330	333
Total operation and maintenance	<u>419</u>	<u>396</u>	<u>387</u>	<u>389</u>	<u>380</u>	<u>359</u>	<u>349</u>	<u>340</u>	<u>341</u>	<u>343</u>
Food service:										
Director	1	1	1	1	1	-	1	1	1	1
Salaried employees	184	165	148	159	155	144	126	116	101	110
Total food service	<u>185</u>	<u>166</u>	<u>149</u>	<u>160</u>	<u>156</u>	<u>144</u>	<u>127</u>	<u>117</u>	<u>102</u>	<u>111</u>
Total	<u>5,094</u>	<u>4,913</u>	<u>4,659</u>	<u>4,711</u>	<u>4,371</u>	<u>4,231</u>	<u>3,770</u>	<u>3,774</u>	<u>3,698</u>	<u>3,757</u>

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⁾
2006	\$ 35,500	\$ 54,500	\$ 73,500
2007	36,030	56,615	77,200
2008	36,570	57,935	79,300
2009	37,120	59,260	81,400
2010	37,620	60,260	82,900
2011	38,120	61,260	84,400
2012	38,620	62,260	85,900
2013	39,120	63,260	87,400
2014	39,620	64,260	88,900
2015	39,620	64,260	88,900

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

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

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

Source: School District of Pittsburgh, Human Resource Department

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

BUILDING FUNCTIONAL SQUARE FOOTAGE AND CAPACITY

LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Instruction and instruction student support:										
Elementary:										
Total schools	39	39	39	39	38	38	34	34	34	34
Total square footage	2,437,759	2,604,660	2,832,147	2,832,147	2,510,350	2,385,823	2,289,330	2,289,330	2,289,330	2,289,330
Enrollment	15,864	15,363	14,667	12,268	12,081	11,828	11,906	11,815	11,562	11,485
Functional capacity ¹	21,275	19,010	19,541	19,801	19,374	20,727	20,185	20,185	20,713	20,713
Percentage of capacity used	75 %	81 %	75 %	62 %	62 %	57 %	59 %	59 %	59 %	55 %
Middle:										
Total schools	11	11	10	9	7	7	7	7	7	7
Total square footage	1,361,692	997,758	758,565	557,300	868,508	868,508	768,525	768,525	768,525	768,525
Enrollment	4,001	3,825	3,658	5,674	5,555	5,654	5,466	5,439	5,224	5,066
Functional capacity ¹	5,120	4,772	4,866	3,783	3,333	3,924	3,992	3,992	3,992	3,992
Percentage of capacity used	78 %	80 %	75 %	150 %	167 %	144 %	137 %	136 %	131 %	127 %
Secondary:										
Total schools	11	11	12	14	14	11	9	10	11	11
Total square footage	3,066,060	2,835,475	2,928,974	3,092,014	2,868,961	2,868,961	2,244,706	2,244,706	2,244,706	2,244,706
Enrollment	9,247	8,634	7,777	7,617	7,166	7,054	6,912	6,652	6,736	6,575
Functional capacity ¹	12,460	12,032	12,391	13,765	13,934	15,017	11,536	11,536	12,227	12,659
Percentage of capacity used	74 %	72 %	63 %	55 %	51 %	47 %	60 %	58 %	55 %	52 %
Special:										
Total schools	4	4	4	4	4	4	3	3	5	5
Total square footage	211,722	211,722	313,960	313,960	400,499	400,499	436,754	436,754	436,754	436,754
Enrollment	333	443	547	564	524	495	565	619	581	513
Functional capacity ¹	668	668	576	576	576	518	746	746	746	1,224
Percentage of capacity used	50 %	66 %	95 %	98 %	91 %	96 %	76 %	83 %	78 %	42 %
Pre-K and headstart:										
Enrollment	1,452	1,637	1,787	1,799	1,806	1,621	1,614	1,381	1,401	1,364
Functional capacity ¹	796	740	940	940	940	1,085	914	914	914	914
Percentage of capacity used	182 %	221 %	190 %	191 %	192 %	149 %	177 %	151 %	153 %	149 %
Administrative and financial support service:										
Total buildings	2	2	3	3	2	2	1	1	1	1
Total square footage	129,345	129,345	390,600	390,600	156,778	156,778	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	69	69	70	71	67	64	56	57	60	60
Total square footage	7,364,378	6,936,760	7,382,046	7,343,821	6,962,896	6,838,369	6,007,215	6,007,215	6,007,215	6,007,215
Enrollment	30,897	29,902	28,436	27,922	27,132	26,652	26,463	25,906	25,504	25,003
Functional capacity ¹	40,319	37,222	38,314	38,865	38,157	41,271	37,373	37,373	38,052	39,502
Percentage of capacity used	77 %	80 %	74 %	72 %	71 %	65 %	71 %	69 %	67 %	63 %

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
101	ARLINGTON ELEMENTARY SCHOOL	88.19 %	88.21 %	88.02 %	86.56 %	86.12 %	86.13 %	79.17 %	82.81 %	79.64 %	76.09 %
102	ALLEGHENY TRADITIONAL ELEMENTARY	77.17	77.36	78.41	80.90	82.95	83.81	84.12	86.51	79.93	63.01
103	BANKSVILLE ELEMENTARY SCHOOL	46.25	50.00	60.98	62.10	54.09	51.33	59.65	89.35	57.20	46.74
105	BEECHWOOD ELEMENTARY SCHOOL	61.44	63.64	70.41	74.93	67.13	69.61	66.21	68.77	71.01	47.00
108	**ARSENAL ELEMENTARY SCHOOL	85.94	77.57	88.35	83.90	85.65	81.70	78.07	75.39	81.49	70.98
109	*BON AIR ELEMENTARY SCHOOL										
110	BROOKLINE ELEMENTARY SCHOOL	53.26	58.38	61.35	59.34	59.60	60.34	63.09	67.85	65.50	45.42
111	*BURGWIN ELEMENTARY SCHOOL										
112	CARMALT ACAD. OF SCIENCE AND TECHNOLOGY	68.06	69.49	68.27	68.72	65.35	68.69	73.69	75.63	70.81	54.32
114	*CHATHAM ELEMENTARY SCHOOL										
116	COLFAX ELEMENTARY SCHOOL	38.22	34.88	34.54	34.01	30.70	32.49	35.44	43.76	36.75	21.96
117	*CLAYTON ELEMENTARY SCHOOL										
118	CONCORD ELEMENTARY SCHOOL	56.77	60.90	67.82	63.99	61.31	65.57	73.67	84.23	70.16	59.27
121	*CRESCENT ELEMENTARY SCHOOL										
121	***HELEN S. FAISON INTERMEDIATE SCHOOL	88.20	86.54	87.35	90.56	86.06					
123	*MCCLEARY ELEMENTARY SCHOOL										
131	#FORT PITT ELEMENTARY SCHOOL	95.19	97.20	96.96	93.36	89.25	85.80				
133	*FRIENDSHIP ELEMENTARY SCHOOL										
134	FULTON ACA OF GEO & LIFE SCIENCES	82.37	84.06	87.66	89.97	87.13	85.67	77.38	82.89	76.50	55.23
136	GRANDVIEW ELEMENTARY SCHOOL	83.01	85.37	89.84	90.44	88.76	86.15	75.29	80.51	72.67	80.00
137	GREENFIELD ELEMENTARY SCHOOL	65.14	66.50	70.90	70.62	59.54	66.95	70.62	69.21	62.64	40.00
141	HOMEWOOD MONTESSORI ELEM. SCHOOL	54.41	54.55	54.95	53.85	53.26	58.36	59.60	63.16	54.14	23.34
142	HELEN S. FAISON PRIMARY SCHOOL	86.98	90.57	93.28	87.61	84.73	81.87	78.24	86.15	82.06	70.65
143	*KNOXVILLE ELEMENTARY SCHOOL										
140	##LANGLEY K-8							84.94	87.45	78.70	69.50
145	*LEMINGTON ELEMENTARY SCHOOL										
145	**LINCOLN INTERMEDIATE SCHOOL	88.07	85.90	89.90	91.71	89.25					
147	LIBERTY ELEMENTARY SCHOOL	41.78	46.08	46.23	52.71	52.23	61.19	69.60	69.70	69.37	49.05
148	LINCOLN ELEMENTARY SCHOOL	89.58	85.84	94.68	93.16	90.19	83.48	82.13	88.98	75.48	64.18
149	LINDEN ELEMENTARY SCHOOL	37.40	35.81	40.58	44.89	48.09	54.83	61.38	70.60	66.58	42.98

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
150	*MADISON ELEMENTARY SCHOOL	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
151	MANCHESTER ELEMENTARY SCHOOL	94.17	89.86	90.39	87.15	84.77	84.53	81.71	88.93	82.94	66.97
152	*MANN ELEMENTARY SCHOOL										
153	MIFFLIN ELEMENTARY SCHOOL	55.68	56.36	54.20	60.25	60.44	63.17	66.07	72.29	65.51	43.79
154	MILLER ELEMENTARY SCHOOL	91.64	87.01	89.49	92.13	93.25	87.65	81.92	88.38	84.88	67.21
155	MINADEO ELEMENTARY SCHOOL	51.53	57.29	58.48	54.93	50.18	55.94	61.77	70.22	67.08	47.13
156	*MORNINGSIDE ELEMENTARY SCHOOL										
157	MORROW ELEMENTARY SCHOOL	76.71	77.59	84.03	85.53	85.42	80.16	73.49	83.31	76.58	65.44
160	#MURRAY ELEMENTARY SCHOOL	94.48	96.14	94.59	89.78	88.03	79.04				
161	DILWORTH TRADITIONAL ACADEMY	75.14	75.43	74.85	73.61	74.69	73.49	75.45	75.11	73.48	39.63
164	#NORTHVIEW ELEMENTARY ACADEMY	97.72	95.21	98.21	95.10	87.94	86.80				
168	PHILLIPS ELEMENTARY SCHOOL	64.16	67.12	66.55	68.23	59.32	63.69	63.39	66.11	60.73	51.56
170	*PROSPECT ELEMENTARY SCHOOL										
172	ROOSEVELT ELEMENTARY SCHOOL (NEW)	67.14	69.82	75.72	77.03	77.14	75.38	70.65	77.08	71.99	64.10
174	#SCHAEFFER ELEMENTARY SCHOOL (PRIMARY)	79.71	90.50	92.55	88.52	81.59	80.49				
176	*SHERADEN ELEMENTARY SCHOOL										
176	***SCHAEFFER INTERMEDIATE SCHOOL	88.05	92.19	91.05	91.72	92.22	85.93				
178	SPRING HILL ELEMENTARY SCHOOL	89.53	87.77	88.97	89.31	89.10	81.40	80.95	84.46	75.34	68.60
180	#STEVENS ELEMENTARY SCHOOL	91.25	86.45	92.40	87.42	81.36	76.16				
181	SUNNYSIDE ELEMENTARY SCHOOL	80.48	76.38	82.27	81.38	79.12	80.27	77.36	84.55	79.71	63.33
183	++VANN ELEMENTARY SCHOOL	93.36	87.01	89.92	92.53						
184	WEIL TECHNOLOGY INSTITUTE	85.75	86.28	86.97	89.02	93.21	87.83	85.78	85.00	79.69	68.97
185	WEST LIBERTY ELEMENTARY SCHOOL	44.53	44.24	48.97	48.56	49.81	62.67	62.62	63.57	54.98	46.03
186	WESTWOOD ELEMENTARY SCHOOL	66.40	66.88	73.26	71.55	76.00	77.00	77.97	82.75	75.62	58.47
187	WHITTIER ELEMENTARY SCHOOL	77.46	77.13	81.68	82.67	75.63	68.67	60.25	68.63	55.56	57.63
189	WOOLSLAIR ELEMENTARY	92.16	89.05	88.70	86.55	82.47	79.63	80.12	90.18	80.53	62.50
192	*EAST HILLS ELEMENTARY SCHOOL										
195	M L KING ELEMENTARY SCHOOL	89.31	88.47	88.39	88.99	89.69	83.63	76.54	87.94	79.89	76.23
	TOTAL ELEMENTARY SCHOOLS	73.82 %	73.29 %	75.44 %	74.65 %	72.11 %	71.51 %	71.25 %	76.76 %	70.67 %	56.12 %

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
204	ALLEGHENY TRADITIONAL MIDDLE SCHOOL	79.87 %	81.85 %	80.00 %	80.07 %	83.38 %	81.37 %	84.18 %	87.70 %	83.73 %	63.01 %
205	SOUTH HILLS MIDDLE SCHOOL	65.33	70.64	73.53	75.05	72.25	72.34	76.32	80.38	79.00	62.37
208	*COLUMBUS MIDDLE SCHOOL										
210	++ARTHUR J. ROONEY MIDDLE SCHOOL	89.52	92.49	87.38	83.13						
211	*MILLIONES MIDDLE SCHOOL										
212	*KNOXVILLE MIDDLE SCHOOL										
215	PITTSBURGH CLASSICAL ACADEMY MIDDLE SCHOOL	61.24	62.57	63.49	72.67	78.72	79.70	76.64	72.87	72..81	52.62
221	*PROSPECT MIDDLE SCHOOL										
232	FRICK INTERNATIONAL STUDIES	55.60	60.53	61.96		59.56	66.75	73.51	74.70	73.41	46.58
234	**STUDENT ACHIEVEMENT MIDDLE CENTER	79.10	88.14	83.33		96.15	80.00	84.21	97.44		
250	SOUTH BROOK MIDDLE SCHOOL	52.82	59.95	62.65	60.05	62.91	67.51	68.60	72.75	72.89	49.78
272	ROGERS CAPA MIDDLE SCHOOL	38.49	40.45	68.04	36.31	34.23	32.74	35.09	34.01	36.07	18.70
275	SCHILLER CLASSICAL ACADEMY	75.41	78.35	81.74	86.05	85.83	87.45	89.91	90.32	86.67	70.34
279	STERRETT CLAS. AC. MIDDLE SCHOOL	52.02	46.55	62.50	63.13	69.54	68.83	76.03	76.57	78.11	47.49
290	*WASHINGTON POLYTECHNIC ACADEMY										
297	*REIZENSTEIN MIDDLE SCHOOL										
298	ARSENAL MIDDLE SCHOOL	90.20	94.16	94.24	90.49	83.47	86.05	88.46	91.85	90.43	70.98
299	*GREENWAY MIDDLE SCHOOL										
	TOTAL MIDDLE SCHOOLS	65.97 %	68.38 %	72.19 %	74.49 %	70.66 %	70.31 %	72.98 %	74.20 %	72.63 %	49.64 %
301	ALLDERDICE HIGH SCHOOL	0.32	0.33	0.39	0.42	0.40	0.47	0.52	52.00	53.09	30.86
304	PGH HS CRT/PRFM ARTS	24.86	25.85	26.81	30.77	30.39	33.76	36.93	37.87	38.62	18.70
305	CARRICK HIGH SCHOOL	60.00	62.54	72.30	74.45	73.58	72.59	77.79	78.76	78.84	59.52
306	+ SCIENCE AND TECHNOLOGY ACADEMY				67.77	64.85	62.41	62.00	63.10	64.64	36.05
309	***PITTSBURGH UNIVERSITY PREP				80.71	74.53	80.14	81.77	86.84	86.64	66.87
312	^BARACK OBAMA IB 9-12					47.86	52.76	56.33	63.06	64.20	87.20
313	#LANGLEY HIGH SCHOOL	67.57	68.47	79.67	79.17	75.89	72.58				
317	#OLIVER HIGH SCHOOL	77.06	73.30	77.07	79.27	75.98	74.43				
318	PEABODY HIGH SCHOOL	72.28	69.78	75.92	78.79	73.14					
319	PERRY TRAD. AC. HIGH SCHOOL	55.74	59.69	65.35	67.20	69.30	80.50	86.05	88.35	85.20	68.41
322	SCHENLEY HIGH SCHOOL	49.35	53.42	54.33	55.80	54.65					
327	WESTINGHOUSE HIGH SCHOOL	77.28	80.97	89.69	84.39	82.39		78.28	84.43	81.47	65.14
329	BRASHEAR HIGH SCHOOL	49.23	51.09	58.83	60.40	59.59	63.00	67.69	76.70	75.14	53.19
332	**STUDENT ACHIEVEMENT CENTER	67.91	63.26	73.47	81.22	77.18	74.71	79.27	86.99	90.85	73.60
332	*LETSCHKE EDUCATION CENTER										
	TOTAL HIGH SCHOOLS	53.28 %	54.44 %	60.56 %	61.81 %	60.07 %	64.08 %	66.86 %	69.75 %	69.59 %	49.36 %

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
335	**CLAYTON ACADEMY (CEP)	- %	81.57 %	82.30 %	90.19 %	90.97 %	81.43 %	85.06 %	93.30 %	96.69 %	76.27 %
336	^ BRIDGES TO SUCCESS AT CLAYTON					63.64	75.44				
419	CONROY TMR CTR	0.85	87.65	84.30	81.41	77.56	75.80	76.87	83.03	80.25	50.61
446	MERCY BEHAVIORAL HEALTH	52.94	65.38	85.71	85.71	77.78	75.00	72.73	100.00	88.89	77.78
463	MCNAUGHER SPEC. ED. CTR./OLIVER CITYWIDE ACADEMY	86.36	83.96	94.44	84.00	75.76	74.51	87.80	90.21	88.00	71.05
337	***PITTSBURGH ONLINE ACADEMY							59.42	64.22	69.18	63.37
469	PIONEER CENTER	49.28	50.70	57.75	62.50	58.44	66.20	68.49	70.83	66.67	49.78
	TOTAL SPECIAL SCHOOLS	76.32 %	79.21 %	81.94 %	82.66 %	76.22 %	76.18 %	78.16 %	83.75 %	81.72 %	58.03 %
	TOTAL DISTRICT FREE/REDUCED PERCENTAGE	66.40 %	67.06 %	70.87 %	70.79 %	70.79 %	69.21 %	70.32 %	74.63 %	70.89 %	53.25 %

* Closed under District 2006 right-sizing plan

** New school/program under district right-sizing plan

*** School opened in 2008 fiscal year

+ School opened in 2009 fiscal year

^ New school/program started in 2010 fiscal year

++ School closed in 2010 fiscal plan

School Closed in 2012 Fiscal Plan

New School/Program started in 2012 Fiscal Year

Source: School District of Pittsburgh Finance Division

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2015

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Refunding Series 2002	2/5/2002	\$ 51,505,000	\$ 1,375,000	\$1,375,000 in 2016	5.38 %	\$ 73,906	\$ 1,375,000
General Obligation Bonds, Refunding Series 2002A	6/1/2002	78,830,000	29,680,000	\$11,030,000 in 2016 \$11,245,000 in 2017 \$7,405,000 in 2018	4.25 % 5.50 5.50	1,632,400	11,030,000
General Obligation Bonds, Series B of 2006	11/30/2006	53,335,000	3,810,000	\$1,860,000 in 2016 \$1,950,000 in 2017	5.00 % 4.00	171,000	1,860,000
General Obligation Bonds, Series of 2007	11/27/2007	40,235,000	3,700,000	\$1,805,000 in 2016 \$1,895,000 in 2017	5.00 % 5.00	185,000	1,805,000
General Obligation Bonds, Refunding Series A of 2009	10/27/2009	28,570,000	11,645,000	\$2,955,000 in 2016 \$3,070,000 in 2017 \$3,195,000 in 2018 \$2,425,000 in 2019	4.00 % 4.00 5.00 4.00	497,750	2,955,000

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2015

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Refunding Series A of 2010	11/18/2010	\$ 30,975,000	\$ 27,360,000	\$3,455,000 in 2016	5.00 %	\$ 1,328,350	\$ 3,455,000
				\$3,575,000 in 2017	5.00		
				\$3,965,000 in 2018	4.00		
				\$3,890,000 in 2019	5.00		
				\$4,080,000 in 2020	5.00		
				\$4,360,000 in 2021	5.00		
				\$4,035,000 in 2022	5.00		
General Obligation Bonds, Refunding Series B of 2010	11/18/2010	6,660,000	5,065,000	\$1,635,000 in 2016	5.00 %	253,250	1,635,000
				\$1,690,000 in 2017	5.00		
				\$1,740,000 in 2018	5.00		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2015

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series C of 2010	11/18/2010	\$ 6,000,000	\$ 4,925,000	\$265,000 in 2016	2.00 %	\$ 166,274	\$ 265,000
				\$270,000 in 2017	2.30		
				\$275,000 in 2018	2.50		
				\$285,000 in 2019	2.70		
				\$290,000 in 2020	3.00		
				\$300,000 in 2021	3.10		
				\$310,000 in 2022	3.25		
				\$320,000 in 2023	3.63		
				\$330,000 in 2024	3.63		
				\$345,000 in 2025	3.63		
				\$360,000 in 2026	3.63		
				\$370,000 in 2027	4.00		
				\$385,000 in 2028	4.00		
				\$400,000 in 2029	4.00		
\$420,000 in 2030	4.00						
General Obligation Bonds, Refunding Series of 2011	10/31/2011	9,995,000	9,475,000	\$5,000 in 2016	1.50 %	259,703	5,000
				\$135,000 in 2017	1.70		
				\$140,000 in 2018	2.05		
				\$140,000 in 2019	2.25		
				\$765,000 in 2020	2.50		
				\$2,725,000 in 2021	2.65		
				\$2,790,000 in 2022	2.75		
				\$2,775,000 in 2023	3.00		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2015**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Refunding Series A of 2012	4/10/2012	\$ 71,130,000	\$ 58,965,000	\$4,555,000 in 2016 \$4,785,000 in 2017 \$7,985,000 in 2018 \$14,095,000 in 2019 \$11,100,000 in 2020 \$7,145,000 in 2021 \$2,975,000 in 2022 \$3,130,000 in 2023 \$3,195,000 in 2024	5.00 % 4.00 4.00 4.00 4.00 5.00 5.00 5.00 5.00	\$ 2,568,600	\$ 4,555,000
General Obligation Bonds, Series of B 2012	4/10/2012	5,000,000	3,695,000	\$465,000 in 2016 \$485,000 in 2017 \$505,000 in 2018 \$525,000 in 2019 \$550,000 in 2020 \$570,000 in 2021 \$595,000 in 2022	5.00 % 4.00 4.00 4.00 4.00 4.00 4.00	152,450	465,000
General Obligation Bonds, Refunding Series A of 2014	7/10/2014	\$ 10,070,000	\$ 8,350,000	\$0 in 2016 \$0 in 2017 \$0 in 2018 \$0 in 2019 \$0 in 2020 \$0 in 2021 \$1,190,000 in 2022 \$2,350,000 in 2023 \$2,105,000 in 2024 \$2,705,000 in 2025	0.00 % 0.00 0.00 0.00 0.00 0.00 5.00 5.00 5.00 5.00	\$ 417,500	\$ 0

(Continued)

YEAR ENDED DECEMBER 31, 2015

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Refunding Series B of 2014	7/10/2014	\$ 26,670,000	\$ 26,015,000	\$5,000 in 2016	2.00 %	987,700	5,000
				\$5,000 in 2017	2.00		
				\$2,775,000 in 2018	4.00		
				\$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		
General Obligation Bonds, Series C of 2014	11/6/2014	\$ 9,995,000	\$ 9,555,000	\$345,000 in 2016	3.00 %	\$ 352,985	\$ 345,000
				\$360,000 in 2017	4.00		
				\$375,000 in 2018	5.00		
				\$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 2034	3.60						

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2015**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Refunding Series A of 2015	3/10/2015	\$ 25,750,000	\$ 25,750,000	\$5,000 in 2016 \$5,000 in 2017 \$1,925,000 in 2018 \$2,020,000 in 2019 \$2,105,000 in 2020 \$2,210,000 in 2021 \$2,320,000 in 2022 \$2,440,000 in 2023 \$2,560,000 in 2024 \$2,260,000 in 2025 \$6,185,000 in 2026 \$1,285,000 in 2027	0.60 % 1.00 3.00 4.00 5.00 5.00 5.00 5.00 5.00 4.00 4.00 3.00	\$ 1,113,930	\$ 5,000

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2015

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series B of 2015	12/9/2015	\$ 21,215,000	\$ 21,215,000	\$195,000 in 2016 \$755,000 in 2017 \$780,000 in 2018 \$810,000 in 2019 \$850,000 in 2020 \$890,000 in 2021 \$935,000 in 2022 \$985,000 in 2023 \$1,030,000 in 2024 \$1,085,000 in 2025 \$1,125,000 in 2026 \$1,155,000 in 2027 \$1,190,000 in 2028 \$1,225,000 in 2029 \$1,265,000 in 2030 \$1,300,000 in 2031 \$1,345,000 in 2032 \$1,385,000 in 2033 \$1,430,000 in 2034 \$1,480,000 in 2035	2.00 % 3.00 4.00 5.00 5.00 5.00 5.00 5.00 5.00 4.00 2.60 3.00 3.00 3.10 3.15 3.20 3.25 3.30 3.35	\$ 565,838	\$ 195,000
Total General Obligation Bonds payable			<u>\$ 250,580,000</u>			<u>\$ 10,726,636</u>	<u>\$ 29,955,000</u>

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2015

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
Taxable General Obligation Bonds							
Qualified Zone Academy Bonds, Series of 2006	11/21/2006	5,608,000	2,605,362	\$357,067 in 2016 \$361,995 in 2017 \$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 1.38 1.38	35,954	357,067
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	

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2015**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
Qualified School Construction Bonds, Series D of 2010	12/7/2010	\$ 19,520,000	\$ 13,440,000	\$960,000 in 2016 \$960,000 in 2017 \$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 6.85 6.85	\$ 1,227,520	\$ 960,000
			<u>\$ 58,580,362</u>			<u>\$ 3,668,566</u>	<u>\$ 1,317,067</u>

Total Taxable General Obligation Bonds

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2015**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Notes							
Qualified School Construction Bonds, Series A of 2010 (SPSBA)	12/14/2010	\$ 9,578,000	\$ 7,148,470	\$549,882 in 2016 \$549,882 in 2017 \$549,882 in 2018 \$549,882 in 2019 \$549,882 in 2020 \$549,882 in 2021 \$549,882 in 2022 \$549,882 in 2023 \$549,882 in 2024 \$549,882 in 2025 \$549,882 in 2026 \$549,882 in 2027 \$549,882 in 2028	6.50 % 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50	\$ 622,091	\$ 549,882

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2015

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2016 Maximum Debt Service Requirements	
						Interest	Principal
Qualified Zone Academy Bonds, Series B of 2010 (SPSBA)	12/14/2010	\$ 13,972,000	\$ 10,432,118	\$802,471 in 2016 \$802,471 in 2017 \$802,471 in 2018 \$802,471 in 2019 \$802,471 in 2020 \$802,471 in 2021 \$802,471 in 2022 \$802,471 in 2023 \$802,471 in 2024 \$802,471 in 2025 \$802,471 in 2026 \$802,471 in 2027 \$802,471 in 2028	6.50 % 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50	\$ 907,481	\$ 802,471
			<u>\$ 17,580,588</u>			<u>\$ 1,529,573</u>	<u>\$ 1,352,353</u>
Total General Obligation Notes							
Total General Obligation Bonds Payable			\$ 250,580,000			\$ 10,726,636	\$ 29,955,000
Total Taxable General Obligation Bonds			58,580,362			3,668,566	1,317,067
Total General Obligation Notes			<u>17,580,588</u>			<u>1,529,573</u>	<u>1,352,353</u>
Total outstanding			<u>\$ 326,740,950</u>			<u>\$ 15,924,775</u>	<u>\$ 32,624,420</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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 29, 2016.

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not 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.

Maher Duessel

Pittsburgh, Pennsylvania
June 29, 2016



Pittsburgh
Public Schools

EXCELLENCE
FOR ALL

The Pathway to the Promise.™

We are an equal rights and opportunity school district.



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Pittsburgh, PA 15213
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