

School District *of* Pittsburgh

PITTSBURGH, PENNSYLVANIA



Comprehensive Annual Financial Report
for the Fiscal Year Ended December 31, 2014

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, 2014*



**Prepared by the
Finance Division**

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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 25, 2015

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

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

A Comprehensive Annual Financial Report (CAFR) for the School District of Pittsburgh (the “District”) for the year ended December 31, 2014, 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, 2014, 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, 2014, are fairly presented in conformity with GAAP, in all material respects. The independent auditors’ report is presented as the first component of the financial section of this CAFR.

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management'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 2014-15 membership included 25,504 students (Pre-K to 12) attending 54 schools. The projected enrollment for 2015-16 is 23,892 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, 3,737 pupils residing in the city and boroughs attended 32 charter schools, including 8 approved by the District, 1 approved by the Commonwealth of Pennsylvania, 8 approved by other districts, and 9 cyber schools approved by other districts. In Pennsylvania, charter schools are funded by payments from the school district of residence. Pittsburgh's charter school expenses in 2014 totaled \$54,243,617.

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 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.

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

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

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

In 2014-15:

- Staff at six schools earned a Students and Teachers Achieving Results (STAR) Award. The STAR award is a school-level award to recognize all staff represented by the PFT in schools making extraordinary gains in student achievement. Pittsburgh Public Schools earn STAR status by being within the top 15% of Pennsylvania schools, rank-ordered for growth. The STAR award was first presented in 2012-13, when the District recognized 11 schools.
- Thirty-nine teachers, counselors and social workers who completed a full Promise-Readiness Corps (PRC) loop received a Promise-Readiness Corps Cohort Award. The PRC focuses on ensuring that 9th and 10th grade students enter the 11th grade on track to graduate. PRC members who obtain better than expected results in student academic achievement, attendance, and course credits earned are eligible for a PRC Cohort Award.
- About 120 teacher leaders are serving in new roles that expand their leadership and prioritize their impact on high-needs students.
- All PPS teachers are evaluated based 50% on teacher practice and 50% on student performance.

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

Restoration 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 student 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 increasing over time, but there were District declines in 2013. In 2014, however, the District showed improvement in academic performance with increases in both Mathematics and Reading. As of 2014, 60.3% of District students were proficient in Mathematics, up from 57.7% in 2013. In Reading, 52.3% of students were proficient in 2014, an increase from 51.1% in the previous year.
- In 2014, African-American students in the District showed improvement at every grade level in both Mathematics and Reading, with the exception of small declines in Grade 3. In PSSA Mathematics, the largest improvement was in Grade 6, with an increase of 10.2 percentage points, from 39.9% in 2013 to 50.1% of African American students scoring Proficient or Advanced in 2014. In PSSA Reading, District proficiency for African-American students had the largest increases in Grade 7, the same grade that showed the largest improvement in the previous year. As of 2014, 44.6% of Grade 7 African American students demonstrated proficiency in Reading, an increase of 5.6 percentage points from the previous year.
- Keystone Exams became the high school accountability measure in 2013, replacing the Grade 11 PSSA. In 2014, there was a small decrease in the percentage of Gr. 11 students demonstrating proficiency in Keystone Algebra 1, with 49.8% scoring Proficient or Advanced compared to 51.1% the previous year. There was a similar small decrease in student performance on the Keystone Literature exam, from 63.5% previously to 62.8% in 2014.
- In 2013-14, the percentage of seniors meeting the SAT or ACT College Readiness Benchmark increased from the previous year in 5 of 9 high schools, remained the same in one high school, and decreased in 3 high schools, with only minimal decreases in two of these schools.
- In 2014-15, 8 of 8 high schools showed increased student enrollment in AP courses (Pittsburgh Obama is an International Baccalaureate school and therefore does not offer AP courses). Student

enrollment in AP courses increased by 24% from 2013-14 to 2014-15; for African-American students there was a 22% increase.

- More than 5,600 Promise Scholars have graduated from the District to date and enrolled in over 100 different colleges, universities, career and vocational training programs.

Job Situation¹

The Pittsburgh market area is in solid economic shape entering 2015. Employment is holding near all-time highs, and the unemployment rate for the region has fallen to just under 5 percent (Chart 1). The historic low for the unemployment rate in the market area is 4.1 percent. But stalled labor force growth since late 2012 should temper excitement regarding the unemployment rate's descent, as a lack of new labor force entrants will inevitably slow business expansion efforts in the market area.

Employment in Pittsburgh will manage gains at a pace somewhat slower than the national growth rate, but will still allow existing consumer spending trends to continue to support economic health and moderate expansion.

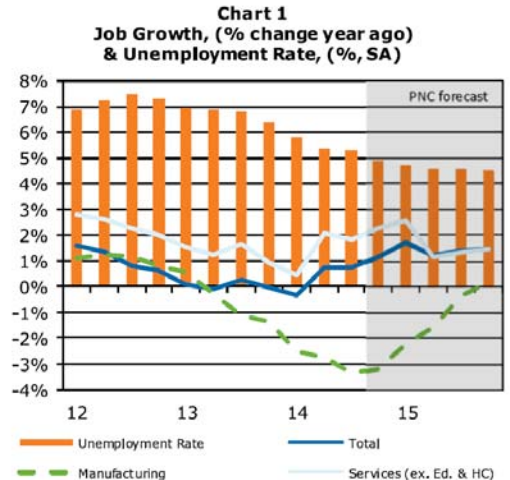


Chart sources: Bureau of Labor Statistics; The PNC Financial Services Group

Income

Income gains in the Pittsburgh market area will continue a steady advance in 2015 (Chart 2). Labor force trends are not strong in the market area, as the participation rate has been stagnant since 2012. But a positive for wages in this case is that employers may be willing to offer wage increases in order to retain talent in the current environment, rather than risk their workers being poached by competitors. In the current low-inflation economic environment, steady income growth will further support consumer spending activity in the coming year, as higher pay will support spending. This will be especially true given that gasoline prices have plummeted thanks to excess supply in the global oil market. Oil prices should remain subdued through at least mid-2015, enabling rising wages to be spent on job-creating activities, rather than being sunk into gas tanks.

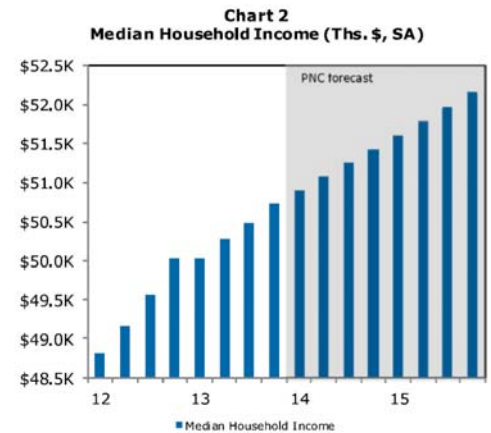


Chart sources: Bureau of Census; Moody's Analytics; The PNC Financial Services Group

¹ Issued by the Economics Division, PNC Financial Services Group, 1st Quarter 2015.

Housing

Pittsburgh’s housing market cooled appreciably by the end of 2014, setting the stage in 2015 for the slower growth that traditionally characterizes the region’s housing trends. On average, existing home prices in the market area stand nearly 11 percent above their pre-recession peak in 2006. So while house price gains will not be eye-catching in the coming year, there is little need for them to be in order for the region to maintain the ‘wealth effect’ benefits of a healthy housing market leading to consumer confidence and spending potential.

New residential permitting activity in Pittsburgh slowed in the second half of 2014 and finished marginally below the pace seen in the year prior (Chart 3). But, again, gauging the market area’s performance requires perspective. Despite 2014’s slowdown, the pace of permitting for construction of new single-family homes 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 2015 is one of continued steady gains, as opposed to attention-grabbing acceleration.

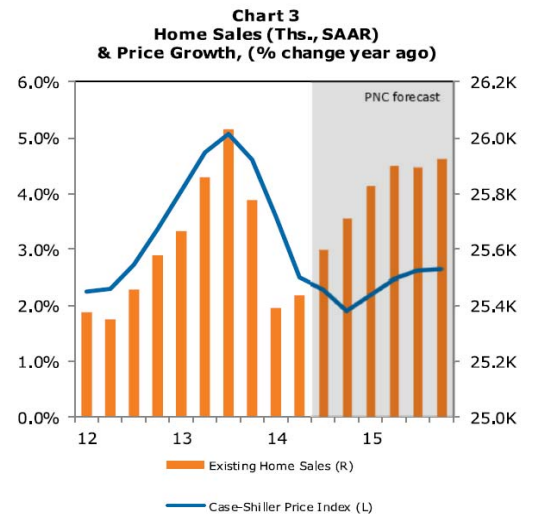


Chart sources: National Association of Realtors; Fiserv, Inc.; The PNC Financial Services Group

Demographics

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

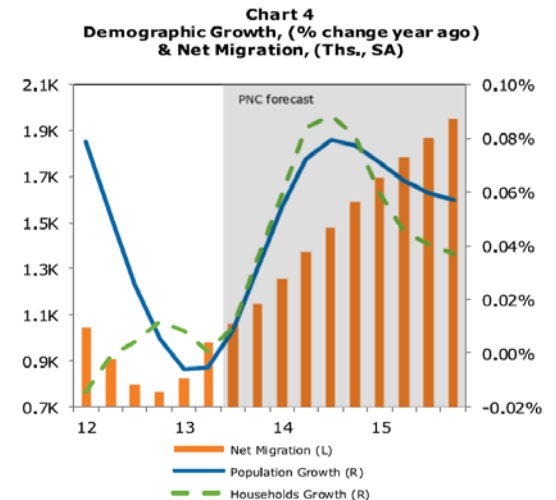


Chart sources: Bureau of Census; Bureau of Economic Analysis; Moody’s Analytics; The PNC Financial Services Group

Outlook Summary

Pittsburgh's economic growth in 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 the potential return of two-years' worth of labor market weakness in terms of labor force participation. But an unimpressive performance on 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.

2015 looks to bring solid business expansion for the national economy. This means that Pittsburgh's manufacturing and transportation industries could see a boost in demand for its output. 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 set to top 80% in 2015, which is the plateau for that metric that during the lead up to the last recession. 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 expansion this year.

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

FORECAST TABLE

	U.S.			Pittsburgh		
	2013	2014F	2015F	2013	2014F	2015F
Employment Growth, (% change)	1.7	1.9	2.1	0.0	0.4	1.5
Unemployment Rate, (%)	7.4	6.2	5.3	6.7	5.3	4.6
Median Household Income, (Ths. \$)	52.3	53.1	54.3	50.4	51.2	51.9
House Prices**, (% change)	9.6	6.4	3.3	4.6	2.6	2.5
Single-Family Permits* (% change)	15.7	2.1	9.0	11.7	-15.0	0.7
Multifamily Permits* (% change)	25.1	16.7	9.9	139.4	46.6	-52.5

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

	U.S.		Pittsburgh	
	2005-2010†	2010-2015†	2005-2010†	2010-2015†
Employment Growth, (% change)	-0.1	1.7	-0.2	1.0
Unemployment Rate, (%)	5.8	7.6	5.4	6.5
Median Household Income, (Ths. \$)	48.7	51.9	44.0	49.5
House Prices**, (% change)	-2.9	3.3	1.5	2.7
Single-Family Permits* (% change)	-22.7	8.0	-13.5	-3.9
Multifamily Permits* (% change)	-20.2	28.2	-23.1	33.3

*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

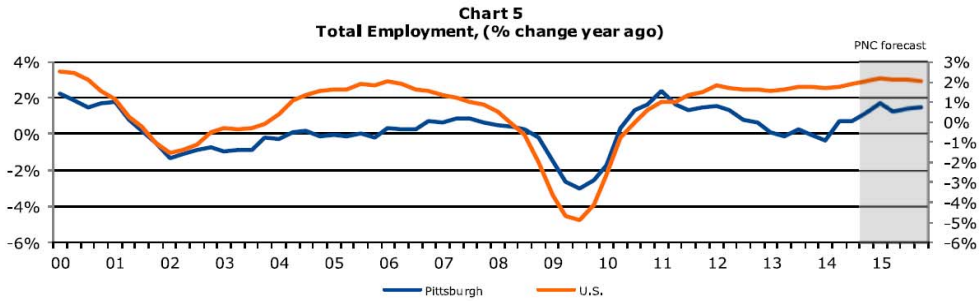


Chart sources: Bureau of Labor Statistics; The PNC Financial Services Group

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

LONG-RUN DEMOGRAPHIC TRENDS

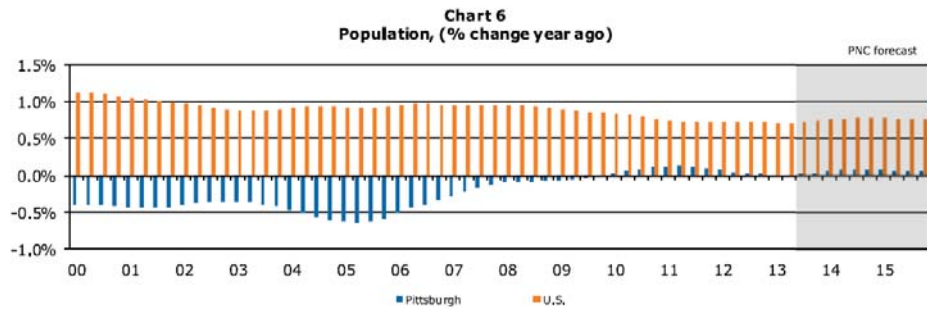


Chart sources: Bureau of Census; Moody's Analytics; The PNC Financial Services Group

LONG-RUN HOUSE-PRICE TRENDS

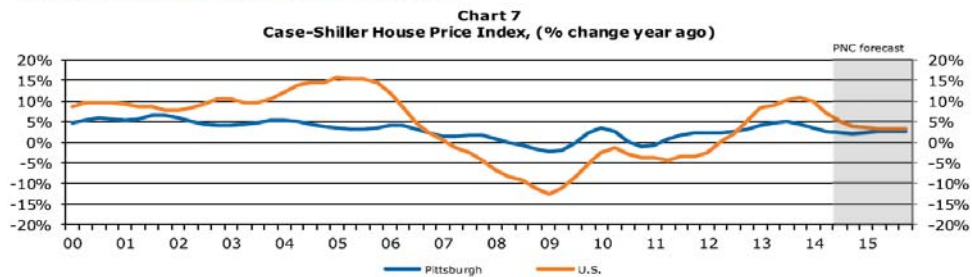


Chart source: National Association of Realtors; Fiserv, Inc.; The PNC Financial Services Group

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Financial Matters Concerning the City of Pittsburgh

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

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

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

In 2013, Allegheny County implemented countywide reassessed values. To comply with the anti-windfall provision of Act 1 of 2006, the District lowered its millage from 13.92 mills to 9.65 mills as a result of increased assessed values. During the course of the property assessment appeals, Real Estate Revenue was negatively affected, commercial property assessments have been reduced substantially upon appeal, and numerous individual taxpayers have had their property assessments reduced. This resulted in 2013 Real Estate Revenue being \$12.4 million less than in 2012. In order to offset the unanticipated reduction in Real Estate Revenue, the Board of Directors of the School District of Pittsburgh approved a millage increase up to the Act 1 index of 2%. 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 2015.

Short and Long-Term Financial Planning

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

The District faces a projected structural deficit for 2015 and beyond, with expenditures outpacing generally flat revenues. The long-term forecast has the following characteristics:

- High cost per pupil is accelerated by declining enrollment and relatively steep fixed costs.
- Uncertainty regarding effect of pending property assessment appeals on real estate tax revenue.
- Uncertain Federal funding due to Sequestration as well as uncertain State funding.
- 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 – 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 2017 are critical to the District's financial stability.
- No desire to raise taxes beyond statutory limits.

Financial Transition of Grant Funding

Over the past five 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 the recommendations related to Step-1 of this planning 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 will leverage current vacancies in Central Office to offset the costs associated with the extended contracts and staff positions. These actions are projected to have a cost-neutral impact in 2016 and net impact of approximately \$672,000 in 2017.

The District will take steps to ensure it maintains capacity to support programs such as We Promise and the Summer Dreamers Academy. Programs which are positively impacting students, attracting families and engaging the community in a deep way. To date these programs have relied heavily on grant dollars for their support. As external funding begins to wind down it is incumbent on the District to assume responsibility for their financial sustainability. It is equally important that the District secure the foundational elements of teacher growth, evaluation and recognition programs and meet its obligations under Act 82.

Step-2 of the process will begin after approval of the Governor's 2015-16 Budget and in alignment with the District's 2016 Budget planning. This planning will focus on the absorption of program costs related to the District's Summer Dreamers Academy as well as considerations related to remaining staff positions and contracts that have provided expertise and capacity to support the District's work.

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, 2013.

This was the seventh 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, 2014.

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, 2013.

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

The Certificate of Excellence is valid for a period of one year only. We believe that our current report continues to conform to the program's requirements, and we are submitting it to ASBO to determine its eligibility for another certificate for the year ended December 31, 2014.

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

Respectfully submitted,



Ronald Joseph
Chief Operations Officer
and Assistant Secretary



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

In accordance with Section 21-2129, Public School Code of 1949 as amended, we submit herewith the auditor's report on the District's financial statement included in the Comprehensive Annual Financial Report of the District for the fiscal year ended December 31, 2014.

Respectfully submitted,



Michael E. Lamb
School Controller



Michael Senko
Acting 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, 2013

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, 2013

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



A handwritten signature in brown ink, reading "Terrie S. Simmons", written over a horizontal line.

Terrie S. Simmons, RSBA, CSBO
President

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

John D. Musso, CAE, RSBA
Executive Director

School District of Pittsburgh
List of Elected and Appointed Officials
June 2015

Elected Officials

Board of Directors

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

School Controller's Office

Michael E. Lamb	School Controller
Michael Senko	Acting 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
Patricia Forsythe, CPA	Accounting Supervisor
Laura Cosharek	Financial Service Manager

School Performance Office

Constance Sims	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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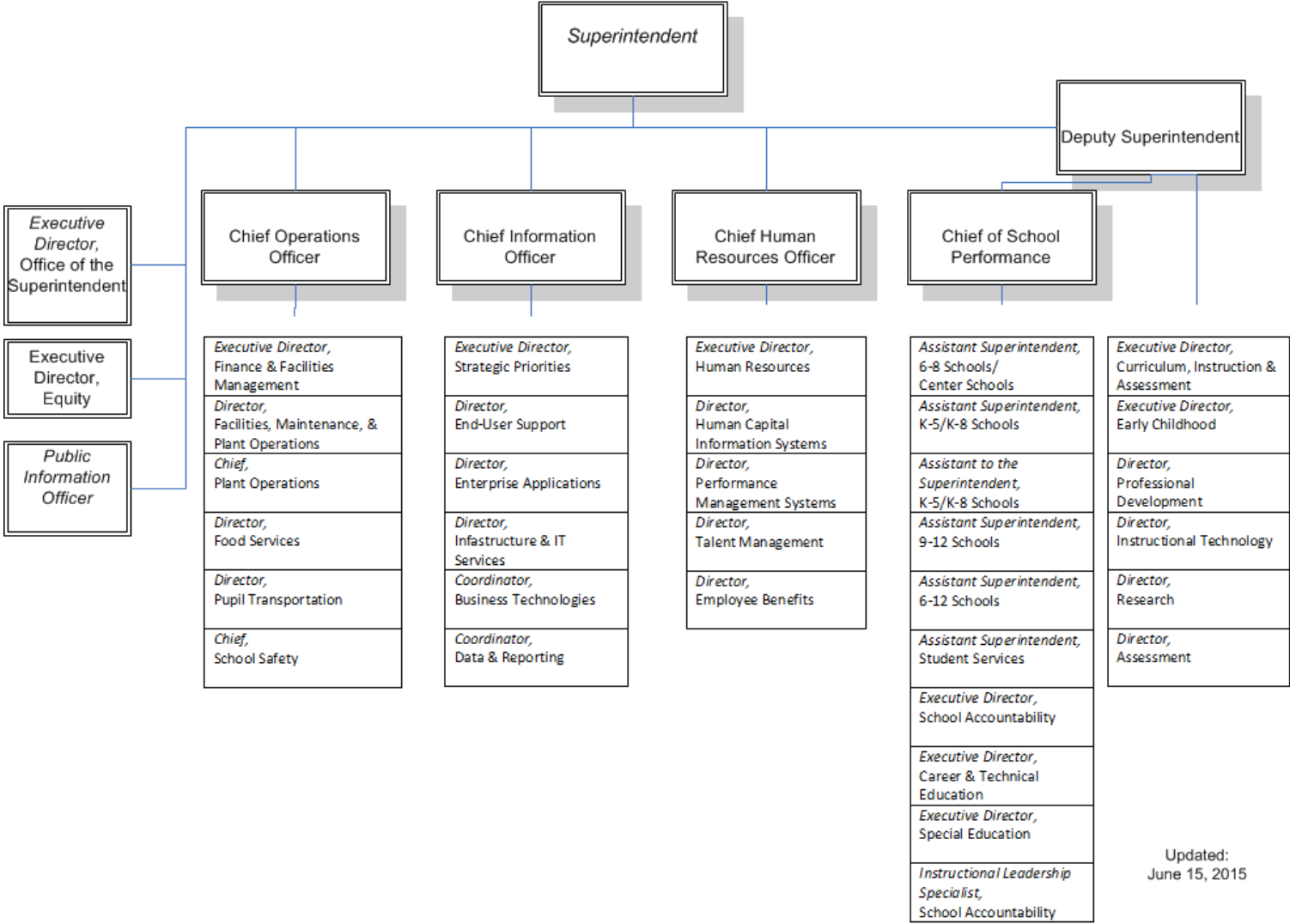
Law Office

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 2015



Updated:
June 15, 2015

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, 2014, 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, 2014, and the respective changes in financial position, and where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–17 and the schedule of funding progress for the retiree health plan on page 67 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 25, 2015, 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.

Maier Duessel

Pittsburgh, Pennsylvania
June 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the School District of Pittsburgh (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2014. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the government-wide financial statements, fund financial statements, and notes to the financial statements.

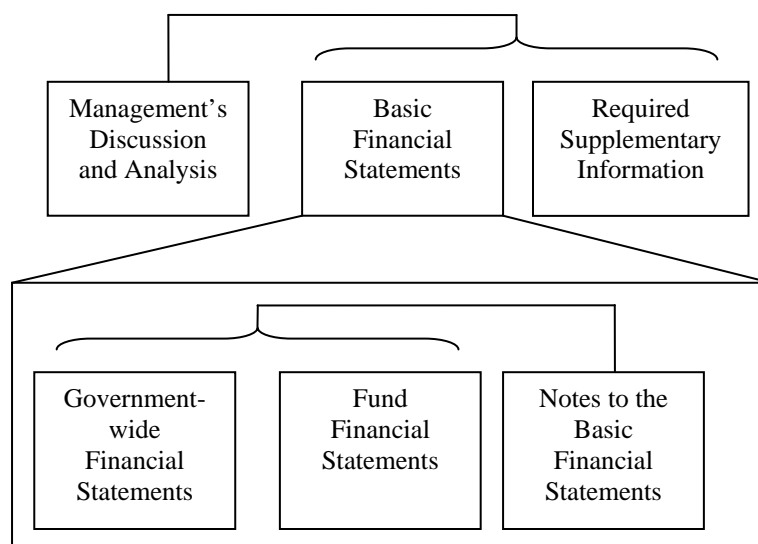
FINANCIAL HIGHLIGHTS

- The assets of the District's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$262,192,172 (net position). Of this amount, \$155,492,393 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- Total net position of the District's governmental activities increased by \$28,077,786, or 12.00%, while net position of business-type activities decreased by \$14,920 or .14%.
- The unassigned fund balance of the general fund as of December 31, 2014, was \$78,377,293, or 14.77%, of total general fund expenditures and other financing uses. The assigned and unassigned general fund balance represents 19.96% of budgeted general fund expenditures and other financing uses for fiscal year 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

- The statement of net position presents information on all of the District's assets, 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

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

Fund statements are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other Pennsylvania school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District uses three types of funds: governmental funds, proprietary funds, and fiduciary funds. Fund statements begin on page 20 of this report.

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

long-term impact of the government's near-term financing decisions by comparing information presented for governmental activities in the government-wide financial statements. A reconciliation is presented to facilitate this comparison between governmental fund and governmental activities, which can be found on page 23 of this report.

The District maintains a general fund, capital projects fund, debt service fund, and various special revenue funds. The general fund, special revenue, and the capital project fund are presented as major funds in the fund statements. A budgetary comparison statement is presented to show compliance with the annually adopted general fund budget. The budgetary comparison statement can be found on pages 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 and private purpose trust funds. The private purpose trust fund accounts for assets held by the District in a trustee capacity. Agency funds are used to account for student activity funds. Student activities include, but are not limited to, student council, interscholastic athletics, and various clubs. The basic fiduciary fund statement can be found on page 30 and 31 of this report. Statements of changes in assets and liabilities for the Agency funds can be found on page 78.

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 65 of this report.

THE SCHOOL DISTRICT OF PITTSBURGH AS A WHOLE

The District has positive total net position in the amount of \$272,754,051. The District's combined net position for governmental activities and business-type activities increased by \$28,062,866 during fiscal year 2014. The following factors contributed to the increase:

- The District's noncurrent liabilities for its governmental activities only decreased by \$25,267,995, due to the District's efforts to reduce debt service expenditures and capital project expenditures. Such cost savings included cash refunding totaling \$5,435,000 in principal and an advanced refunding with \$1,293,939 in positive debt service savings.
- Capital assets decreased by \$13,765,564, as a result of declining enrollment which contributes to school closures and less investment in capital improvements. The District sold five school buildings which resulted in a decrease of \$11,699,998 in capital assets.

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

TABLE 1 — NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 268,942,146	\$ 248,334,906	\$ 3,856,049	\$ 3,546,440	\$ 272,798,195	\$ 251,881,346
Capital assets	449,037,946	462,370,214	8,078,273	8,511,569	457,116,219	470,881,783
Other noncurrent assets	<u>9,282,691</u>	<u>9,193,933</u>			<u>9,282,691</u>	<u>9,193,933</u>
Total assets	727,262,783	719,899,053	11,934,322	12,058,009	739,197,105	731,957,062
Total deferred outflows of resources	<u>11,803,516</u>	<u>10,392,525</u>			<u>11,803,516</u>	<u>10,392,525</u>
Total assets and deferred outflows of resources	739,066,299	730,291,578	11,934,322	12,058,009	751,000,621	742,349,587
Current liabilities	101,584,396	95,619,466	933,886	1,047,585	102,518,282	96,667,051
Noncurrent liabilities	<u>375,289,731</u>	<u>400,557,726</u>	<u>438,557</u>	<u>433,625</u>	<u>375,728,288</u>	<u>400,991,351</u>
Total liabilities	476,874,127	496,177,192	1,372,443	1,481,210	478,246,570	497,658,402
Net position:						
Net investment in capital assets	93,747,943	81,325,299	8,078,273	8,511,569	101,826,216	89,836,868
Restricted	12,951,836	22,666,416			12,951,836	22,666,416
Unrestricted	<u>155,492,393</u>	<u>130,122,671</u>	<u>2,483,606</u>	<u>2,065,230</u>	<u>157,975,999</u>	<u>132,187,901</u>
Total net position	<u>\$ 262,192,172</u>	<u>\$ 234,114,386</u>	<u>\$ 10,561,879</u>	<u>\$ 10,576,799</u>	<u>\$ 272,754,051</u>	<u>\$ 244,691,185</u>

The District's net investment in capital assets for governmental activities only of \$93,747,943 as of December 31, 2014, 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.

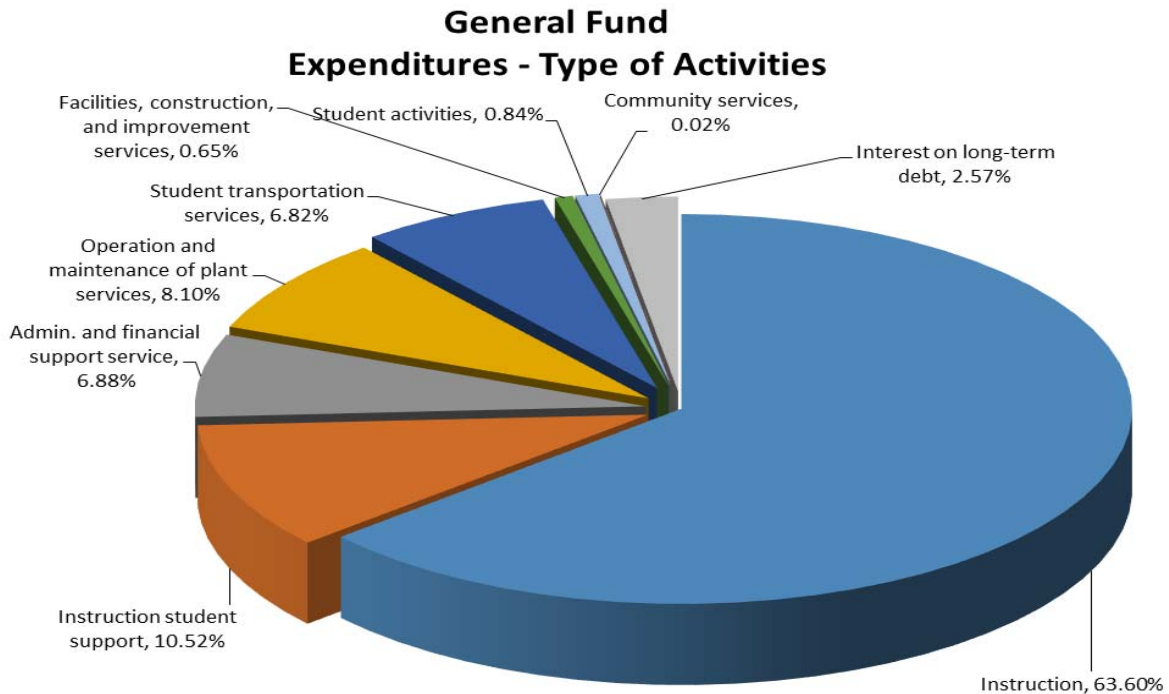
TABLE 2 — CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 2,325,206	\$ 3,930,445	\$ 1,347,648	\$ 1,561,222	\$ 3,672,854	\$ 5,491,667
Operating grants and contributions	84,614,775	101,244,617	15,444,970	14,018,783	100,059,745	115,263,400
Capital grants and state subsidies						
General revenues:						
Property taxes and other taxes	281,485,729	273,709,305			281,485,729	273,709,305
Investment income	771,590	599,483		71	771,590	599,554
Federal and state grants and subsidies	248,356,557	222,617,705			248,356,557	222,617,705
Miscellaneous income	11,385,123	11,331,261			11,385,123	11,331,261
Total revenues	628,938,980	613,432,816	16,792,618	15,580,076	645,731,598	629,012,892
Expenses:						
Instruction	382,170,153	358,810,259			382,170,153	358,810,259
Instruction student support	63,231,453	68,253,479			63,231,453	68,253,479
Administrative and financial support services	41,313,696	40,208,570			41,313,696	40,208,570
Operation maintenance services of plant services	48,695,238	45,513,462			48,695,238	45,513,462
Student transportation	40,978,967	40,969,897			40,978,967	40,969,897
Student activities	5,070,318	4,796,054			5,070,318	4,796,054
Community services	53,681	453,191			53,681	453,191
Food services			16,807,538	16,468,871	16,807,538	16,468,871
Facilities	3,913,433	4,726,749			3,913,433	4,726,749
Interest on long-term debt	15,434,255	17,422,337			15,434,255	17,422,337
Total expenses	600,861,194	581,153,998	16,807,538	16,468,871	617,668,732	597,622,869
Increase in net position before transfers	28,077,786	32,278,818	(14,920)	(888,795)	28,062,866	31,390,023
Transfers		(250)		250		
Change in net position	28,077,786	32,278,568	(14,920)	(888,545)	28,062,866	31,390,023
Net position — January 1	234,114,386	201,835,818	10,576,799	11,465,344	244,691,185	213,301,162
Net position — December 31	\$ 262,192,172	\$ 234,114,386	\$ 10,561,879	\$ 10,576,799	\$ 272,754,051	\$ 244,691,185

Unrestricted net position for governmental activities, or the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, was \$155,492,393 as of December 31, 2014.

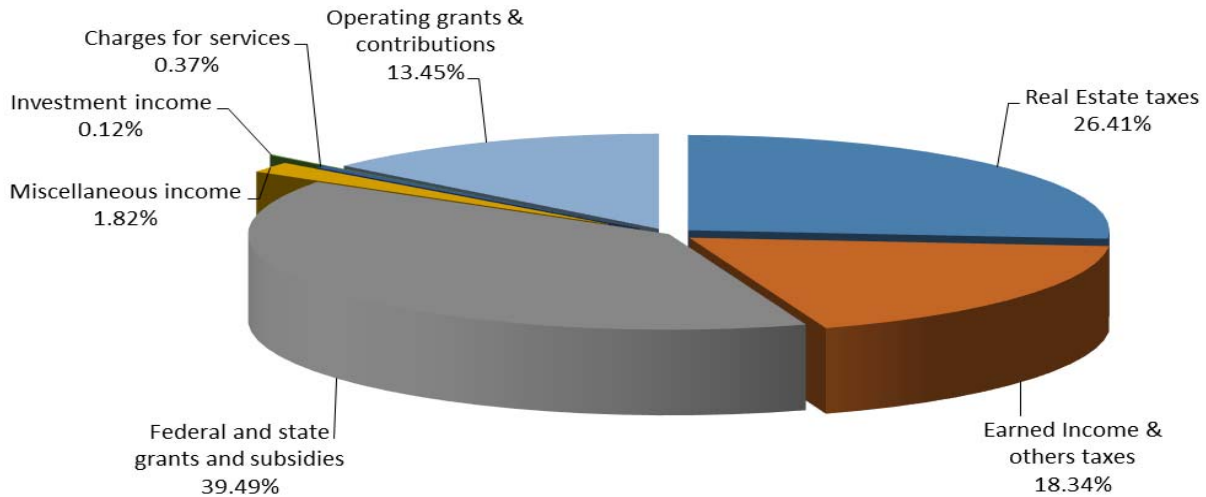
Governmental Activities — Net position for governmental activities increased by \$28,077,786, as compared to an increase of \$32,278,568 in the prior fiscal year. Factors contributing to the changes:

- Compensated absences continued to decrease this year by \$512,231. A change in sick day entitlement from 15 days to 12 days for new hires contributed to the decrease. Also, the District uses more contract employees, who are only entitled to Paid Time Off (PTO) days.
- The \$25,738,852 increase in federal and state subsidies reflects the following circumstances: a \$6,185,334 increase in Title I and Title II programs, and on behalf contributions from the Commonwealth of Pennsylvania for social security and pension subsidies increased by \$5,928,368 due to increases in salary costs and pension contribution rate.
- Instructional expenditure increase of \$23,359,894 reflects increases in the English as a second language and supplemental reading and math services.
- The \$1,988,082 decrease in functional interest on long-term debt is the result of several factors:
 - The 2014 refunding provided \$1,293,939 of cash flow relief in 2014. Prior year defeasance and refundings have impacted debt service and decreased long-term payments.
 - The District continues to look for opportunities to decrease long-term debt by issuing refundings and defeasances. These actions have continued to lower the slope of the debt curve and are structured to reap the majority of savings in the 2016 and 2017 fiscal year.



Taxes, investment income, and local sources composed 47.05% of revenues for the District’s governmental activities as a whole.

Governmental Activities Revenues by Sources

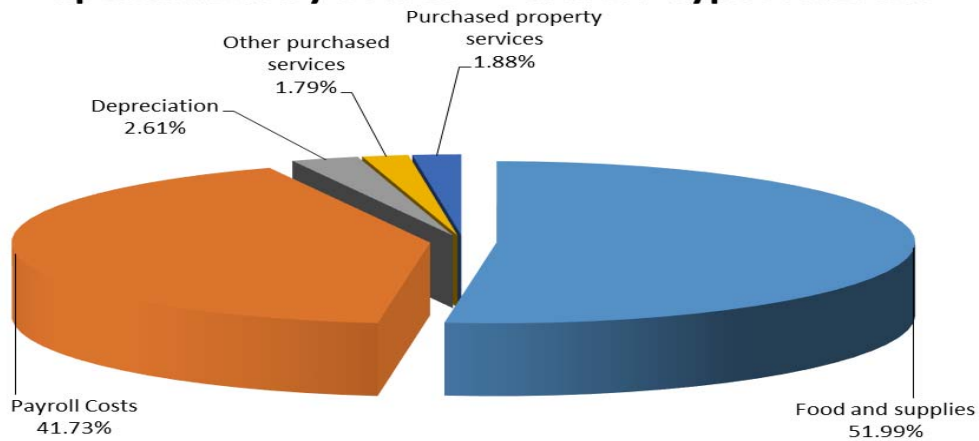


BUSINESS-TYPE ACTIVITIES

The net position of our food service activities decreased by \$14,920 in fiscal year 2014, compared to the \$888,545 decrease in 2013.

- Revenues increased by \$1,212,542 or 7.78%, to \$16,792,618 for 2014.
- Charges for services revenue decreased by \$213,574 because our National School Lunch Program changed from Provision 2 to the Community Eligible Provision for school year 2014-2015. 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 increased by \$338,667, or 2.06%, to \$16,807,538 for 2014.
- The costs of food and supplies decreased by \$119,570, or 1.34%, over the 2013 costs.
- Food service expenses for the year ended December 31, 2014, included \$439,027 for depreciation, which is a decrease of \$37,975 or 7.96%, over 2013. 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.

**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 \$5,240,507. The combined ending fund balance of total governmental funds was \$146,605,851. Of this total amount, \$78,377,293 constitutes fund balance which is available for spending at the government’s discretion. Assigned balances of \$38,319,764 represent intentions of the District to use funds for specific purposes, such as \$26,967,831 to support the 2015 budget shortfall. Committed funds of \$24,795,079 include \$3,501,561 for general fund contracts and \$3,322,572 for Capital Emergency funding. The District has \$4,397,245 in restricted capital projects imposed by debt covenants and \$402,166 restricted for scholarships.

The fund balance and the total change in fund balance by fund type as of December 31, 2014 and 2013 are as follows:

	Fund Balance December 31, 2014	Fund Balance December 31, 2013	Increase (Decrease)
General fund	\$ 129,213,110	\$ 113,737,429	\$ 15,475,681
Capital projects	12,401,051	14,308,575	(1,907,524)
Special revenue			-
Other governmental	<u>4,991,690</u>	<u>5,217,777</u>	<u>(226,087)</u>
	<u>\$ 146,605,851</u>	<u>\$ 133,263,781</u>	<u>\$ 13,342,070</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, 2014, was \$129,213,110, or 24.35%, of total general fund expenditures and other financing uses. The unassigned and assigned fund balance of the general fund as of December 31, 2014, was \$105,974,673, or 19.96%, of total general fund expenditures and other financing uses. The unassigned and assigned general fund balance represents 19.96% of budgeted general fund expenditures and other financing uses for 2014.

The fund balance of the District's general fund increased by \$15,475,681. Key factors in this increase were:

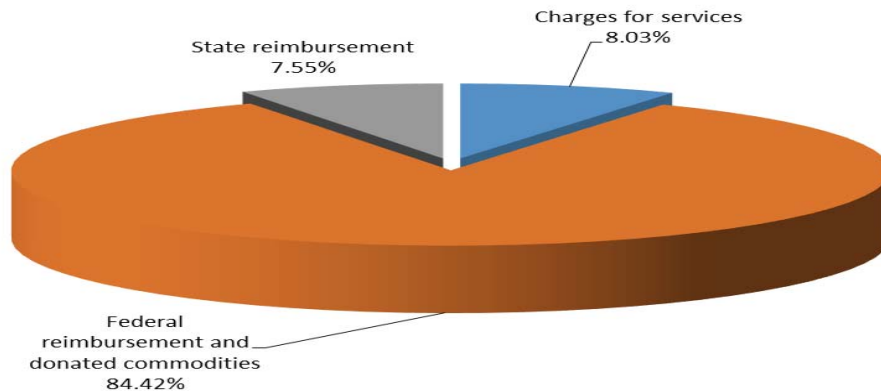
- The sale of various buildings owned by the District contributed \$1,577,107 to the fund balance.
- Federal and State grants and subsidies increased by \$10,945,697 or 4.61%. Reimbursement subsidies for Capital Improvements for PA Department of Education accounted for 56.61% of the increase in these subsidies.
- The special education contribution of \$63,764,845 was \$9,412,981, or 17.32%, greater than that of 2013.
- Benefit expenditures saw a percentage increase of 4.43%, which can be traced to the increase in the retirement rate from 16.93% to 21.40%.
- Overall Local Tax Revenues of \$283.6 million increased slightly by 2.4%:
 - Earned Income Tax collections saw a \$4,240,695 or 3.82% increase over 2013 collections. The District has benefited from income gains in the Pittsburgh labor market and state-wide Tax Collection Committee format.
 - Real Estate Tax in 2014 increased by \$2,540,268. The millage rate increased from 9.64% in 2013 to 9.84% in 2014. This increase was within guidelines of Act 1 index.

The net decrease of \$1,907,524 in the capital projects fund balance is due to:

- \$18,236,499 of expenditures and transfers out, which exceeds revenues and transfers in of \$5,955,142.
- Expenditures related to Capital Improvements increased by \$3,015,325 or 22.64% for 2014. Major district construction projects included elevator additions at three elementary schools and renovated science labs at Allderdice High School.
- The District issued \$9,995,000 in general obligation bonds in 2014. The District intentionally continues to spend down prior-year's remaining bond proceeds.
- The General fund transferred \$5,066,192 to the Capital Improvement project in 2014. These funds will be used to fund 2015 major maintenance contracts and baseball field.

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, 2014, federal and state reimbursement and donated commodities composed approximately 84.42% of food service revenues.

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



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

Internal service funds’ total net position increased by \$2,237,017 during 2014. Funds with significant changes were as follows:

- Change in net position before transfers for the workers’ compensation fund was a decrease of \$151,592.
- The General fund transferred \$200,000 to cover the workers compensation fund 2014 short fall. Additionally, another \$1,000,000 was transferred to the general liability fund to cover the 2014 claims and judgments, and to fund anticipated claims in early 2015.
- Operating revenues increased \$187,887 or 8.02% from 2013. The District increased the percentage of payroll fund assessment from .9% to 1.01% for payrolls after April 30, 2014.
- Net position increased in the self-insurance health care fund by \$191,891. The net position balance is \$15,755,018 and the estimated liability for incurred but not paid claims is \$2,815,841, out of total liabilities of \$4,516,687.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2014 year, there was a \$3,281,502 increase in appropriations between the original and final amended budget. The increase was primarily a result of the carryover of encumbrances from the period ended December 31, 2013. A small number of budget transfers were approved by the District's Board, which did not increase the overall budget. The following are the highlights of the Board transfers:

- \$5,000,000 transferred to cover the Capital funding of Reserve Fund.
- \$1,000,000 transferred to cover the funding of the General Liability Self-Insurance Fund.
- \$200,000 transferred to cover increase in Workers' Compensation Liability.
- \$3,000,000 transferred to cover future cash defeasance.

On the District's budgetary basis, actual results of 2014 for the General Fund were \$29,105,382 better than budgeted. See Note 2 for additional information on the District's budgetary basis.

Actual revenues were \$21,209,435 more than budgeted. Key factors contributing to this increase include:

- The Real Estate tax revenues are \$1,068,304, or .67%, more than budgeted.
- The Earned Income Tax revenues are \$13,324,230, or 13.10%, greater than budgeted.
- Investment income was \$129,178 or 21.5% greater than budgeted attributable to low short-term interest rates during the year.
- Subsidies for non-educational programs were \$4,758,210 or 14.9%, greater than budgeted due to the state reimbursement of funds for planning and construction (PLANCON) projects for current and prior years.

Actual expenditures were \$89,878,446 less than budgeted, but when the final budget for expenditures is compared with actual expenditures and other financing uses, the variance is \$2,406,538 more than budgeted. Key factors include:

- Instructional expenditures for regular elementary/secondary programs were \$6,447,149 greater than budgeted due to the early dissolution of our partnership with an alternative education management group.
- The District's real estate refunds were \$659,334 or 14.96% less than the budgeted amount of \$4,406,450.
- Instructional expenditures for special elementary/secondary programs were \$66,548,773 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 \$2,783,928 higher than budgeted.
- The District's budgeted contingency, originally adopted at \$3,979,786, ended the year with a \$11,756,551 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, 2014, the District’s capital assets, net of depreciation, for its governmental and business-type activities amounted to \$449,037,946 and \$8,078,273, respectively, or a total of \$457,116,219, net of depreciation.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 24,318,868	\$ 25,368,607	\$ 43,878	\$ 43,878	\$ 24,362,746	\$ 25,412,485
Land improvements	8,279,303	8,736,435			8,279,303	8,736,435
Buildings	403,078,081	412,879,341	7,608,649	8,152,922	410,686,730	421,032,263
Machinery and equipment	12,410,391	13,177,336	425,746	314,769	12,836,137	13,492,105
Computer software	951,303	2,208,495			951,303	2,208,495
Total	<u>\$ 449,037,946</u>	<u>\$ 462,370,214</u>	<u>\$ 8,078,273</u>	<u>\$ 8,511,569</u>	<u>\$ 457,116,219</u>	<u>\$ 470,881,783</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 2014, the District had bonded debt outstanding of \$344,862,805, 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 \$3,554,864 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 \$18,932,941, with a net rate of 0.895%. The Qualified School Construction Bonds in the amount of \$14,400,000 carries a net interest rate of 1.36%.

In 2014, the District issued \$10,070,000 and \$26,670,000 in General Obligation Bonds Refunding series. The final maturity on both issues is 2025. The District also issued \$9,995,000 General Obligation Bonds. The final maturity on this issue is 2034.

SCHOOL DISTRICT OF PITTSBURGH'S OUTSTANDING DEBT

	Governmental Activities	
	2014	2013
General obligation and revenue bonds:		
General Obligation Bonds	\$ 265,440,000	\$ 291,180,000
Qualified Zone Academy Bonds	3,554,864	4,519,561
Taxable - Build America Bonds	42,535,000	42,535,000
Qualified School Construction Bonds	14,400,000	16,960,000
State Public School Board Authority Notes	18,932,941	20,285,294
Total	<u>\$ 344,862,805</u>	<u>\$ 375,479,855</u>

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

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

The District carries an "Aa3" underlying and enhanced rating from Moody's Investors Service. The enhanced rating is based on Pennsylvania's Section 633 of the School Code as amended by Act 150 of 1975 School District Intercept Program, which calls for undistributed State aid to be funneled to bondholders in the case of a default. Standard & Poor's raised the underlying rating to "A" and an enhanced rating of "A" 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 107 – 118.

NEXT YEAR'S BUDGET

In December 2014, the Board of Directors adopted a 2015 general fund budget of \$556,780,775, excluding estimated encumbrance carryovers of \$4,086,111. The 2015 budget balanced revenues and expenditures using \$26,967,831 of the assigned general fund balance as of December 31, 2015. The assigned and unassigned general fund balance of \$105,974,673 as of December 31, 2015, satisfies the Board's fund balance policy requirement of 5%–15% of operating expenses budgeted for 2015.

The District's real estate billable millage is calculated annually in accordance with PA Act, which includes limits on the amount real estate tax revenue can increase due to the reassessment process. Allegheny County reassessed property for the 2013 tax year. The millage rate for 2015 is 9.84, no change from 2014.

The Board of Directors also approved a 2015 capital program in the amount of \$21,819,000 to be funded from the issuance of general obligation debt, which will be issued in October 2015.

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, 2014

	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	\$ 89,729,249	\$ 3,725	\$ 89,732,974	Accounts payable	\$ 19,369,181	\$ 588,596	\$ 19,957,777
Cash with fiscal agents	100,000		100,000	Payroll withholdings	18,996,783		18,996,783
Investments	111,646,031		111,646,031	Accrued salaries payable	2,001,806	260,089	2,261,895
Accrued interest	57,152		57,152	Interest payable	5,625,882		5,625,882
Taxes receivables — net:				Unearned revenue	3,317,558		3,317,558
Earned income taxes	20,950,156		20,950,156	Other liabilities	802,500		802,500
Real estate taxes	33,564,794		33,564,794	Current portion of noncurrent liabilities	51,470,686	85,201	51,555,887
Due from other governments	10,572,935	2,818,437	13,391,372				
Internal balances — due to/from	67,001	(67,001)		Total current liabilities	101,584,396	933,886	102,518,282
Inventories		692,142	692,142				
Other receivables and prepaid expenses	2,254,828	408,746	2,663,574	NONCURRENT LIABILITIES	375,289,731	438,557	375,728,288
Total current assets	268,942,146	3,856,049	272,798,195	Total liabilities	476,874,127	1,372,443	478,246,570
NONCURRENT ASSETS:				DEFERRED INFLOWS OF RESOURCES			
Restricted — cash	1,242,259		1,242,259		-	-	-
Restricted — investments	7,312,332		7,312,332	NET POSITION:			
Issuance Prepaid Insurance	728,100		728,100	Net investment in capital assets	93,747,943	8,078,273	101,826,216
Capital assets not being depreciated:							
Land	24,318,868	43,878	24,362,746	Restricted net position:			
Capital assets net of accumulated depreciation:				Capital projects	4,397,245		4,397,245
Land improvements	8,279,303		8,279,303	Workers' compensation	8,554,591		8,554,591
Buildings and improvements	403,078,081	7,608,649	410,686,730	Total restricted net position	12,951,836	-	12,951,836
Furniture, fixtures, machinery, and equipment	12,410,391	425,746	12,836,137				
Other capital assets — intangible assets	951,303		951,303	Unrestricted	155,492,393	2,483,606	157,975,999
Total capital assets — net of accumulated depreciation	449,037,946	8,034,395	457,116,219	Total net position	262,192,172	10,561,879	272,754,051
Total noncurrent assets	458,320,637	8,078,273	466,398,910				
DEFERRED OUTFLOWS OF RESOURCES	11,803,516	-	11,803,516				
TOTAL	\$ 739,066,299	\$ 11,934,322	\$ 751,000,621	TOTAL	\$ 739,066,299	\$ 11,934,322	\$ 751,000,621

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

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	\$ 382,170,153	\$ 2,325,206	\$ 62,982,909	-	\$ (316,862,038)	\$ -	\$ (316,862,038)
Instruction student support	63,231,453		2,639,635		(60,591,818)		(60,591,818)
Administrative and financial support service	41,313,696		13,418,532		(27,895,164)		(27,895,164)
Operation and maintenance of plant services	48,695,238		28,199		(48,667,039)		(48,667,039)
Student transportation services	40,978,967		4,475,161		(36,503,806)		(36,503,806)
Facilities, construction, and improvement services	3,913,433		463,668		(3,449,765)		(3,449,765)
Student activities	5,070,318		606,671		(4,463,647)		(4,463,647)
Community services	53,681				(53,681)		(53,681)
Interest on long-term debt	15,434,255				(15,434,255)		(15,434,255)
Total governmental activities	<u>600,861,194</u>	<u>2,325,206</u>	<u>84,614,775</u>	<u>-</u>	<u>(513,921,213)</u>		<u>(513,921,213)</u>
Business-type activities — food service	<u>16,807,538</u>	<u>1,347,648</u>	<u>15,444,970</u>			(14,920)	(14,920)
Total business-type activities	<u>16,807,538</u>	<u>1,347,648</u>	<u>15,444,970</u>	<u>-</u>		(14,920)	(14,920)
Total primary government	<u>\$ 617,668,732</u>	<u>\$ 3,672,854</u>	<u>\$ 100,059,745</u>	<u>\$ -</u>	(513,921,213)	(14,920)	(513,936,133)
General revenues:							
Taxes:							
Real estate					166,111,256		166,111,256
Earned income					115,024,230		115,024,230
Others					350,243		350,243
Federal and state grants and subsidies not restricted to specific programs					248,356,557		248,356,557
Gain on the sale of Capital Assets							
Investment income					771,590		771,590
Miscellaneous income					11,385,123		11,385,123
Transfers							
Total general revenues and transfers					<u>541,998,999</u>		<u>541,998,999</u>
CHANGE IN NET POSITION					28,077,786	(14,920)	28,062,866
NET POSITION — January 1, 2014					<u>234,114,386</u>	<u>10,576,799</u>	<u>244,691,185</u>
NET POSITION — December 31, 2014					<u>\$ 262,192,172</u>	<u>\$ 10,561,879</u>	<u>\$ 272,754,051</u>

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS AS OF DECEMBER 31, 2014

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
ASSETS:					
Cash	\$ 48,785,103	\$ 8,899,338	\$ 6,552,898	\$ 4,994,190	\$ 69,231,529
Cash with fiscal agent	100,000				100,000
Investments	97,874,545	5,139,996	150,729		103,165,270
Accrued interest	45,548		76		45,624
Taxes receivable — net	54,514,950				54,514,950
Due from other funds	106,385				106,385
Due from other governments	10,572,935				10,572,935
Other receivables	630,325	21	1,081,559		1,711,905
Prepaid items and contractual deposits	314,304				314,304
TOTAL	\$ 212,944,095	\$ 14,039,355	\$ 7,785,262	\$ 4,994,190	\$ 239,762,902
LIABILITIES					
Accounts payable and accrued	\$ 9,160,207	\$ 1,638,278	\$ 3,805,459	\$ 2,500	\$ 14,606,444
Retainage					
Due to other funds		26			26
Accrued salaries payable	7,717,966		113,883		7,831,849
Payroll withholdings payable	18,996,783				18,996,783
Unearned revenue	22,317		3,295,241		3,317,558
Prepayment and deposits	231,821		570,679		802,500
Total liabilities	\$ 36,129,094	\$ 1,638,304	\$ 7,785,262	\$ 2,500	\$ 45,555,160
DEFERRED INFLOWS OF RESOURCES					
Advanced revenue - state property tax subsidy	15,579,489				15,579,489
Unavailable revenue - property taxes	32,022,402				32,022,402
Total deferred inflows of resources	\$ 47,601,891	\$ -	\$ -	\$ -	\$ 47,601,891
FUND BALANCES:					
Nonspendable:					
Prepaid insurance and contractual deposits	\$ 314,304	\$ -	\$ -	\$ -	\$ 314,304
Restricted for:					
Scholarships				402,166	402,166
Capital projects contracts		4,397,245			4,397,245
Committed to:					
Stabilization — capital emergency	3,322,572				3,322,572
Retirement	16,100,000				16,100,000
General fund contracts	3,501,561				3,501,561
Capital Projects Contracts		1,870,946			1,870,946
Assigned to:					
Board-approved subsequent years budget	26,967,831				26,967,831
Debt service				4,496,501	4,496,501
Special trust				93,023	93,023
Capital projects		6,132,860			6,132,860
Purchase orders	629,549				629,549
Post-Employment					
Unassigned	78,377,293				78,377,293
Total fund balances	\$ 129,213,110	\$ 12,401,051	\$ -	\$ 4,991,690	\$ 146,605,851
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.					
					449,037,946
Current assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds.					
					47,601,891
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.					
					24,394,448
Certain liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.					
					(405,447,964)
NET POSITION OF GOVERNMENTAL ACTIVITIES					
					\$ 262,192,172

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, 2014

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Real estate	\$ 168,244,595	\$ -	\$ -	\$ -	\$ 168,244,595
Earned income	115,024,230				115,024,230
Other	350,243				350,243
Local nontax revenue	3,168,364	888,366	9,653,601		13,710,331
Federal and state grants and subsidies	248,432,872		84,538,419		332,971,291
Investment income	729,178	584	300	41	730,103
	<u>535,949,482</u>	<u>888,950</u>	<u>94,192,320</u>	<u>41</u>	<u>631,030,793</u>
Total revenues					
EXPENDITURES:					
Current — instruction:					
Regular programs	218,008,206		12,257,407		230,265,613
Special programs	2,634,867		94,715,975		97,350,842
Vocational education programs	4,345,684		295,227		4,640,911
Other instructional programs	917,037		2,637,242		3,554,279
Pre-Kindergarten	1,079,026		18,189,913		19,268,939
Non public schools			1,377,695		1,377,695
Support services:					
Pupil personnel	9,165,316		6,328,442		15,493,758
Instructional staff	12,390,151		11,690,903		24,081,054
Administration	28,822,924		5,722,283	10,000	34,555,207
Pupil health	5,659,024		2,769,504		8,428,528
Business	5,597,016	37,466	205,297		5,839,779
Operation and maintenance of plant services	48,850,301		26,061		48,876,362
Student transportation services	31,777,194		9,205,895		40,983,089
Support services — central	6,799,923		6,876,279		13,676,202
Operations of noninstructional services:					
Student activities	3,750,851		1,270,029		5,020,880
Community services	20,261		392,410		412,671
Facilities acquisition, construction, and improvement services					
	2,797,177	16,337,434			19,134,611
Debt service:					
Principal	34,542,050	1,600,000		2,330,000	38,472,050
Interest	17,497,178				17,497,178
Bond issuance costs		261,599		298,341	559,940
Tax refunds	3,747,116				3,747,116
	<u>438,401,302</u>	<u>18,236,499</u>	<u>173,960,562</u>	<u>2,638,341</u>	<u>633,236,704</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, 2014

	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 97,548,180	\$ (17,347,549)	\$ (79,768,242)	\$ (2,638,300)	\$ (2,205,911)
OTHER FINANCING SOURCES (USES):					
Capital Lease	6,926,213				6,926,213
Face Value of Bonds Issued		9,995,000			9,995,000
Face Value of Refunding Bonds				36,740,000	36,740,000
Bond Discount					
Bond Premiums		378,833		3,222,496	3,601,329
Payments to Refunded Bond Escrow Agent				(42,091,668)	(42,091,668)
Sale of, or compensation for, capital assets	1,577,107				1,577,107
Transfers (out) in-special education	(63,764,845)		63,764,845		
Transfers in	1,709,165	5,066,192	17,671,715	4,582,232	29,029,304
Transfers out	(28,520,139)		(1,668,318)	(40,847)	(30,229,304)
Total other financing (uses) sources	(82,072,499)	15,440,025	79,768,242	2,412,213	15,547,981
CHANGE IN FUND BALANCES	15,475,681	(1,907,524)	-	(226,087)	13,342,070
FUND BALANCES — January 1, 2014	113,737,429	14,308,575		5,217,777	133,263,781
FUND BALANCES — December 31, 2014	\$ 129,213,110	\$ 12,401,051	\$ -	\$ 4,991,690	\$ 146,605,851

(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, 2014

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):	\$ 13,342,070
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.	(7,807,201)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(5,525,067)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	47,601,891
Revenues that were recognized as current financial resources that would have been accrued in prior periods in the statement of activities.	(45,988,076)
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.	27,981,001
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.	(3,745,895)
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>2,219,063</u>
Change in net position of governmental activities (Page 19)	<u>\$ 28,077,786</u>

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Budgetary Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Real estate	\$ 157,080,000	\$ 157,080,000	\$ 158,148,304	\$ 1,068,304
Earned income	101,700,000	101,700,000	115,024,230	13,324,230
Real estate transfers tax	7,000,000	7,000,000	10,096,291	3,096,291
Public utility realty tax	354,121	354,121	350,037	(4,084)
Mercantile			206	206
Investment income	600,000	600,000	729,178	129,178
In lieu of taxes	85,000	85,000	259,443	174,443
State revenues received from intermediate source — other revenue from local sources and refund of prior years' expenditures	3,246,198	3,246,198	2,908,921	(337,277)
State grants and subsidies:				
Basic instructional subsidies	153,878,156	153,878,156	154,328,222	450,066
Subsidies for specific education programs	27,969,151	27,969,151	27,826,232	(142,919)
Subsidies for noneducational programs	31,939,663	31,939,663	36,697,873	4,758,210
Subsidies for state-paid benefits	26,044,811	26,044,811	26,581,842	537,031
Federal grants	4,842,947	4,842,947	2,998,703	(1,844,244)
Total revenues	\$ 514,740,047	\$ 514,740,047	\$ 535,949,482	\$ 21,209,435
EXPENDITURES:				
Instruction:				
Regular programs — elementary/secondary	\$ 218,550,422	\$ 213,034,021	\$ 219,481,170	\$ (6,447,149)
Special programs — elementary/secondary	71,493,636	69,183,640	2,634,867	66,548,773
Vocational education programs	5,795,573	5,963,767	4,345,684	1,618,083
Other instructional programs — elementary/secondary	1,278,622	1,367,862	917,037	450,825
Pre-Kindergarten	700,000	700,000	1,079,026	(379,026)
Support services:				
Pupil personnel	9,631,268	10,470,894	9,195,407	1,275,487
Instructional staff	13,833,758	14,097,076	12,557,774	1,539,302
Administration	31,113,546	32,379,423	29,446,163	2,933,260
Pupil health	5,943,972	7,509,847	6,719,769	790,078
Business	6,285,388	6,728,431	5,643,277	1,085,154
Operation and maintenance of plant services	52,676,560	53,692,832	49,260,516	4,432,316
Student transportation services	35,361,414	33,187,554	31,777,700	1,409,854
Support services — central	7,475,725	7,954,238	6,833,568	1,120,670
Operations of noninstructional services:				
Student activities	4,741,855	4,420,262	3,771,077	649,185
Community services	30,000	30,000	20,261	9,739
Capital outlay — facilities acquisition, construction, and improvement services	2,458,879	2,642,058	3,062,772	(420,714)
Debt service:				
Principal	34,642,050	34,642,050	34,542,050	100,000
Interest	18,336,902	18,243,902	17,497,178	746,724
Tax refunds	4,800,000	4,406,450	3,747,116	659,334
Contingencies	3,979,786	11,756,551		11,756,551
Total expenditures	\$ 529,129,356	\$ 532,410,858	\$ 442,532,412	\$ 89,878,446

(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, 2014

	Budgeted Amounts		Budgetary Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	\$ (14,389,309)	\$ (17,670,811)	\$ 93,417,070	\$111,087,881
OTHER FINANCING SOURCES (USES):				
Sale of, or compensation for, capital assets			1,577,107	1,577,107
Capital leases			6,926,213	6,926,213
Transfers in			1,709,165	1,709,165
Transfers out			(92,284,984)	(92,284,984)
Total other financing uses	-	-	(82,072,499)	(82,072,499)
CHANGE IN FUND BALANCE	(14,389,309)	(17,670,811)	11,344,571	29,015,382
FUND BALANCE — January 1, 2014	113,737,429	113,737,429	113,737,429	-
FUND BALANCE — December 31, 2014	\$ 99,348,120	\$ 96,066,618	\$ 125,082,000	\$ 29,015,382

See notes to financial statements.

(Concluded)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS AS OF DECEMBER 31, 2014

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,725	\$ 20,497,720
Investments		8,480,761
Interest receivable		11,528
Due from other governments	2,818,437	
Inventories	692,142	
Other receivables	408,746	228,619
	<u>3,923,050</u>	<u>29,218,628</u>
Total current assets		
NONCURRENT ASSETS:		
Restricted cash		1,242,259
Restricted investments		<u>7,312,332</u>
Capital assets:		
Land	43,878	
Buildings	13,595,259	
Machinery and equipment	5,856,175	
Less accumulated depreciation	<u>(11,417,039)</u>	
Total capital assets (net of accumulated depreciation)	<u>8,078,273</u>	
Total noncurrent assets	<u>8,078,273</u>	<u>8,554,591</u>
TOTAL	<u>\$ 12,001,323</u>	<u>\$ 37,773,219</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 588,596	\$ 4,762,737
Due to other funds	106,359	
Accrued salaries	260,089	22,085
Current portion of compensated absences	85,201	
Current portion of workers' compensation reserve		<u>2,050,000</u>
Total current liabilities	<u>1,040,245</u>	<u>6,834,822</u>
NONCURRENT LIABILITIES:		
Compensated absences	438,557	
Workers' compensation reserve		<u>6,504,591</u>
Total noncurrent liabilities	<u>438,557</u>	<u>6,504,591</u>
TOTAL	<u>\$ 1,478,802</u>	<u>\$ 13,339,413</u>
NET POSITION:		
Investment in capital assets	\$ 8,078,273	\$ -
Unrestricted	<u>2,444,248</u>	<u>24,433,806</u>
Total	10,522,521	24,433,806
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>39,358</u>	
TOTAL NET POSITION OF BUSINESS-TYPE ACTIVITIES (Page 18)	<u>\$ 10,561,879</u>	<u>\$ 24,433,806</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, 2014

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
OPERATING REVENUES:		
Contributions	\$ -	\$ 63,460,782
Charges for services	<u>1,347,648</u>	<u> </u>
Total operating revenues	<u>1,347,648</u>	<u>63,460,782</u>
OPERATING EXPENSES:		
Food service operations:		
Food and supplies	8,756,597	
Payroll costs	7,013,947	
Purchased property services	314,991	
Other purchased services	300,930	
Depreciation	439,027	
Support services — administration		497,388
Support services — central:		
Employee salaries, benefits, insurance, and supplies		571,439
Benefit payments		61,306,892
Claims and judgments		<u>89,533</u>
Total operating expenses	<u>16,825,492</u>	<u>62,465,252</u>
OPERATING INCOME (LOSS)	<u>(15,477,844)</u>	<u>995,530</u>
NONOPERATING REVENUES:		
Federal reimbursements and donated commodities	14,177,238	
State reimbursements	1,267,732	
Investment earnings		<u>41,487</u>
Total nonoperating revenues	<u>15,444,970</u>	<u>41,487</u>
INCOME (LOSS) BEFORE TRANSFERS	(32,874)	1,037,017
TRANSFERS IN	<u> </u>	<u>1,200,000</u>
CHANGE IN NET POSITION	(32,874)	2,237,017
NET POSITION — January 1, 2014	<u>10,555,395</u>	<u>22,196,789</u>
NET POSITION — December 31, 2014	<u>\$ 10,522,521</u>	<u>\$ 24,433,806</u>
CHANGE IN NET POSITION	\$ (32,874)	
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS	<u>17,954</u>	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (Page 19)	<u>\$ (14,920)</u>	

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions	\$ -	\$ 63,460,782
Receipts from customers and users	1,422,632	
Payments to suppliers	(8,504,711)	(499,782)
Payments to claimants		(60,607,140)
Payments to employees	<u>(6,937,443)</u>	<u>(561,996)</u>
Net cash (used in) provided by operating activities	<u>(14,019,522)</u>	<u>1,791,864</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal and state reimbursements	15,402,737	
Transfers from other funds		1,200,000
Advances to other funds	<u>(1,377,484)</u>	<u> </u>
Net cash provided by noncapital financing activities	<u>14,025,253</u>	<u>1,200,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(5,731)	
Transfers from other funds	<u> </u>	<u> </u>
Net cash used in capital and related financing activities	<u>(5,731)</u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received		37,568
Purchase of investments		(11,188,000)
Sale of investments	<u> </u>	<u>11,963,401</u>
Net cash provided by investing activities	<u> </u>	<u>812,969</u>
INCREASE IN CASH		3,804,833
CASH — January 1, 2014 (including \$262,758 for the internal service funds included in restricted assets)	<u>3,725</u>	<u>17,935,146</u>
CASH — December 31, 2014 (including \$1,242,259 for the internal service funds included in restricted assets)	<u>\$ 3,725</u>	<u>\$ 21,739,979</u>

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities — Enterprise Fund Food Service	Governmental Activities — Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$(15,477,844)	\$ 995,530
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Donated commodities	943,406	
Depreciation	439,027	
Changes in assets and liabilities:		
Decrease in inventory	109,672	
Decrease in other receivables	74,984	(8,396)
Increase (decrease) in accounts payable	(185,271)	598,537
Increase (decrease) in accrued salaries	62,109	9,443
Increase in compensated absences	14,395	
Increase in other current liabilities		
Increase in the workers' compensation reserve	<u> </u>	<u>196,750</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$(14,019,522)</u></u>	<u><u>\$ 1,791,864</u></u>
NONCASH FINANCING TRANSACTION — Donated commodities	<u><u>\$ 943,406</u></u>	

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS AS OF DECEMBER 31, 2014

	Escheated Property Private-Purpose Trust	Agency Funds
ASSETS:		
Cash	\$ <u>333,698</u>	\$ <u>821,458</u>
Total assets	<u>333,698</u>	<u>821,458</u>
LIABILITIES:		
Accounts payable	<u>145,060</u>	<u>821,458</u>
Total liabilities	<u>\$ 145,060</u>	<u>\$ 821,458</u>
NET POSITION:		
Net position held in trust for escheated property	<u>\$ 188,638</u>	<u>\$ -</u>

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS AS OF DECEMBER 31, 2014

	Escheated Property Private-Purpose Trust
ADDITIONS:	
Contributions	
District Funds	\$ 215,781
Private Contributions	<u>0</u>
TOTAL ADDITIONS	<u>215,781</u>
DEDUCTIONS:	
Refunds Payees	14,505
Transfers to State	<u>132,373</u>
TOTAL DEDUCTIONS	<u>146,878</u>
CHANGE IN NET POSITION	<u>68,903</u>
NET POSITION — BEGINNING	<u>119,735</u>
NET POSITION— ENDING	<u>\$ 188,638</u>

See notes to financial statements.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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 2014, the District received \$27,494,836 from the Commonwealth for special education costs. The Intermediate Unit’s financial statements can be obtained at 515 North Highland Avenue, Pittsburgh, PA 15206. The Intermediate Unit is not part of the District reporting entity and is not included in the accompanying financial statements in accordance with the GASB’s definition of the financial reporting entity and component units.

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

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

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

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

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

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

i. Governmental Funds

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

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

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

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

ii. Proprietary Funds

Food Service — The Food Service Fund is used to account for all of the District’s food service operations, which are financed and operated in a manner similar to private business enterprises. Food service operations intend to provide services at cost, which are financed or recovered primarily through user charges or governmental subsidies.

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

iii. Fiduciary Funds

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

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

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

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

- The revenues are recognized when they become measurable and available to finance the District’s operations. Property and other taxes are susceptible to accrual and are recognized as current revenue when received during the year and also when received by the District within 60 days after the close of the year.
- Currently levied property and other taxes that are not received by the District within 60 days after the close of the current year are susceptible to accrual and are recorded as 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. Exceptions to this rule are 1) principal and interest on general long-term debt; 2) compensated absences, which are recorded only when payment is due; and 3) judgments and claims.

Proprietary funds are accounted for on the “economic resources” measurement focus and the accrual basis of accounting. This means that all assets and liabilities, whether current or noncurrent, associated with their activities are included in the statement of net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s enterprise fund and of the government’s internal service funds are charges to customers for sales and services. 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 17.81% of outstanding property taxes at December 31, 2014.

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, 2014, the District paid \$2,438,629 to the City of Pittsburgh and Jordan Tax Service for collection of these taxes.

The statutory dates applicable to property taxes are as follows:

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

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

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

The school tax rate in 2014 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, *advanced and unavailable revenue*, is reported only in the governmental funds balance sheet.

Deferred inflows represent receivables, which will be collected and included in revenues of future fiscal years. In the General Fund, deferred inflows-unavailable relate to property tax receivables that were levied in the current and prior years, but will not be available to pay liabilities of the current period. In 2014, the District deferred revenue for the receipt of State gaming revenue to be used for 2015 Homestead reductions for property taxes are recorded as deferred inflows-advanced revenue.

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

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

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

Unpaid earned vacation and unconverted personal leave days are accrued.

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

Severance pay is based on the accumulated balance of sick leave and personal leave. Administrator retirees are entitled to 50%–65% of their daily rate of pay at 75% of their accumulated balance as specified in specific contracts, and resignees are entitled to one-third of their accumulated balance. The daily rate for resignees is the lesser of \$60 per day or their daily rate. The accrual for severance compensation at December 31, 2014, is based on whether the employee is qualified to receive retirement pay or resignation pay at December 31, 2014.

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 2015. All vacation pay and severance pay is accrued when incurred in the government-wide and proprietary funds' financial statements for the estimated amount to be paid in future years. Liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

- x. Other Postemployment Benefits — GASB Codification Section P50, *Postemployment Benefits Other Than Pension Benefits — Employer Reporting*, provides the accounting and reporting requirements for postretirement health care and other postemployment benefits (OPEB) that public sector employers may offer to their employees. GASB Codification Section P50 requires that employers accrue the cost of these benefits and account for and

report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB. Accordingly, the District's net OPEB obligation at December 31, 2014, has been reported in the statement of net position. See Note 6g for additional disclosures.

- xi. Termination Benefits — As it relates to nonincentive plans, the District makes severance payments directly to 403(b) plans for current retirements of school administrators and Pittsburgh Federation of Teachers (PFT)-covered employees. The District used a discount rate of 2.5% to calculate the discounted present value of the expected future benefit payments of \$86,115. For 2014, termination benefits for employees that elected retirement during the year was \$280,967. The cumulative discounted present value of this liability is \$517,627 as of December 31, 2014.
- 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, 2014, 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, 2014, the District had restrictions for scholarships and legally restricted construction funds via debt covenants as described in the governmental fund balance sheet.
- Committed — This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board of Public Education. Such commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Board resolution. The School District currently has a stabilization fund for one-time capital project or emergency operational expenditures. The Board has committed funds for future retirement benefits.
- Assigned — This category represents intentions of the District to use the funds for specific purposes as determined by the Board of Public Education. The assignment

cannot exceed the available spendable unassigned fund balance in any particular fund. Assigned fund balances as of December 31, 2014, 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, 2014, represent funds for Workers’ Compensation liability and capital projects’ future expenditures.
 - Unrestricted — This component of net position consists of net position that does not meet the definition of “restricted” or “in capital assets.”
- xv. Interest Expense — The District accounts for interest on its debt as an expense of the period in which it is incurred. The District does not capitalize interest on debt as part of the cost of the asset.
- xvi. Estimates — The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets and liabilities, disclosure of contingent assets, and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.
- xvii. Risks and Uncertainties — Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements.

- xviii. Newly Adopted Accounting Pronouncements — The GASB has issued GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, effective for periods beginning after June 15, 2013. The objective of this statement is to improve financial reporting for state and local governmental pension plans. The scope of this statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts. The District has determined there was no effect on the financial statements as a result of the adoption of GASB Statement No. 67.

The GASB has issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for periods beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The District has determined there was no effect on the financial statements as a result of the adoption of GASB Statement No. 69.

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

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

The GASB has issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contribution entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The District has not yet determined the effect that the adoption of GASB Statement No. 71 may have on its 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 District has not yet determined the effect that the adoption of GASB Statement No. 72 may have on its financial statements.

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 District has not yet determined the effect that the adoption of GASB Statements No. 74 and 75 may have on its financial statements.

2. REPORTING ON BUDGETARY BASIS

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

	General Fund
GAAP basis:	
Fund balance — December 31, 2014	\$ 129,213,110
Deduct outstanding:	
Committed contracts	(3,501,561)
Assigned purchase orders	<u>(629,549)</u>
Budgetary basis — fund balance — December 31, 2014	<u>\$ 125,082,000</u>

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position. The governmental fund balance sheet includes reconciliation between *fund balance — total governmental funds* and *net position — governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “Certain liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$405,447,964 difference are as follows:

Bonds payable	\$ 325,929,864
Compensated absences	10,187,458
Notes payable	18,932,941
Add premium on issuance (to be amortized as interest expense)	18,000,090
Less discount on issuance (to be amortized as interest expense)	(61,180)
Less deferred charge on refunding	(11,803,516)
Less deferred charge for insurance costs (to be amortized over life of debt)	(728,100)
Accrued interest payable	5,625,882
Obligations under leases	8,689,049
Termination benefits	86,115
Net OPEB obligation	<u>30,589,361</u>
Net adjustment to reduce fund balance — total governmental funds to arrive at net assets — governmental activities	<u>\$ 405,447,964</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 \$7,807,201 difference are as follows:

Capital outlays	\$ 20,524,374
Depreciation expense and changes in accumulated depreciation	<u>(28,331,575)</u>
Net adjustment to decrease net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (7,807,201)</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 \$5,525,067 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>\$ (5,525,067)</u>
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the changes in fund balances. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$27,981,001 difference are as follows:

Net proceeds/financing received — issuance of general obligation bonds payable, debt refunding, and capital leases	\$ (57,212,838)
Repayment — to bondholders and lessors	<u>85,193,839</u>
Net adjustments to increase net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 27,981,001</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 \$3,745,895 difference are as follows:

Accrued expenses	\$(5,259,449)
Amortization of premium	3,319,145
Amortization of bond discount and issuance insurance	<u>(1,805,591)</u>
Net adjustments to increase net changes in fund balances — total governmental funds to arrive at changes in net position of governmental activities	<u>\$(3,745,895)</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 \$39,358 difference are as follows:

Internal payable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — prior years	\$ 21,404
Internal receivable representing the consolidation of Internal Service Fund activities related to Enterprise Funds — current year	<u>17,954</u>
Net adjustment to increase net position — total enterprise funds to arrive at net position — business-type position activities	<u>\$ 39,358</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 2014. There were no supplemental budget appropriations in 2014.

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

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

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

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

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

5. FUND INFORMATION

- Deposits and Investments** — The District reports deposits and investments in accordance with GASB Codification Section I50, *Investments*. GASB Codification Section I50 requires that investments be reported at fair value rather than cost. The District's investments are reported at fair value at December 31, 2014.

A summary of deposits and investments with financial institutions at December 31, 2014, is as follows:

Deposits and Investments

General Fund	\$ 146,659,648
Capital Projects Funds	14,039,334
Special Revenue Funds	6,703,627
Nonmajor Governmental Funds	4,994,190
Food Service Funds	3,725
Internal Service Funds	37,533,072
Private Purpose Trusts	333,698
Fiduciary Funds	821,458

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

Investments are reported at fair value.

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

Custodial Credit Risk — Deposits — Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's deposit policy for custodial credit risk generally requires that no more than 50% of the District funds shall be invested in one institution in total. Deposits in excess of amounts covered by the FDIC are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name. As of December 31, 2014, \$155,726,404 of the District's \$176,563,844 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>\$ 155,726,404</u>
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As of December 31, 2014, the District had the following investments:

Unrestricted Investments	Maturity Date	Fair Value
Money market funds:		
PA School District Liquid Asset Fund (PSDLAF)	n/a	\$ 391,911
PA Local Government Investment Trust — Class (PLGIT)	n/a	794,695
PLGIT — ARM	60 days or less	4,469,100
PA INVEST	60 days or less	20,559,006
Federated Government Obligations Fund	36 days average	240,830
PNC Government Money Market Fund	60 days or less	762,916
Nonnegotiable certificates of deposit:		
PLGIT — .20%	01/14/15	10,000,000
PLGIT — .19%	01/20/15	5,000,000
PLGIT — .20%	03/27/15	1,000,000
PLGIT — .20%	03/27/15	5,000,000
PLGIT — .26%	09/04/15	5,000,000
PSDLAF — .10%	02/10/15	31,000,000
PSDLAF — .30%	04/20/15	2,000,000
PSDLAF — .40%	10/21/15	2,000,000
Various - Each Certificate Under \$250,000 — .30% — .75%	01/13/15 - 12/30/15	15,571,000
Repurchase agreement	January 1, 2015	<u>7,856,573</u>
Total unrestricted investments		<u>\$111,646,031</u>
Restricted Investments		
Nonnegotiable certificates of deposit:		
Various — Each Certificate Under \$250,000 — .40% to .70%	01/09/15 - 11/29/15	\$ 3,176,000
PSDLAF — .15%	02/10/15	4,000,000
Money market funds		
PA Local Government Investment Trust (PLGIT) Fund		94,291
PA School Liquid Asset Fund (PSDLAF)		<u>42,041</u>
Total restricted investments		<u>\$ 7,312,332</u>

Restricted cash as of December 31, 2014, in the amount of \$1,242,259, is held in demand deposits at a financial institution.

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

Credit Risks — The Pennsylvania Public School Code authorizes the types of investments allowed, which are described above. The District has no investment policy that would further limit its investment choices. As of December 31, 2014, 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. Treasury or obligations explicitly guaranteed by the U.S. Government.

Concentration of Credit Risk — The District’s investment procedures generally require that no more than 50% of the District funds shall be invested in one institution in total. Certificates of deposit purchased from commercial banks or savings or equivalent shall be limited to an amount to 20% of a bank’s total capital and surplus. As of December 31, 2014, the repurchase agreement was 7% of the District’s total unrestricted and restricted investments.

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

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

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

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

- b. **Receivables** — Receivables as of December 31, 2014, 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	Food Service	Internal Service Funds	Total
Receivables — taxes:						
Real estate	\$40,839,151	\$ -	\$ -	\$ -	\$ -	\$40,839,151
Earned income	20,950,156					20,950,156
Due from other governments:						
Commonwealth of Pennsylvania	8,860,076			131,890		8,991,966
City of Pittsburgh	1,712,859					1,712,859
Federal				2,686,547		2,686,547
Other receivables	630,325	21	1,081,559	408,746	228,619	2,349,270
Interest	<u>45,548</u>		<u>76</u>		<u>11,528</u>	<u>57,152</u>
Gross receivables	73,038,115	21	1,081,635	3,227,183	240,147	77,587,101
Less allowance for uncollectibles	<u>7,274,357</u>					<u>7,274,357</u>
Net receivables	<u>\$65,763,758</u>	<u>\$ 21</u>	<u>\$1,081,635</u>	<u>\$3,227,183</u>	<u>\$240,147</u>	<u>\$70,312,744</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, 2014, the various components of deferred inflows and unearned revenue reported in the governmental funds are as follows:

	Deferred Inflows Advanced	Deferred Inflows Unavailable	Unearned Revenues
State property tax relief (General Fund)	\$ 15,579,489	\$ -	\$ -
Delinquent property taxes receivable (General Fund)		32,022,402	
Grant drawdowns prior to meeting all eligibility requirements (Special Revenue Funds and General Fund)			<u>3,317,558</u>
Total deferred/unearned revenue for governmental funds	<u>\$15,579,489</u>	<u>\$32,022,402</u>	<u>\$ 3,317,558</u>

- c. **Interfund Receivables, Payables, and Transfers** — The composition of interfund balances as of December 31, 2014, are as follows:

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

	Interfund Receivables	Interfund Payables
Capital Projects fund	\$	\$ 26
General fund	106,385	
Food service fund		106,359
	<u> </u>	<u> </u>
Total	<u>\$ 106,385</u>	<u>\$ 106,385</u>

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

	<u>Transfers — In</u>					Total
	General Fund	Capital Projects	Special Revenue Fund	Other Governmental Funds	Internal Service Fund	
Transfers — out:						
General fund	\$ -	\$ 5,066,192	\$ 81,436,560	\$ 4,582,232	\$ 1,200,000	\$92,284,984
Debt service funds	40,847					40,847
Special revenue funds	<u>1,668,318</u>					<u>1,668,318</u>
Total transfers — in	<u>\$ 1,709,165</u>	<u>\$ 5,066,192</u>	<u>\$ 81,436,560</u>	<u>\$ 4,582,232</u>	<u>\$ 1,200,000</u>	<u>\$93,994,149</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 to Capital Improvements; 4) General Fund transfers to fund Internal Service Funds: worker's compensation, and general liability claims; and 5) General Fund transfers to debt service fund for repayment of debt service prior to maturity.

d. **Capital Assets** — Capital asset activities for the year ended December 31, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets — not being depreciated — land	\$ 25,368,607	\$ 18,000	\$ (1,067,739)	\$ 24,318,868
Total capital assets — not being depreciated	<u>25,368,607</u>	<u>18,000</u>	<u>(1,067,739)</u>	<u>24,318,868</u>
Capital assets — being depreciated:				
Land improvements	13,914,783	489,501	(526,268)	13,878,016
Buildings	413,724,113	750,000	(7,069,958)	407,404,155
Building improvements	319,381,454	14,941,286	(4,103,774)	330,218,966
Computer software	5,066,149			5,066,149
Furniture, fixtures, machinery, and equipment	78,836,466	4,325,587	(383,611)	82,778,442
Total capital assets — being depreciated	<u>830,922,965</u>	<u>20,506,374</u>	<u>(12,083,611)</u>	<u>839,345,728</u>
Total at historical cost	<u>856,291,572</u>	<u>20,524,374</u>	<u>(13,151,350)</u>	<u>863,664,596</u>
Less accumulated depreciation for:				
Land improvements	(5,178,348)	(681,317)	260,952	(5,598,713)
Buildings	(237,046,250)	(8,619,374)	5,409,223	(240,256,401)
Building improvements	(83,179,976)	(12,683,393)	1,574,730	(94,288,639)
Computer software	(2,857,654)	(1,257,192)		(4,114,846)
Furniture, fixtures, machinery, and equipment	(65,659,130)	(5,090,299)	381,378	(70,368,051)
Total accumulated depreciation	<u>(393,921,358)</u>	<u>(28,331,575)</u>	<u>7,626,283</u>	<u>(414,626,650)</u>
Total capital assets — being depreciated — net	<u>437,001,607</u>	<u>(7,825,201)</u>	<u>(4,457,328)</u>	<u>424,719,078</u>
Governmental activities capital assets — net	<u>\$ 462,370,214</u>	<u>\$ (7,807,201)</u>	<u>\$ (5,525,067)</u>	<u>\$ 449,037,946</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets — not being depreciated — land	\$ 43,878	\$ -	\$ -	\$ 43,878
Total capital assets — not being depreciated	<u>43,878</u>	<u>-</u>	<u>-</u>	<u>43,878</u>
Capital assets — being depreciated:				
Buildings	13,595,259			13,595,259
Furniture, fixtures, machinery, and equipment	5,850,444	5,731		5,856,175
Total capital assets — being depreciated	<u>19,445,703</u>	<u>5,731</u>	<u>-</u>	<u>19,451,434</u>
Total at historical cost	<u>19,489,581</u>	<u>5,731</u>	<u>-</u>	<u>19,495,312</u>
Less accumulated depreciation for:				
Buildings	(5,442,337)	(293,174)	(251,099)	(5,986,610)
Furniture, fixtures, machinery, and equipment	(5,535,675)	(145,853)	251,099	(5,430,429)
Total accumulated depreciation	<u>(10,978,012)</u>	<u>(439,027)</u>	<u>-</u>	<u>(11,417,039)</u>
Total capital assets — being depreciated — net	<u>8,467,691</u>	<u>(433,296)</u>	<u>-</u>	<u>8,034,395</u>
Business-type activities capital assets — net	<u>\$ 8,511,569</u>	<u>\$(433,296)</u>	<u>\$ -</u>	<u>\$ 8,078,273</u>

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

Governmental funds:	
Expenditures — Instruction	\$ 21,853,260
Expenditures — Instruction student support	5,453,800
Expenditures — Administrative and financial support service	280,799
Operation and maintenance of plant services	401,340
Student activities	71,408
Community services	49,037
Facilities, construction and improvement services	<u>221,931</u>
	<u>\$ 28,331,575</u>

In accordance with impairment guidance under GASB Codification Section 1400, *Reporting Capital Assets*, a net impairment loss of \$4,772,834 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
Columbus	\$ (1,852,786)	\$ (617,595)	\$ (2,470,381)
Rogers CAPA	(253,855)	(84,618)	(338,473)
Schaeffer	(286,372)	(95,458)	(381,830)
Homewood	(418,715)	(139,572)	(558,287)
Burgwin	(244,114)	(81,371)	(325,485)
Morningside	(229,681)	(76,560)	(306,241)
Madison	(294,103)	(98,034)	(392,137)
Total	<u>\$ (3,579,626)</u>	<u>\$ (1,193,208)</u>	<u>\$ (4,772,834)</u>

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

Building	Carrying Value	Year of Closing	Future Use
Knoxville			
Elementary/Middle	2,625,923	July 1, 2006	May reopen as classroom space
Belmar Elementary	2,894,487	July 1, 2011	May reopen as classroom space
Fort Pitt Elementary	3,274,798	July 1, 2012	May reopen as classroom space
Murray Elementary	3,524,400	July 1, 2012	May reopen as classroom space
Northview Elementary	2,783,688	July 1, 2012	May reopen as classroom space
Sheraden Elementary	620,067	July 1, 2012	May reopen as classroom space
Stevens Elementary	1,432,128	July 1, 2012	May reopen as classroom space
McNaugher Spec. Ed. Ctr.	<u>1,108,576</u>	July 1, 2012	May reopen as classroom space
	<u>\$ 18,264,067</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 \$19,673,896.

- e. **Construction Commitments** — As of December 31, 2014, the District had no significant committed construction projects.

The District has no pollution remediation liability under GASB Codification Section P40, *Pollution Redemption Obligations*, as of December 31, 2014.

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, 2014.

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 2014, the District issued General Obligation Bonds Series C in the amount of \$9,995,000. The Bonds will mature in September 2034. The original amount of current outstanding general obligation bonds and notes issued in prior years was \$628,300,000. 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 2014, the District issued refunding Series A of 2014 and Series B of 2014 issue. The face amount of \$10,070,000 and \$26,670,000 respectively, provided for the purchase of U.S. Government State and Local Government Series securities that were placed into escrow amounting to \$40,747,420. 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 \$3,372,420. 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 2004, Series B of 2005, Series B of 2006 Bond issue, the District decided that it was economically beneficial to advance refund certain maturities of those issues. The maturities affected total \$37,375,000 in principal and include the following: Series of 2004 B — September 1, 2015, Series 2005 B — September 1, 2015–September 1, 2025, Series 2006 B — September 1, 2016–September 1, 2025. The refunding was accomplished by issuing the General Obligation Bonds Series A of 2014 and Series B of 2014 and calling the remaining maturities for the above-listed issues. The corresponding interest rates on the refunding bonds allowed the District to realize debt service savings at levels meeting their governing criteria, as well as comply with Internal Revenue Service regulations on tax-exempt refinancing. The resulting difference in debt service is a positive savings of \$1,293,939 or 3.462% of total refunded principal.

On October 6, 2014, the District defeased General Obligation Bonds Series A of 2005. The remaining principal outstanding was defeased in the amount of \$3,835,000. The resulting difference in debt service is a positive savings of \$4,206,615 or 3.37%.

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 March 1, 2014, the District redeemed \$1,600,000 of unspent proceeds related to the Series D of 2010 Qualified School Construction Bonds.

The District defeased certain general obligation bonds and notes by placing the proceeds of new bonds and notes with an escrow agent to provide for all future debt service payments on the old bonds and notes. Accordingly, the trust account assets and the liabilities for the defeased bonds and

notes are not included in the District's financial statements. Defeased bonds and notes of \$69,681,089 are outstanding at December 31, 2014.

Legal Debt Margin — The District is subject to legal debt margin. This amount was \$795,375,015 for 2014.

Board Actions in Anticipation of Future Debt Offerings — At the December 2014 Board of Directors meeting, the Board authorized the arrangement for capital borrowing of \$21,819,000 for 2015.

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

Balance — January 1, 2014	\$ 375,479,855
Add debt issued or incurred:	
2014 Refunding Series A	10,070,000
2014 Refunding Series B	26,670,000
2014 GOB Series C	<u>9,995,000</u>
Less debt repayments or refundings:	
Payment to escrow for 2014 refunding series	(37,375,000)
QSCB Return of unspent proceeds cash defeasance	(1,600,000)
2005 Series A Defeasance	(3,835,000)
1/1/14—12/31/14 payments of principal bonds	<u>(34,542,050)</u>
Balance — December 31, 2014	<u>\$ 344,862,805</u>

General obligation bonds and notes payable at December 31, 2014, 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	\$ 3,270,000	\$ 1,895,000
2002A Refunding bonds	2.00–5.50	2002–2018	78,830,000	41,670,000	11,990,000
2004 GOB	3.00–5.00	2004–2024	45,735,000	-	-
2004 Refunding	2.00–5.00	2004–2014	39,885,000	-	-
2005 A Refunding	2.15–5.00	2005–2018	20,175,000	4,110,000	2,360,000
2005 Series B	2.95–5.00	2005–2025	38,105,000	-	-
2006 Series B	3.75–5.00	2006–2026	53,335,000	10,180,000	2,410,000
2007 GOB	4.00–4.25	2007–2027	40,235,000	27,930,000	1,715,000
2009 A Refunding Bonds	3.00–5.00	2009–2019	28,570,000	14,485,000	2,840,000
2010 Refunding Series A	0.6–5.00	2010–2022	30,975,000	30,740,000	3,380,000
2010 Refunding Series B	0.6–5.00	2010–2018	6,660,000	6,640,000	1,575,000
2010 GOB Series C	0.6–4.00	2010–2030	6,000,000	5,185,000	260,000
2011 Refunding	1.00–3.00	2011–2023	9,995,000	9,475,000	-
2012 Refunding	2.00–5.00	2012–2024	71,130,000	60,880,000	1,915,000
2012 Series B	2.00–4.00	2012–2022	5,000,000	4,140,000	445,000
2014 Refunding Series A	1.00–5.00	2014–2025	10,070,000	10,070,000	1,720,000
2014 Refunding Series B	1.00–5.00	2014–2025	26,670,000	26,670,000	655,000
2014 GOB Series C	2.00–5.00	2014–2034	9,995,000	9,995,000	440,000
Total			<u>572,870,000</u>	<u>265,440,000</u>	<u>33,600,000</u>
2001 QZAB	0	2001-2015	10,952,000	597,295	597,295
2006 QZAB	1.38	2006–2022	5,608,000	2,957,569	352,207
2009 Build American Funds*	5.002–6.042	2009–2029	42,535,000	42,535,000	-
2010 QSCB Series D*	6.85	2010–2029	19,520,000	14,400,000	960,000
Total			<u>78,615,000</u>	<u>60,489,864</u>	<u>1,909,502</u>
Notes					
2010 QSCB SPSBA Series A*	6.50	2010–2028	9,578,000	7,698,353	549,882
2010 QZAB SPSBA Series B*	6.50	2010–2028	13,972,000	11,234,588	802,471
Total			<u>23,550,000</u>	<u>18,932,941</u>	<u>1,352,353</u>
Total outstanding principal			<u>\$ 675,035,000</u>	344,862,805	<u>\$ 36,861,855</u>
Add interest payable in future years				<u>127,950,420</u>	
Total				<u>\$ 472,813,225</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
2015	\$ 36,861,855	\$ 16,884,124
2016	33,479,420	15,430,925
2017	33,234,348	13,879,396
2018	33,174,343	12,420,335
2019	29,404,408	11,018,251
2020-2024	119,749,020	38,970,076
2025-2029	55,389,411	18,983,270
2030-2034	<u>3,570,000</u>	<u>364,043</u>
Total	<u>\$ 344,862,805</u>	<u>\$ 127,950,420</u>

Changes in long-term liabilities:

	Beginning	Additions	Reductions	Ending	Due within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 291,180,000	\$ 46,735,000	\$ (72,475,000)	\$ 265,440,000	\$ 33,600,000
QZABs	21,479,561	-	(3,524,697)	17,954,864	1,909,502
Notes payable	20,285,294	-	(1,352,353)	18,932,941	1,352,353
Taxable	<u>42,535,000</u>	<u>-</u>	<u>-</u>	<u>42,535,000</u>	<u>-</u>
Total before premium/discount	375,479,855	46,735,000	(77,352,050)	344,862,805	36,861,855
Add (less) deferred amounts:					
Premium on issuance	17,875,602	3,601,328	(3,476,840)	18,000,090	3,476,840
Discount on issuance	<u>(66,094)</u>	<u>-</u>	<u>4,914</u>	<u>(61,180)</u>	<u>-</u>
Total general obligation bonds and notes payable	393,289,363	50,336,328	(80,823,976)	362,801,715	40,338,695
Compensated absences	16,120,305	4,692,635	(5,204,866)	15,608,074	6,213,503
Postemployment benefits	23,514,269	18,044,826	(10,969,734)	30,589,361	
Termination benefits	730,415	280,967	(493,755)	517,627	431,512
Workers' compensation reserve	8,357,841	2,213,993	(2,017,243)	8,554,591	2,050,000
Capital leases	<u>6,373,885</u>	<u>6,926,213</u>	<u>(4,611,049)</u>	<u>8,689,049</u>	<u>2,436,976</u>
Governmental activities long-term liabilities	<u>\$ 448,386,078</u>	<u>\$ 82,494,962</u>	<u>\$ (104,120,623)</u>	<u>\$ 426,760,417</u>	<u>\$ 51,470,686</u>
Business-type activities compensated absences	<u>\$ 509,363</u>	<u>\$ 104,378</u>	<u>\$ (89,983)</u>	<u>\$ 523,758</u>	<u>\$ 85,201</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>\$8,554,591</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. Two new leases were entered during 2014.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 17,901,656
Less accumulated depreciation	<u>8,425,574</u>
 Total	 <u>\$ 9,476,082</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014, are as follows:

Years Ending December 31	Governmental Activities
2015	\$ 2,563,978
2016	2,192,814
2017	1,882,601
2018	1,397,744
2019	<u>922,191</u>
 Total minimum lease payments	 8,959,328
 Less amount representing interest	 <u>270,279</u>
 Present value of minimum lease payments	 <u>\$ 8,689,049</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, 2014, are as follows:

Workers' compensation	\$ 10,453,215
Comprehensive general liability	1,859,344
Self-insurance health care	15,755,018

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

Not included in the table above for the workers' compensation fund is the long-term portion of the claims reserve, which was \$6,504,591 as of December 31, 2014.

The funds for unemployment and workers' compensation are funded based on a percentage of gross payrolls, which was 0.6% and 0.9%, respectively, from January 1, 2014 to April 30, 2014 and .80% and 1.01%, respectively, from May 1, 2014 to December 31, 2014. The comprehensive general liability and fire damage 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 December 31, 2014, which utilized a discount rate of 3.5%. The Reserve was reviewed through December 31, 2014, 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 \$8,554,591 at December 31, 2014. The expense is based on a percentage of gross payrolls for the year. The contribution rate is 1.01% of gross payroll at December 31, 2014.

Changes in the Reserve claims liability in fiscal 2014 and 2013 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2014	\$8,357,841	\$2,213,993	\$(2,017,243)	\$ 8,554,591
2013	\$8,067,407	\$2,433,255	\$(2,142,821)	\$ 8,357,841

c. Subsequent Events:

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 is scheduled for the summer of 2015.

On August 24, 2011, the Board authorized the Administration to offer for sale Rogers Middle School. The \$275,000 offer from Lois Rogers, L.P. to purchase the Rogers building and land was accepted by the Board on November 25, 2014. This settlement took place on January 7, 2015.

d. Public School Employees' Retirement System:

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

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

The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 P.C.S. 8101-8535) is the authority by which benefit provisions are established and may be amended. PSERS issues a comprehensive annual financial report that includes financial statements and supplementary information for the plan. That report may be obtained by writing to PSERS, 5 N 5th Street, Harrisburg, PA 17101-1905 or by emailing Beth Girman at bgirman@pa.gov.

- ii. Funding Policy* — Active members, employers, and the Commonwealth are required by Commonwealth statute to make contributions to the plan. The rate of contribution for most active members is set at 5.25% or 6.50% of the qualified member's compensation. For members joining the system on or after July 22, 1983, the rate of contribution is 6.25% or 7.50%. For members hired after July 1, 2001, or who return to work after a two-year absence, the rate of contribution is 7.50%. For school employees who become new members of PSERS on or after July 1, 2011, there are two membership classes: Class T-E and Class T-F. New members automatically become Class T-E members, but have a onetime opportunity to elect Class T-F membership. PSERS will mail information and an election ballot to your home address. To elect Class T-F, you must return the ballot within 45 days of the date of notification. The contribution

rate for Class T-E members is 7.5% (base) with “shared risk” provision that could cause the total contribution levels to fluctuate between 7.5% and 9.5%. The contribution rate for Class T-F member is 10.30% (base rate) with “shared risk” provision that could cause the total contribution levels to fluctuate between 10.30% and 12.30%. With a “shared risk” program, you benefit when investments of the fund perform well and share some of the risk when investments underperform. The employee contribution rate may not go below the base rate of 7.5% for Class T-E and 10.30% for Class T-F members. The employer contribution rate, net of state subsidy, was 8.47% for the period January 1, 2014, through June 30, 2014, and was 10.7% for the period from July 1, 2014, through December 31, 2014. The District’s contributions to PSERS for the years ended December 31, 2014, 2013, and 2012, were \$48,519,051, \$33,460,521, and \$27,272,026, respectively, which is equal to the required contractual contribution for each year.

- iii. *Pension Plan* — Most full-time public school employees of the District are required to enroll in the cost-sharing, multiple-employer retirement plan. The District follows GASB Codification Section P20, *Pension Activities — Employer Reporting*, which requires the District to recognize annual pension expenditures equal to its contractually required contributions to the plan.
- iv. *On-behalf Contributions* — The Commonwealth makes state pension, social security, and Medicare contributions on behalf of the District. The Commonwealth contribution rate as a percentage of creditable earnings was 3.825% for social security and Medicare for calendar year 2014. The employer pension rate was 10.7% for the year ended December 31, 2014. The District recognized \$20,581,841 in the General Fund for pension, social security, and Medicare contributions that the Commonwealth of Pennsylvania reimbursed to the District in 2014. This reimbursement is recorded as revenue under Federal and State grants and subsidies line in the general fund. Corresponding expenditures were also recognized in the general fund allocated across each appropriate fund based on related salary expense.

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 2014, but were not completed as of December 31, 2014. 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	\$	\$4,397,245	\$ 4,397,245
Committed — contracts	3,501,561		3,501,561
Assigned — purchase orders	<u>629,549</u>	<u>1,870,946</u>	<u>2,500,495</u>
 Total	 <u>\$4,131,110</u>	 <u>\$6,268,191</u>	 <u>\$ 10,399,301</u>

- f. **Labor Relations** — Six bargaining units represent district employees. The largest unit, composed of teachers and other professionals, has a contract, which expires on June 30, 2015. The federation also represents approximately 570 paraprofessionals and approximately 23 technical-clerical employees. Collective bargaining agreements (CBAs) with these units also expire June 30, 2015. The five-year CBAs representing the custodial employees expire December 31, 2015. The CBA with building and trade employees expires January 15, 2016. Secretarial Clerical agreement is from January 1, 2011, through June 30, 2015.
- g. **Postemployment Health Benefits** — In addition to providing pension benefits, the District provides health insurance coverage for retired employees and their dependents. Substantially, all of the employees may become eligible for this benefit if they reach normal retirement age while working for the District. The District is obligated to pay this benefit as a result of union contracts and Board rules and regulations for nonunion employees.
- i. *Plan Description* — The District administers a single-employer defined benefit health care plan (School District of Pennsylvania Retiree Health Plan). The plan provides employees, under age 65, health care insurance for eligible retirees and their dependents through the District’s self-insurance group health plan, which covers both active and retired members. The District also contributes funds toward a Medicare supplement reimbursement after age 65. The amount of the reimbursement depends on the date of retirement divided by out-of-pocket expenses. Benefit provisions are established through negotiations between the District and various unions.
- ii. *Funding Policy* — Contribution requirements are negotiated. The employee contribution depends on the bargaining agreement. Employees eligible under Article 140 of the CBA pay 5% of the premium, plus 20% of the premium difference from the prior year, plus the cumulative surcharge if they retired prior to July 1, 2008. The minimum retiree contribution is \$100 per month. After July 1, 2008, employees pay the pre-July 1, 2008, rate in effect on date of retirement, plus 50% of subsequent premium increases. Retiree contributions cannot exceed 50% of current premium. Employees not eligible under Article 140 of the CBA may elect coverage under Act 110 and pay 102% of the active premium or minimum of \$100 a month. Retirees contributed \$2,173,640 toward the plan in 2014. For the fiscal year 2014, the District contributed \$15,044,519 toward actual claims paid for eligible retired plan members and their dependents. The District contributions are paid from the Self-Insurance Health Care Fund.

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

Annual required contribution	\$ 18,411,786
Interest on net OPEB obligation	940,571
Adjustment to annual required contribution	<u>(1,307,531)</u>
 Annual OPEB cost	 18,044,826
 Contributions made	 <u>10,969,734</u>
 Increase in net OPEB obligation	 7,075,092
 Net OPEB obligation — beginning of year	 <u>23,514,269</u>
 Net OPEB obligation — end of year	 <u><u>\$ 30,589,361</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 18,044,826	60.8 %	\$ 30,589,361
December 31, 2013	18,100,936	71.2	23,514,269
December 31, 2012	16,549,807	80.7	20,457,852

iv. *Funded Status and Funding Progress* — As of November 1, 2013, the actuarial accrued liability for benefits was \$188,852,166, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$232,032,889 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 81%. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The following assumptions were made:

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

Age	Early Retirement	Superannuation Retirement
50–54	- %	24.0 %
55–59	10.0	24.0
60–64	12.0 male/15.0 female	25.0
65–69	20.0	20.0
70+	100.0	100.0

- vii. *Marital Status* — Fifty percent of active participants are assumed to have a covered spouse at retirement. The husband is assumed to be the same age as the wife.
- viii. *Mortality* — Life expectancies were based on the Uninsured Pensioners 1994 Mortality Table (UP-94), projected to 2004 using scale AA, and set back one year for males and one year for females.
- ix. *Health Care Cost Trend Rate* — The expected rate of increase in health care insurance claims/premiums were based on blended rates of future inflation for medical and prescription drug benefits. Long-term trends were developed using the Society of Actuaries (SOA) Long-Term Health Care Trends Resource Model. Expected annual claims costs were developed from combined 2007, 2008, and the first 10 months of 2009 HMO/PPO retiree claims and projected to 2009 at 9%.
- x. *Discount Rate* — Based on the expected returns of the District’s short-term investment portfolio, a discount rate of 4.0% was used.
- xi. *Participation* — Ninety percent of all eligible employees, regardless of current participation status in the group medical plan, are assumed to elect coverage at retirement, if not Medicare eligible at the time of retirement.

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

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

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

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

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

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

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

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

Amortization period — 30 years

Amortization method — level dollar, open amortization

Actuarial cost method — projected unit credit

**REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2014**

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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, 2014

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, 2009	\$ -	\$ 160,247,100	\$ 160,247,100	0.00%	\$ 267,208,486	60.00%
November 1, 2011		169,535,800	169,535,800	0.00	250,697,358	61.60
November 1, 2013		188,852,166	188,852,166	0.00	232,032,889	81.00

Note: For the November 1, 2013 valuation, PSERS provided a service report with the original dates of hire to determine retirement eligibility under the PSERS. As a result, 2,783 active records were updated for service worked within PSERS rather than just within the District. This new information created an increase to the actuarial accrued liability.

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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, 2014

	Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
100 Personnel services — salaries	\$ 169,475,299	\$ 169,475,299	\$	\$
200 Personnel services — employee benefits	88,171,200	88,171,199		1
300 Purchased professional and technical services	78,813,052	75,218,651	2,456,795	1,137,606
400 Purchased property services	9,683,078	8,760,338	346,634	576,106
500 Other purchased services	99,276,492	98,583,088	624,054	69,350
600 Supplies	12,570,345	11,597,003	231,879	741,463
700 Property	6,104,015	5,097,119	426,750	580,146
800 Other objects	22,850,743	21,390,742		1,460,001
900 Other financing uses	<u>45,466,634</u>	<u>45,466,634</u>		
 Budgetary basis	 <u>\$ 532,410,858</u>	 <u>\$ 523,760,073</u>	 <u>\$ 4,086,112</u>	 <u>\$ 4,564,673</u>
 Transfer for Special Education budgeted as expenditures		 (63,764,845)		
Transfer for Special Revenue Fund Indirect Costs budgeted as expenditures		 (17,671,715)		
Transfer for Other Governmental Funds, Capital Projects, and Internal Service Fund not budgeted		 (10,848,424)		
Capital Leases not budgeted		<u>6,926,213</u>		
 GAAP expenditures		 <u>\$ 438,401,302</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, 2014

	Debt Service Fund	Special Revenue Funds		Total
		Special Trust Fund	Westinghouse Scholarship	
ASSETS				
Cash	\$ 4,499,001	\$ 93,023	\$ 402,166	\$ 4,994,190
TOTAL ASSETS	<u>\$ 4,499,001</u>	<u>\$ 93,023</u>	<u>\$ 402,166</u>	<u>\$ 4,994,190</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 2,500			\$ 2,500
TOTAL LIABILITIES	<u>\$ 2,500</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,500</u>
FUND BALANCE:				
Restricted for — scholarships	\$	\$	\$ 402,166	\$ 402,166
Assigned to:				
Debt service	4,496,501			4,496,501
Special trust		93,023		93,023
TOTAL FUND BALANCE	<u>\$ 4,496,501</u>	<u>\$ 93,023</u>	<u>\$ 402,166</u>	<u>\$ 4,991,690</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 4,499,001</u>	<u>\$ 93,023</u>	<u>\$ 402,166</u>	<u>\$ 4,994,190</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, 2014

	Debt Service Fund	Special Revenue Funds		Total
		Special Trust Fund	Westinghouse Scholarship	
REVENUES				
Investment income	\$ _____	\$ _____	\$ 41	\$ 41
Total revenues	_____	_____	41	41
EXPENDITURES				
Support Services				
Administration		10,000		10,000
Debt service				
Principal	2,330,000			2,330,000
Interest				
Bond issuance costs	298,341	_____	_____	298,341
Total expenditures	2,628,341	10,000	_____	2,638,341
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,628,341)	(10,000)	41	(2,638,300)
OTHER FINANCING SOURCES AND USES				
Face Value of Refunding Bond Proceeds	36,740,000			36,740,000
Bond Premiums	3,222,496			3,222,496
Payments to Refund Bond and Sale of/or Compensation of Fixed Assets	(42,091,668)			(42,091,668)
Transfers in	4,582,232			4,582,232
Transfers out	(40,847)	_____	_____	(40,847)
Total other financing sources and uses	2,412,213	_____	_____	2,412,213
CHANGES IN FUND BALANCES	(216,128)	(10,000)	41	(226,087)
FUND BALANCES — January 1, 2014	4,712,629	103,023	402,125	5,217,777
FUND BALANCES — December 31, 2014	\$ 4,496,501	\$ 93,023	\$402,166	\$ 4,991,690

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, 2014

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
ASSETS						
CURRENT ASSETS:						
Cash	\$ 4,150,718	\$2,874,734	\$1,882,636	\$30,926	\$11,558,706	\$20,497,720
Investments					8,480,761	8,480,761
Interest receivable	4,395				7,133	11,528
Other receivables	3,514				225,105	228,619
Total current assets	<u>4,158,627</u>	<u>2,874,734</u>	<u>1,882,636</u>	<u>30,926</u>	<u>20,271,705</u>	<u>29,218,628</u>
NONCURRENT ASSETS:						
Restricted cash	1,242,259					1,242,259
Restricted investments	7,312,332					7,312,332
Total noncurrent assets	<u>8,554,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,554,591</u>
TOTAL	<u>\$12,713,218</u>	<u>\$2,874,734</u>	<u>\$1,882,636</u>	<u>\$30,926</u>	<u>\$20,271,705</u>	<u>\$37,773,219</u>
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES:						
Accounts payable	\$ 187,918	\$ 31,388	\$ 23,292	\$ 3,452	\$ 4,516,687	\$ 4,762,737
Accrued salaries	22,085					22,085
Current portion of workers' compensation reserve	2,050,000					2,050,000
Total current liabilities	<u>2,260,003</u>	<u>31,388</u>	<u>23,292</u>	<u>3,452</u>	<u>4,516,687</u>	<u>6,834,822</u>
NONCURRENT LIABILITIES:						
Workers' compensation reserve	6,504,591					6,504,591
Total noncurrent liabilities	<u>6,504,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,504,591</u>
TOTAL	<u>\$ 8,764,594</u>	<u>\$ 31,388</u>	<u>\$ 23,292</u>	<u>\$ 3,452</u>	<u>\$ 4,516,687</u>	<u>\$13,339,413</u>
NET POSITION — Unrestricted	<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>
Total net position	<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>
TOTAL	<u>\$12,713,218</u>	<u>\$2,874,734</u>	<u>\$1,882,636</u>	<u>\$30,926</u>	<u>\$20,271,705</u>	<u>\$37,773,219</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, 2014

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
OPERATING REVENUES — Contributions	\$ 2,529,362	\$ 1,890,108	\$ _____	\$ 22,088	\$ 59,019,224	\$ 63,460,782
Total operating revenues	<u>2,529,362</u>	<u>1,890,108</u>	<u>_____</u>	<u>22,088</u>	<u>59,019,224</u>	<u>63,460,782</u>
OPERATING EXPENSES:						
Support services — administration			497,388			497,388
Support services — central:						
Operation of office — salaries and benefits, supplies, etc.	487,803	13,770	31,891	37,975		571,439
Benefit payments	2,213,993	244,921			58,847,978	61,306,892
Claims and judgments			89,533			89,533
Total operating expenses	<u>2,701,796</u>	<u>258,691</u>	<u>618,812</u>	<u>37,975</u>	<u>58,847,978</u>	<u>62,465,252</u>
OPERATING (LOSS) INCOME	(172,434)	1,631,417	(618,812)	(15,887)	171,246	995,530
NONOPERATING REVENUES — Investment earnings	<u>20,842</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>20,645</u>	<u>41,487</u>
(LOSS) INCOME BEFORE TRANSFERS	(151,592)	1,631,417	(618,812)	(15,887)	191,891	1,037,017
INTRAFUND TRANSFERS IN	<u>200,000</u>	<u>_____</u>	<u>1,000,000</u>	<u>_____</u>	<u>_____</u>	<u>1,200,000</u>
CHANGE IN NET POSITION	48,408	1,631,417	381,188	(15,887)	191,891	2,237,017
NET POSITION — January 1, 2014	<u>3,900,216</u>	<u>1,211,929</u>	<u>1,478,156</u>	<u>43,361</u>	<u>15,563,127</u>	<u>22,196,789</u>
NET POSITION — December 31, 2014	<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>

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

	Workers' Compensation Fund	Unemployment Compensation Fund	General Liability Fund	Central Duplication Services	Self-Insurance Health Care Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Contributions	\$ 2,529,362	\$ 1,890,108	\$	\$ 22,088	\$ 59,019,224	\$ 63,460,782
Payments to suppliers			(496,329)	(3,453)		(499,782)
Payments to claimants	(2,010,686)	(382,688)	(89,533)		(58,124,233)	(60,607,140)
Payments to employees	(478,360)	(13,770)	(31,891)	(37,975)		(561,996)
Net cash (used in) provided by operating activities	<u>40,316</u>	<u>1,493,650</u>	<u>(617,753)</u>	<u>(19,340)</u>	<u>894,991</u>	<u>1,791,864</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES — Transfers to/from other funds						
	<u>200,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>
Net cash provided by noncapital financing activities	<u>200,000</u>		<u>1,000,000</u>			<u>1,200,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	20,752				16,816	37,568
Purchase of investments	(4,664,000)				(6,524,000)	(11,188,000)
Sale of investments	<u>5,446,751</u>				<u>6,516,650</u>	<u>11,963,401</u>
Net cash provided by investing activities	<u>803,503</u>				<u>9,466</u>	<u>812,969</u>
(DECREASE) INCREASE IN CASH	1,043,819	1,493,650	382,247	(19,340)	904,457	3,804,833
CASH — January 1, 2014 (including \$262,758 for the internal service funds included in restricted assets)	<u>4,349,158</u>	<u>1,381,084</u>	<u>1,500,389</u>	<u>50,266</u>	<u>10,654,249</u>	<u>17,935,146</u>
CASH — December 31, 2014 (including \$1,242,259 for the internal service funds included in restricted assets)	<u>\$ 5,392,977</u>	<u>\$ 2,874,734</u>	<u>\$ 1,882,636</u>	<u>\$ 30,926</u>	<u>\$ 11,558,706</u>	<u>\$ 21,739,979</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:						
Operating (loss) income	\$ (172,434)	\$ 1,631,417	\$ (618,812)	\$ (15,887)	\$ 171,246	\$ 995,530
Adjustments to reconcile operating income (loss) to net cash used in operating activities:						
Changes in assets and liabilities:						
Decrease (increase) in other receivables	(3,514)				(4,882)	(8,396)
Decrease in accounts payable	10,071	(137,767)	1,059	(3,453)	728,627	598,537
Decrease in accrued salaries	9,443					9,443
Increase in the workers' compensation reserve	<u>196,750</u>					<u>196,750</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ 40,316</u>	<u>\$ 1,493,650</u>	<u>\$ (617,753)</u>	<u>\$ (19,340)</u>	<u>\$ 894,991</u>	<u>\$ 1,791,864</u>

AGENCY FUNDS

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

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

STUDENT ACTIVITIES FUNDS	Balance at December 31, 2013	Additions	Deductions	Balance at December 31, 2014
ASSETS				
CASH	<u>\$ 767,444</u>	<u>\$ 2,061,386</u>	<u>\$ 2,007,372</u>	<u>\$ 821,458</u>
LIABILITIES				
ACCOUNTS PAYABLE	<u>\$ 767,444</u>	<u>\$ 2,061,386</u>	<u>\$ 2,007,372</u>	<u>\$ 821,458</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>	80–84
Revenue Capacity	
<i>These schedules contain information to help the reader assess the District’s most significant local revenue source — the property tax.</i>	85–90
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>	91–94
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>	95–96
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>	97–106

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2005	2006	2007	2008	2009	2010	2011	2012*	2013	2014
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 33,620,289	\$ 11,510,006	\$ 7,109,093	\$ 24,410,706	\$ 22,263,955	\$ 14,027,441	\$ 77,248,874	\$ 82,888,604	\$ 81,325,299	\$ 93,747,943
RESTRICTED:										
Capital projects	23,190,338	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857	26,741,390	24,257,688	14,308,575	4,397,245
Workers' compensation	14,214,481	12,927,190	10,739,563	9,432,849	9,360,939	8,694,871	7,401,511	8,067,407	8,357,841	8,554,591
Unrestricted	18,813,101	66,838,899	75,027,227	90,939,469	92,143,099	92,711,757	75,411,613	86,622,119	130,122,671	155,492,393
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	\$ 89,838,209	\$ 117,189,860	\$ 124,097,494	\$ 153,680,947	\$ 152,953,778	\$ 163,643,926	\$ 186,803,388	\$ 201,835,818	\$ 234,114,386	\$ 262,192,172
BUSINESS-TYPE ACTIVITIES:										
Investment in capital assets	\$ 11,326,759	\$ 10,638,946	\$ 10,140,217	\$ 9,880,588	\$ 9,632,120	\$ 9,444,693	\$ 9,132,366	\$ 8,938,446	\$ 8,511,569	\$ 8,078,273
Unrestricted	(596,452)	1,609,760	3,195,007	2,494,152	1,891,348	2,476,226	2,509,650	2,526,898	2,065,230	2,483,606
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	\$ 10,730,307	\$ 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
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 44,947,048	\$ 22,148,952	\$ 17,249,309	\$ 34,291,294	\$ 42,066,213	\$ 23,472,134	\$ 86,381,240	\$ 91,827,050	\$ 89,836,868	\$ 101,826,216
RESTRICTED:										
Capital projects	23,190,338	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857	26,741,390	24,257,688	14,308,575	4,397,245
Workers' compensation	14,214,481	12,927,190	10,739,563	9,432,849	9,360,939	8,694,871	7,401,511	8,067,407	8,357,841	8,554,591
Unrestricted	18,216,649	68,448,659	78,222,235	93,433,621	83,864,309	95,187,983	77,921,263	89,149,017	132,187,901	157,975,999
TOTAL PRIMARY GOVERNMENT NET POSITION	\$100,568,516	\$ 129,438,566	\$ 137,432,718	\$ 166,055,687	\$ 164,477,246	\$ 175,564,845	\$ 198,445,404	\$ 213,301,162	\$ 244,691,185	\$ 272,754,051

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXPENSES:										
Governmental activities:										
Instruction	\$ 330,508,280	\$ 343,103,518	\$ 412,481,720	\$ 354,803,355	\$ 359,892,900	\$ 367,624,843	\$ 368,705,063	\$ 380,972,744	\$ 358,810,259	\$ 382,170,153
Instruction student support	48,872,492	50,212,401	18,788,145	72,889,909	76,343,837	77,196,218	75,518,995	70,870,488	68,253,479	63,231,453
Administrative and financial support services	72,955,936	70,317,359	43,726,558	41,744,853	41,894,934	39,632,257	38,128,199	34,942,606	40,144,112	41,313,696
Operation and maintenance of plant services	51,248,711	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
Student transportation services	34,385,680	36,265,693	37,350,251	40,407,143	38,990,860	39,531,164	41,965,337	40,395,225	40,969,897	40,978,967
Facilities	994,733	4,741,647	4,309,043	4,068,041	10,313,503	9,391,546	6,273,147	3,548,719	4,726,749	3,913,433
Student activities	6,213,829	6,517,464	6,577,584	6,234,205	6,287,969	6,065,262	6,090,136	4,863,727	4,796,054	5,070,318
Community services	851,183	1,097,706	960,216	438,186	174,651	393,461	410,847	488,147	453,191	53,681
Scholarships and awards					25,881				64,458	
Food service	134,649	59,506	1,019,772	541,103	9,261	34,672	24,340			
Interest on long-term debt	22,705,775	23,213,046	25,369,995	25,453,453	25,581,149	24,948,700	24,117,689	25,588,548	17,422,337	15,434,255
Total governmental activities	568,871,268	589,821,796	602,048,666	599,232,251	610,069,890	614,920,613	606,784,698	606,009,425	581,153,998	600,861,194
Business-type activities:										
Food service operations	15,051,158	13,754,932	13,480,029	14,717,475	14,997,269	15,202,951	16,182,934	15,786,992	16,468,871	16,807,538
Educational management		169,923	250,860							
Total business-type activities	15,051,158	13,924,855	13,730,889	14,717,475	14,997,269	15,202,951	16,182,934	15,786,992	16,468,871	16,807,538
Total primary government	583,922,426	603,746,651	615,779,555	613,949,726	625,067,159	630,123,564	622,967,632	621,796,417	597,622,869	617,668,732
PROGRAM REVENUES:										
Governmental activities:										
Charges for services — instruction	3,653,179	2,981,589	5,382,047	4,232,887	3,900,934	3,735,342	2,991,286	3,815,824	3,930,445	2,325,206
Operating grants and contributions	58,035,999	107,342,376	93,878,334	94,837,622	93,464,939	100,337,549	106,542,663	77,057,566	101,244,617	84,614,775
Capital grants and contributions					1,145,639					
Total governmental activities program revenues	61,689,178	110,323,965	99,260,381	99,070,509	98,511,512	104,072,891	109,533,949	80,873,390	105,175,062	86,939,981
Business-type activities:										
Charges for services — food sales	4,212,346	4,956,902	4,673,892	3,046,494	2,359,785	2,878,544	2,641,351	2,131,414	1,561,222	1,347,648
Operating grants and contributions	9,402,243	9,852,424	9,918,718	11,638,102	12,212,629	12,651,008	13,234,530	13,183,351	14,018,783	15,444,970
Total business-type activities program revenues	13,614,589	14,809,326	14,592,610	14,684,596	14,572,414	15,529,552	15,875,881	15,314,765	15,580,005	16,792,618
Total primary government program revenues	75,303,767	125,133,291	113,852,991	113,755,105	113,083,926	119,602,443	125,409,830	96,188,155	120,755,067	103,732,599
NET (EXPENSE) REVENUE:										
Governmental activities	(507,182,090)	(479,497,831)	(502,788,285)	(500,161,742)	(511,558,378)	(510,847,722)	(497,250,749)	(525,136,035)	(475,978,936)	(513,921,213)
Business-type activities	(1,436,569)	884,471	861,721	(32,879)	(424,855)	326,601	(307,053)	(472,227)	(888,866)	(14,920)
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$(508,618,659)	\$(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)

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GENERAL REVENUES:										
Taxes:										
Real estate	\$ 184,098,557	\$ 182,844,940	\$ 180,610,786	\$ 201,056,780	\$ 165,639,728	\$ 167,021,527	\$ 169,716,831	\$ 173,301,574	\$ 162,571,466	\$ 166,111,256
Earned income	96,478,095	98,113,842	99,463,263	97,449,958	94,278,868	96,580,035	103,534,131	101,468,207	110,783,535	115,024,230
Others	9,542,162	2,951,903	460,595	625,808	404,485	383,480	371,537	378,740	354,304	350,243
Federal and state grants and subsidies	206,162,647	199,519,748	213,084,958	214,935,445	238,629,300	246,496,380	238,940,940	249,703,582	222,617,705	248,356,557
Investment income	7,405,659	10,331,541	11,482,539	7,856,272	5,051,424	3,309,796	2,993,901	4,036,901	599,483	771,590
Miscellaneous income	11,009,396	8,960,996	4,809,711	6,868,385	6,400,064	7,817,222	4,880,807	13,954,913	11,331,261	11,385,123
Transfers	(21,849)	(619,703)	(215,933)	952,547	427,340	(70,570)	(27,936)	(295,462)	(250)	
Total government activities	<u>514,674,667</u>	<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>
BUSINESS-TYPE ACTIVITIES:										
Investment income	12,940	14,225	12,644	8,941	923	280	214	93	71	
Gain on disposal of assets	14,202		(3,780)	16,000						
Transfers	21,849	619,703	215,933	(952,546)	(427,340)	70,570	27,936	295,462	250	0
Total business-type activities	<u>48,991</u>	<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>514,723,658</u>	<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>
CHANGE IN NET POSITION:										
Governmental activities	7,492,577	22,605,436	6,907,634	29,583,453	(727,169)	10,690,148	23,159,462	17,412,420	32,278,568	28,077,786
Business-type activities	(1,387,578)	1,518,399	1,086,518	(960,484)	(851,272)	397,451	(278,903)	(176,672)	(888,545)	(14,920)
TOTAL PRIMARY GOVERNMENT	<u>\$ 6,104,999</u>	<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>

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GENERAL FUND:										
Reserved	\$ 3,848,109	\$ 3,100,904	\$ 4,171,947	\$ 4,693,507	\$ 3,548,327	\$ 3,492,476	\$ -	\$ -	\$ -	\$ -
Unreserved	62,847,401	71,850,561	69,231,998	67,346,931	67,972,380	69,036,774				
Nonspendable							170,612	269,927	307,261	314,304
Committed							6,933,108	6,553,447	22,196,273	22,924,133
Assigned							22,448,457	10,471,624	18,097,109	27,597,380
Unassigned							52,548,417	71,663,229	73,136,786	78,377,293
Total general fund	66,695,510	74,951,465	73,403,945	72,040,438	71,520,707	72,529,250	82,100,594	88,958,227	113,737,429	129,213,110
CAPITAL PROJECTS:										
Reserved	6,619,973	13,970,759	17,772,085	9,519,459	24,365,531	22,110,291				
Unreserved	3,081,377	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
Committed									850,538	1,870,946
Assigned							663,516	3,402,657	5,466,014	6,132,860
Total capital projects	9,701,350	25,913,765	31,221,611	28,897,923	29,185,785	48,209,857	27,404,906	24,257,688	14,308,575	12,401,051
SPECIAL FUNDS — unreserved	4,454,216	4,449,482	4,213,474	5,084,453	4,852,781	3,621,026				
Total special funds	4,454,216	4,449,482	4,213,474	5,084,453	4,852,781	3,621,026	-	-	-	-
OTHER GOVERNMENTAL FUNDS:										
Reserved			84,532	79,460	5,191	5,191				
Unreserved	419,385	3,244,532	2,175,837	421,273	560,545	446,415				
Restricted							404,737	402,060	402,125	402,166
Assigned							145,819	113,023	4,815,652	4,589,524
Total other governmental funds	419,385	3,244,532	2,260,369	500,733	565,736	451,606	550,556	515,083	5,217,777	4,991,690
TOTAL ALL FUNDS	\$ 81,270,460	\$ 108,559,244	\$ 111,099,399	\$ 106,523,547	\$ 106,125,009	\$ 124,811,739	\$ 110,056,056	\$ 113,730,998	\$ 133,263,781	\$ 146,605,851

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

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES:										
Taxes	\$ 283,070,648	\$ 288,729,045	\$ 285,479,159	\$ 291,178,837	\$ 272,514,477	\$ 265,323,836	\$ 277,216,462	\$ 268,716,062	\$ 276,842,166	\$ 283,619,068
Local nontax revenue	7,935,067	11,930,587	9,992,883	3,298,412	2,630,043	10,833,651	7,677,799	24,914,237	15,729,961	13,710,331
Federal and state grants and subsidies	278,861,216	306,874,124	306,579,696	310,462,249	333,198,409	347,526,827	345,678,755	319,744,518	331,146,993	332,971,291
Investment earnings	5,700,527	8,220,724	9,251,027	4,973,882	2,483,855	976,068	769,117	563,967	599,483	730,103
Total revenues	575,567,458	615,754,480	611,302,765	609,913,380	610,826,784	624,660,382	631,342,133	613,938,784	624,318,603	631,030,793
EXPENDITURES:										
Instruction	296,536,288	303,497,446	308,178,614	337,069,804	338,411,054	345,965,024	350,491,668	349,729,619	337,432,338	356,458,279
Support service instruction	45,543,803	47,216,488	49,249,383	48,260,865	47,036,824	46,800,516	44,839,308	42,377,082	41,429,984	39,574,812
Administration and business	68,613,829	61,203,994	57,744,635	58,659,072	57,567,589	58,467,395	58,442,147	47,219,258	54,887,662	54,071,188
Pupil health	6,050,626	6,284,059	6,775,578	6,319,601	6,288,538	6,714,603	8,898,877	7,808,347	8,984,190	8,428,528
Operation and maintenance	52,381,126	55,163,987	51,272,510	53,350,551	49,934,296	50,099,238	46,627,161	44,503,401	45,728,784	48,876,362
Transportation	34,406,327	36,117,732	37,308,662	40,410,946	38,979,412	39,525,502	41,973,598	40,397,190	40,973,160	40,983,089
Operation of noninstructional services	7,691,820	6,901,707	8,250,935	7,786,860	6,706,366	6,477,685	6,807,541	5,249,755	5,180,752	5,433,551
Facilities — capital outlay	59,887,115	41,983,063	39,676,515	33,785,391	42,189,499	34,934,141	26,465,287	19,379,285	15,612,673	19,774,374
Facilities — noncapital outlay	1,110,144	2,087,916	2,123,683	1,778,179	6,036,703	1,504,316	880,021	(477,942)	(32,332)	(639,763)
Debt service principal and interest:										
Principal	33,654,693	31,438,004	35,012,840	37,088,505	34,845,747	35,458,134	37,065,702	36,762,657	42,497,321	38,472,050
Interest	20,714,751	22,129,727	23,207,737	23,621,598	23,668,629	24,261,943	22,027,296	21,242,131	20,542,129	17,497,178
Charter schools ¹	21,384,458	28,320,639	26,866,103							
Other charges	6,049,776	7,945,318	5,898,269	3,342,782	4,944,404	5,240,846	4,157,522	3,076,852	3,356,152	4,307,056
Total expenditures	654,024,756	650,290,080	651,565,464	651,474,154	656,609,061	655,449,343	648,676,128	617,267,635	616,592,813	633,236,704
EXCESS OF REVENUES OVER/ UNDER EXPENDITURES	(78,457,298)	(34,535,600)	(40,262,699)	(41,560,774)	(45,782,277)	(30,788,961)	(17,333,995)	(3,328,851)	7,725,790	(2,205,911)
OTHER FINANCING SOURCES (USES):										
Issuance of general obligation bonds	41,745,000	53,355,000	40,235,000	29,050,000	42,535,000	49,070,000		5,000,000		9,995,000
Premium on refunding	541,665	245,280			33,460,000	37,635,000	9,995,000	71,130,000		3,222,496
Premium on general obligation bonds	1,581,001	555,983	549,205	389,851	2,094,295	5,287,951	(21,483)	9,944,668		378,833
Issuance of refunding bonds	20,175,000	6,350,000								36,740,000
Issuance of QZAB		5,608,000								
Debt service (payments to refunded bond escrow agent)	(20,471,625)	(6,519,498)			(34,029,604)	(42,498,310)	(9,750,498)	(80,059,491)		(42,091,668)
Other capital leases	696,600		2,400,000	4,954,942			2,173,989	4,509,890	2,324,301	6,926,213
Sale of or compensation for capital assets	164,000	2,849,320	11,732	1,263,651	1,270,639	51,619	634,240	774,188	11,482,942	1,577,107
Transfers in	16,603,119	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
Transfers out	(16,624,968)	(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)
Total other financing sources	44,409,792	61,824,383	42,802,853	36,610,990	45,757,670	49,475,691	2,578,312	7,003,793	11,806,993	15,547,981
NET CHANGE IN FUND BALANCES	\$ (34,047,506)	\$ 27,288,783	\$ 2,540,154	\$ (4,949,784)	\$ (24,607)	\$ 18,686,730	\$ (14,755,683)	\$ 3,674,942	\$ 19,532,783	\$ 13,342,070
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	9.15 %	8.81 %	9.51 %	9.83 %	9.52 %	9.51 %	9.50 %	9.70 %	10.49 %	9.12 %

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
2005	\$ 175,331,875	\$ 8,295,249	\$ 96,478,095	\$ 159,353	\$ 471,433	\$ 280,736,005
2006	173,796,113	9,048,826	98,113,842	66,734	459,540	281,485,055
2007	172,240,306	8,370,480	99,463,263	22,102	426,761	280,522,912
2008	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

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
2005	\$ 176,218,546	\$ 96,478,095	\$ 159,353	\$ 8,295,249	\$ 471,433	\$ 281,622,676
2006	181,040,104	98,113,842	66,734	9,048,826	459,540	288,729,046
2007	176,997,680	99,463,263	22,102	8,370,478	426,761	285,280,284
2008	177,550,700	97,449,958	12,426	8,548,515	380,376	283,941,975
2009 ²	163,984,723	94,278,868	5,392	6,122,673	399,091	264,790,747
2010 ²	161,280,364	96,580,035	4,321	7,055,089	379,159	265,298,968
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

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

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			
2005	\$7,855,080	\$12,203,614	\$20,058,694	\$6,750,063	\$13,308,631	\$14,608,816	0.911	30.01
2006	7,359,655	13,258,151	20,617,806	7,247,496	13,370,310	15,315,361	0.873	30.76
2007	7,365,189	13,809,440	21,174,629	7,696,640	13,477,989	15,581,490	0.865	30.76
2008	7,302,960	13,792,448	21,095,408	7,826,233	13,269,175	15,164,771	0.875	30.76
2009	7,348,092	14,068,732	21,416,824	7,985,191	13,431,633	15,581,941	0.862	30.76
2010	7,359,741	14,049,120	21,408,861	8,115,436	13,293,425	15,553,307	0.854	30.76
2011	7,394,893	14,657,384	22,052,277	8,519,619	13,532,658	15,833,210	0.854	30.76
2012	7,399,525	15,054,547	22,454,072	8,742,618	13,711,454	16,042,401	0.854	31.76
2013	10,408,915	22,610,396	33,019,311	12,714,616	20,304,695	20,304,695	1.000	24.91
2014	10,235,792	20,960,046	31,195,838	12,464,686	18,731,152	18,731,152	1.000	25.10

*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⁾
2005	13.920	10.800	12.000	4.690	29.410	30.610
2006	13.920	10.800	13.500	4.690	29.410	32.110
2007	13.920	10.800	13.500	4.690	29.410	32.110
2008	13.920	10.800	13.500	4.690	29.410	32.110
2009	13.920	10.800	13.500	4.690	29.410	32.110
2010	13.920	10.800	13.500	4.690	29.410	32.110
2011	13.920	10.800	13.500	4.690	29.410	32.110
2012	13.920	10.800	13.500	5.690	30.410	33.110
2013	⁽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

⁽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 2014 AND NINE YEARS AGO

Taxpayer	2014			2005		
	(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	18.87 %	\$ 457,943,000	1	29.22 %
PNC	281,631,500	2	14.28	174,660,000	4	11.14
Holdings Acquisition Co LP	248,136,300	3	12.58			
600 GS Prop LP	233,211,300	4	11.83	160,000,000	5	10.21
Buncher Company	229,613,800	5	11.65	194,923,000	2	12.44
HRLP Fourth Avenue LLC	179,400,000	6	9.10			
Oxford Development	154,000,000	7	7.81	112,000,000	6	7.15
IX Liberty Center Owner LP	123,500,000	8	6.26			
Liberty Avenue Holdings LLC	79,000,000	9	4.01	45,210,000	10	2.88
North Shore Developers	71,209,000	10	3.61			
Market Assoc. Limited				185,000,000	3	11.80
Grant Liberty Dev. Group				111,000,000	7	7.08
Gateway Trizec, Inc.				71,700,000	8	4.57
Harrahs Forest City Assoc.				54,798,000	9	3.50
Total assessed value (in thousands)	<u>\$1,971,705,900</u>			<u>\$1,567,234,000</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
2005	12,999.0	\$ 179,628,170	\$ 169,439,957	94.33	\$ 7,087,859	\$ 176,527,816	98.25
2006	13,126.6	181,746,627	171,703,252	94.47	6,677,405	178,380,657	98.12
2007	12,902.6	179,605,293	171,657,699	95.57	6,520,048	178,177,747	99.15
2008	12,977.5	180,648,220	171,075,386	94.70	6,862,075	177,937,461	98.43
2009	11,784.7	164,044,094	157,206,287	95.83	6,648,664	163,854,951	99.75
2010	11,787.9	164,088,430	155,802,011	94.95	5,890,579	161,692,590	98.32
2011	11,954.5	166,407,623	158,769,241	95.41	5,862,746	164,631,987	98.47
2012	12,217.6	170,069,937	159,318,698	93.68	5,421,293	164,739,991	96.02
2013	16,207.1	156,398,875	152,027,206	97.20	3,216,874	155,244,080	97.20
2014	16,211.6	159,522,560	152,331,919	95.49	-	152,331,919	95.49

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					
2005	\$450,359,416	\$ 570,056	\$450,929,472	3.09	\$ 1,332.01	\$ 1,308.79	0.57
2006	477,915,813	434,933	478,350,746	3.12	1,413.17	1,411.73	0.58
2007	483,261,615	2,690,494	485,952,109	3.12	1,435.46	1,427.52	0.56
2008	474,549,063	6,469,776	481,018,839	3.17	1,420.89	1,401.78	0.55
2009	482,643,574	5,178,368	487,821,942	3.18	1,440.99	1,425.69	0.56
2010	496,589,687	5,817,370	502,407,057	3.26	1,625.48	1,606.53	0.58
2011	458,623,303	6,376,540	464,999,843	2.94	1,504.33	1,483.70	0.53
2012	426,748,532	6,557,544	433,306,076	2.70	1,401.80	1,380.59	0.50
2013	382,896,838	6,373,885	389,270,723	1.88	1,235.34	1,214.72	0.44
2014	344,862,805	8,689,049	353,551,854	1.89	1,143.78	1,115.67	0.41

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

⁽²⁾ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 87 for property value data.

⁽³⁾ See the Schedule of Demographic and Economic Statistics on page 95 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
2005	\$33,654,693	\$20,714,751	\$54,369,444	\$653,328,154	8.32
2006	31,438,004	22,129,727	53,567,731	650,290,080	8.24
2007	35,012,840	23,207,738	58,220,578	651,565,463	8.94
2008	37,088,505	23,621,598	60,710,103	651,474,153	9.33
2009	34,845,747	23,668,629	58,514,376	656,609,061	8.91
2010	34,364,158	24,261,943	58,626,101	655,449,343	8.94
2011	37,065,703	22,027,296	59,092,999	648,676,128	9.11
2012	36,762,657	21,242,131	58,004,788	617,267,635	9.40
2013	42,497,321	20,542,129	63,039,450	616,592,813	10.22
2014	38,472,050	17,497,178	55,969,228	633,236,704	8.84

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

DIRECT AND OVERLAPPING DEBT OF GOVERNMENTAL DEBT AS OF DECEMBER 31, 2014

Jurisdiction	Net Debt Outstanding	Percentage Applicable to School District	Amount Applicable to School District
DIRECT DEBT — School district of Pittsburgh:			
General obligation bonds	\$ 325,931,864	100 %	\$ 324,577,511
Notes	18,932,941	100	20,285,294
Premium and discount	17,938,910	100	17,938,910
Capital leases	<u>8,689,049</u>	100	<u>8,689,049</u>
Total direct debt	<u>371,492,764</u>		<u>371,490,764</u>
OVERLAPPING DEBT:			
Allegheny County ⁽²⁾	\$ 861,736,000	25 %	\$ 215,434,000
City of Pittsburgh:			
City	567,420,000	100	567,420,000
Auditorium authority ⁽¹⁾	728,000	50	364,000
Urban redevelopment authority ⁽³⁾	11,242,000	55	6,183,100
Parking authority	<u>74,781,000</u>	100	<u>74,781,000</u>
Total overlapping debt	<u>1,515,907,000</u>		<u>864,182,100</u>
TOTAL DEBT AND OVERLAPPING DEBT	<u>\$1,887,399,764</u>		<u>\$1,235,672,864</u>

⁽¹⁾ Based on contractual agreements.

⁽²⁾ Percentage of the City population to the county population.

⁽³⁾ Percentage of the City liability per agreement.

Source: City of Pittsburgh, Department of Finance

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 1,058,148,177	\$ 1,074,251,941	\$ 1,093,536,657	\$ 1,112,485,535	\$ 1,133,187,826	\$ 1,140,382,642	\$ 1,141,809,645	\$ 1,155,188,600	\$ 1,160,685,897	\$ 1,166,865,779
Total net debt applicable to limit	<u>442,891,790</u>	<u>470,416,786</u>	<u>475,638,946</u>	<u>467,600,441</u>	<u>474,754,695</u>	<u>487,810,536</u>	<u>458,136,373</u>	<u>424,534,720</u>	<u>389,270,723</u>	<u>371,490,764</u>
Legal debt margin	<u>\$ 615,256,387</u>	<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>
Total net debt applicable to the limit as a percentage to debt limit	<u>41.86 %</u>	<u>43.79 %</u>	<u>43.50 %</u>	<u>42.03 %</u>	<u>41.90 %</u>	<u>42.78 %</u>	<u>40.12 %</u>	<u>36.75 %</u>	<u>33.54 %</u>	<u>30.83 %</u>

Legal Debt Margin Calculation for Fiscal Year 2013

	2011	2012	2013	Total
Total general funds	\$ 527,121,126	\$ 516,788,048	\$ 518,794,476	\$ 1,562,703,650
Less required deduction rental and sinking fund reimbursement	<u>(2,225,365)</u>	<u>(2,678,718)</u>	<u>(1,978,528)</u>	<u>(6,882,611)</u>
Total net general fund revenues	<u>\$ 524,895,761</u>	<u>\$ 514,109,330</u>	<u>\$ 516,815,948</u>	<u>\$ 1,555,821,039</u>
Average of three years				<u>\$ 518,607,013</u>
Multiply by 225% ⁽¹⁾				<u>225 %</u>
Debt limit				\$ 1,166,865,779
Less total net debt applicable to limit				<u>(371,490,764)</u>
Legal debt margin				<u>\$ 795,375,015</u>

⁽¹⁾ Act 177 of 1996 changed the borrowing calculation from 350% to 225% of average annual revenues.

Source: School District of Pittsburgh, Finance Division

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population	Total Personal Income¹	Per Capita Personal Income²	Median Age	School Enrollment³	Unemployment Rate⁴
2005	338,533	\$ 79,441,665	\$ 32,987	35.5	32,529	4.70
2006	338,533	83,167,643	34,685	35.7	30,969	4.90
2007	338,533	87,003,015	36,530	36.0	29,902	5.00
2008	338,533	91,100,723	38,550	39.2	28,436	6.00
2009	338,533	97,006,591	41,206	36.6	27,922	8.00
2010	309,107	99,171,917	42,104	36.6	27,132	8.00
2011	309,107	99,610,767	42,298	35.0	26,652	6.60
2012	309,107	100,655,536	42,688	33.2	26,463	6.70
2013	309,107	112,990,235	47,862	33.2	25,906	6.20
2014	309,107	115,799,024	49,049	33.5	25,504	4.80

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 2014 AND NINE YEARS AGO

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment *	Employees	Rank	Percentage of Total City Employment *
University of Pittsburgh Medical Center	43,000	1	12.72 %	29,534	1	9.22 %
Highmark Health	19,000	2	5.62 %	4,724	13	1.47 %
U.S. Government	18,028	3	5.33	19,777	2	6.17
Commonwealth of Pennsylvania	13,081	4	3.87	13,973	3	4.36
University of Pittsburgh	11,982	5	3.54	10,526	5	3.28
Giant Eagle, Inc.	10,577	6	3.13	8,565	7	2.67
The Bank of New York Mellon	7,600	7	2.25	6,500	10	2.03
Allegheny County	7,150	8	2.11	6,573	9	2.05
Wal-Mart Stores	6,200	9	1.83	9,180	6	2.86
Westinghouse Electric Co.	5,600	10	1.66	3,000	23	0.94
Excelsa Health	4,658	11	1.38	3,365	18	1.05
United States Steel Corp	4,500	12	1.33	4,000	16	1.25
Carnegie Mellon University	4,451	13	1.32	4,329	15	1.35

Sources:

Pittsburgh Business Times 2006 Book of Lists
Pittsburgh Business Times 2014-2015 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

	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010–2011	2011–2012	2012–2013	2013–2014	2014–2015
Elementary school [#]	14,975	15,864	15,363	14,667	12,268	12,081	11,828	11,906	11,815	11,562
Middle school	6,088	4,001	3,825	3,658	5,674	5,555	5,654	5,466	5,439	5,224
Secondary school	9,719	9,247	8,634	7,777	7,617	7,166	7,054	6,912	6,652	6,736
Special education	366	333	443	547	564	524	495	565	619	581
Pre-K/Headstart	<u>1,381</u>	<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>
Total	<u>32,529</u>	<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>

[#] 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 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Number of schools:										
Elementary	53	39	39	39	39	38	38	34	34	34
Junior/middle	18	11	11	11	9	7	7	7	7	7
Senior	11	11	11	12	14	14	11	9	9	10
Special	<u>4</u>	<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>
Total public schools	86	65	65	66	66	63	60	53	53	54
Number of charter schools ⁽¹⁾	<u>21</u>	<u>23</u>	<u>22</u>	<u>24</u>	<u>24</u>	<u>25</u>	<u>25</u>	<u>26</u>	<u>26</u>	<u>32</u>
Total	<u>107</u>	<u>88</u>	<u>87</u>	<u>90</u>	<u>90</u>	<u>88</u>	<u>85</u>	<u>79</u>	<u>79</u>	<u>86</u>
School enrollment:										
Elementary	14,975	15,864	15,363	14,667	12,268	12,081	11,828	11,906	11,815	11,562
Junior/middle	6,088	4,001	3,825	3,658	5,674	5,555	5,654	5,466	5,439	5,224
Senior/special/vocational	9,719	9,247	8,634	7,777	7,617	7,166	7,054	6,912	6,652	6,736
Special	366	333	443	547	564	524	495	565	619	581
Pre-K	<u>1,381</u>	<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>
Total public schools	32,529	30,897	29,902	28,436	27,922	27,132	26,652	26,463	25,906	25,504
Charter schools	<u>2,083</u>	<u>2,087</u>	<u>2,023</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>
Total	<u>34,612</u>	<u>32,984</u>	<u>31,925</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>
Number of public high school graduates	1,963	1,908	1,744	1,818	1,676	1,726	1,553	1,588	1,571	1,511
Number of high school/charter graduates ⁽²⁾	<u>47</u>	<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>
Total number of high school graduates	<u>2,010</u>	<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>

⁽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 % *
2005	\$ 539,768,197	32,529	\$ 16,593	1.46	\$ 583,922,426	\$ 17,951	(0.46)	2,722	12	90.00
2006	554,739,286	30,897	17,954	8.20	603,746,651	19,541	8.86	2,555	12	91.30
2007	553,668,371	29,902	18,516	3.13	615,779,554	20,593	5.39	2,466	12	91.40
2008	555,200,481	28,436	19,525	5.45	613,949,726	21,591	4.84	2,303	12	90.90
2009	549,868,483	27,922	19,693	0.86	625,067,159	22,484	3.60	2,315	12	91.10
2010	561,258,073	27,132	20,686	5.04	630,123,564	23,224	3.74	2,259	12	91.70
2011	564,411,811	26,652	21,177	2.37	622,967,632	23,374	0.64	2,196	12	93.10
2012	544,871,394	26,463	20,590	(2.77)	621,796,417	23,497	0.52	1,901	14	92.20
2013	537,973,022	25,906	20,766	0.86	597,622,869	23,179	(1.35)	1,942	13	92.80
2014	558,132,865	25,504	21,884	5.38	617,668,732	24,219	4.48	1,929	13	94.30

* 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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration:										
Officials, administrators, and managers	70	74	84	87	106	108	93	101	102	113
Legal services	4	3	3	2	2	2	2	2	1	1
Clerical and other nonprofessional	<u>726</u>	<u>691</u>	<u>659</u>	<u>661</u>	<u>652</u>	<u>585</u>	<u>561</u>	<u>562</u>	<u>549</u>	<u>516</u>
Total administration	<u>800</u>	<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>
Instruction:										
Principals	91	73	75	72	73	73	77	62	66	62
Supervisors and assistant principals	57	68	64	50	40	34	25	23	19	29
Teachers	2,722	2,555	2,466	2,303	2,315	2,166	2,196	1,896	1,942	1,929
Librarians	65	56	52	48	45	40	35	24	20	23
Professionals and support staff	<u>738</u>	<u>701</u>	<u>694</u>	<u>651</u>	<u>688</u>	<u>599</u>	<u>522</u>	<u>423</u>	<u>413</u>	<u>385</u>
Total instruction	<u>3,673</u>	<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>
Pupil affairs:										
Directors and coordinators	10	9	8	8	1	1	1	0	-	-
Attendance personnel	66	62	54	53	53	51	47	38	40	40
Guidance and psychological personnel	<u>170</u>	<u>160</u>	<u>154</u>	<u>150</u>	<u>147</u>	<u>138</u>	<u>126</u>	<u>121</u>	<u>121</u>	<u>113</u>
Total pupil affairs	<u>246</u>	<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>
Health services:										
Nurses and health worker	39	35	35	35	37	35	40	39	41	41
Dentist and hygienists	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total health services	<u>42</u>	<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>
Operation and maintenance:										
Supervisors	14	13	13	13	14	13	12	11	11	11
Operation and maintenance	<u>433</u>	<u>406</u>	<u>383</u>	<u>374</u>	<u>375</u>	<u>367</u>	<u>347</u>	<u>338</u>	<u>329</u>	<u>330</u>
Total operation and maintenance	<u>447</u>	<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>
Food service:										
Director	1	1	1	1	1	1	-	1	1	1
Salaried employees	<u>204</u>	<u>184</u>	<u>165</u>	<u>148</u>	<u>159</u>	<u>155</u>	<u>144</u>	<u>126</u>	<u>116</u>	<u>101</u>
Total food service	<u>205</u>	<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>
Total	<u>5,413</u>	<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>

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⁾
2005	\$ 35,500	\$ 54,500	\$ 73,500
2006	35,500	54,500	73,500
2007	36,030	56,615	77,200
2008	36,570	57,935	79,300
2009	37,120	59,260	81,400
2010	37,620	60,260	82,900
2011	38,120	61,260	84,400
2012	38,620	62,260	85,900
2013	39,120	63,260	87,400
2014	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 AND EDUCATIONAL CAPACITY

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instruction and instruction student support:										
Elementary:										
Total schools	53	39	39	39	39	38	38	34	34	34
Total square footage	3,237,113	2,437,759	2,604,660	2,832,147	2,832,147	2,510,350	2,385,823	2,289,330	2,289,330	2,289,330
Enrollment	14,975	15,864	15,363	14,667	12,268	12,081	11,828	11,906	11,815	11,562
Functional capacity ¹	22,957	21,275	19,010	19,541	19,801	19,374	20,727	20,185	20,185	20,713
Educational Capacity ²	25,165	22,362	21,337	22,526	22,849	22,341	21,327	21,327		
Percentage of capacity used	91 %	92 %	89 %	87 %	87 %	87 %	97 %	95 %	59 %	59 %
Middle:										
Total schools	18	11	11	11	9	7	7	7	7	7
Total square footage	2,159,190	1,361,692	997,758	758,565	557,300	868,508	868,508	768,525	768,525	768,525
Enrollment	6,088	4,001	3,825	3,658	5,674	5,555	5,654	5,466	5,439	5,224
Functional capacity ¹	9,943	5,120	4,772	4,866	3,783	3,333	3,924	3,992	3,992	3,992
Percentage of capacity used	92 %	94 %	91 %	87 %	88 %	88 %	103 %	105 %	136 %	131 %
Secondary:										
Total schools	11	11	11	12	14	14	11	9	10	11
Total square footage	3,066,060	3,066,060	2,835,475	2,928,974	3,092,014	2,868,961	2,868,961	2,244,716	2,244,706	2,244,706
Enrollment	9,719	9,247	8,634	7,777	7,617	7,166	7,054	6,912	6,652	6,736
Functional capacity ¹	12,032	12,460	12,032	12,391	13,765	13,934	15,017	11,536	11,536	12,227
Percentage of capacity used	91 %	98 %	91 %	87 %	86 %	86 %	95 %	73 %	58 %	55 %
Special:										
Total schools	4	4	4	4	4	4	4	3	3	5
Total square footage	211,722	211,722	211,722	313,960	313,960	400,499	400,499	436,754	436,754	436,754
Enrollment	366	333	443	547	564	524	495	565	619	581
Functional capacity ¹	668	668	668	576	576	576	518	746	746	746
Percentage of capacity used	50 %	50 %	50 %	43 %	43 %	43 %	39 %	56 %	83 %	78 %
Pre-K and headstart:										
Enrollment	1,381	1,452	1,637	1,787	1,799	1,806	1,621	1,614	1,381	1,401
Functional capacity ¹	N/A	796	740	940	940	940	1,085	914	914	914
Percentage of capacity used	N/A	91 %	85 %	93 %	93 %	93 %	107 %	90 %	151 %	153 %
Administrative and financial support service:										
Total buildings	2	2	2	3	3	2	2	1	1	1
Total square footage	129,345	129,345	129,345	390,600	390,600	156,678	156,778	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	90	69	69	70	71	67	64	56	57	60
Total square footage	8,961,230	7,364,378	6,936,760	7,120,791	7,343,821	6,962,796	6,838,369	6,007,215	6,007,215	6,007,215
Enrollment	32,529	30,897	29,902	28,436	27,922	27,132	26,652	26,463	25,906	25,504
Functional capacity ¹	45,600	40,319	37,222	38,314	38,865	38,157	41,271	37,373	37,373	38,052
Educational Capacity ²	50,491	43,622	41,971	44,720	42,426	44,691	43,246	43,246		
Percentage of capacity used	64 %	71 %	71 %	64 %	61 %	61 %	62 %	61 %	69 %	67 %

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.

²Educational Capacity is based on the premise that all standard and classroom spaces can be used to the fullest with 23 students per classroom including special education rooms and other classroom spaces that are eligible for use as homerooms. 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.

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
101	ARLINGTON ELEMENTARY SCHOOL	82.87 %	88.19 %	88.21 %	88.02 %	86.56 %	86.12 %	86.13 %	79.17 %	82.81 %	79.64 %
102	ALLEGHENY TRADITIONAL ELEMENTARY	71.94	77.17	77.36	78.41	80.90	82.95	83.81	84.12	86.51	79.93
103	BANKSVILLE ELEMENTARY SCHOOL	38.86	46.25	50.00	60.98	62.10	54.09	51.33	59.65	89.35	57.20
105	BEECHWOOD ELEMENTARY SCHOOL	57.00	61.44	63.64	70.41	74.93	67.13	69.61	66.21	68.77	71.01
108	**ARSENAL ELEMENTARY SCHOOL		85.94	77.57	88.35	83.90	85.65	81.70	78.07	75.39	81.49
109	*BON AIR ELEMENTARY SCHOOL	71.28									
110	BROOKLINE ELEMENTARY SCHOOL	50.53	53.26	58.38	61.35	59.34	59.60	60.34	63.09	67.85	65.50
111	*BURGWIN ELEMENTARY SCHOOL	92.16									
112	CARMALT ACAD. OF SCIENCE AND TECHNOLOGY	66.50	68.06	69.49	68.27	68.72	65.35	68.69	73.69	75.63	70.81
114	*CHATHAM ELEMENTARY SCHOOL	93.44									
116	COLFAX ELEMENTARY SCHOOL	37.06	38.22	34.88	34.54	34.01	30.70	32.49	35.44	43.76	36.75
117	*CLAYTON ELEMENTARY SCHOOL	90.10									
118	CONCORD ELEMENTARY SCHOOL	57.33	56.77	60.90	67.82	63.99	61.31	65.57	73.67	84.23	70.16
121	*CRESCENT ELEMENTARY SCHOOL	92.69									
121	**HELEN S. FAISON INTERMEDIATE SCHOOL		88.20	86.54	87.35	90.56	86.06				
123	*MCCLEARY ELEMENTARY SCHOOL	97.37									
131	#FORT PITT ELEMENTARY SCHOOL	98.46	95.19	97.20	96.96	93.36	89.25	85.80			
133	*FRIENDSHIP ELEMENTARY SCHOOL	89.91									
134	FULTON ACA OF GEO & LIFE SCIENCES	82.35	82.37	84.06	87.66	89.97	87.13	85.67	77.38	82.89	76.50
136	GRANDVIEW ELEMENTARY SCHOOL	79.84	83.01	85.37	89.84	90.44	88.76	86.15	75.29	80.51	72.67
137	GREENFIELD ELEMENTARY SCHOOL	59.12	65.14	66.50	70.90	70.62	59.54	66.95	70.62	69.21	62.64
141	HOMEWOOD MONTESSORI ELEM. SCHOOL	52.07	54.41	54.55	54.95	53.85	53.26	58.36	59.60	63.16	54.14
142	HELEN S. FAISON PRIMARY SCHOOL	88.04	86.98	90.57	93.28	87.61	84.73	81.87	78.24	86.15	82.06
143	*KNOXVILLE ELEMENTARY SCHOOL	98.62									
140	##LANGLEY K-8								84.94	87.45	78.70
145	*LEMINGTON ELEMENTARY SCHOOL	93.85									
145	**LINCOLN INTERMEDIATE SCHOOL		88.07	85.90	89.90	91.71	89.25				
147	LIBERTY ELEMENTARY SCHOOL	43.22	41.78	46.08	46.23	52.71	52.23	61.19	69.60	69.70	69.37
148	LINCOLN ELEMENTARY SCHOOL	92.11	89.58	85.84	94.68	93.16	90.19	83.48	82.13	88.98	75.48
149	LINDEN ELEMENTARY SCHOOL	37.28	37.40	35.81	40.58	44.89	48.09	54.83	61.38	70.60	66.58

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
150	*MADISON ELEMENTARY SCHOOL	87.10 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
151	MANCHESTER ELEMENTARY SCHOOL	91.32	94.17	89.86	90.39	87.15	84.77	84.53	81.71	88.93	82.94
152	*MANN ELEMENTARY SCHOOL	93.09									
153	MIFFLIN ELEMENTARY SCHOOL	41.34	55.68	56.36	54.20	60.25	60.44	63.17	66.07	72.29	65.51
154	MILLER ELEMENTARY SCHOOL	85.47	91.64	87.01	89.49	92.13	93.25	87.65	81.92	88.38	84.88
155	MINADEO ELEMENTARY SCHOOL	36.47	51.53	57.29	58.48	54.93	50.18	55.94	61.77	70.22	67.08
156	*MORNINGSIDE ELEMENTARY SCHOOL	79.80									
157	MORROW ELEMENTARY SCHOOL	74.59	76.71	77.59	84.03	85.53	85.42	80.16	73.49	83.31	76.58
160	#MURRAY ELEMENTARY SCHOOL	92.59	94.48	96.14	94.59	89.78	88.03	79.04			
161	DILWORTH TRADITIONAL ACADEMY	71.66	75.14	75.43	74.85	73.61	74.69	73.49	75.45	75.11	73.48
164	#NORTHVIEW ELEMENTARY ACADEMY	91.58	97.72	95.21	98.21	95.10	87.94	86.80			
168	PHILLIPS ELEMENTARY SCHOOL	63.10	64.16	67.12	66.55	68.23	59.32	63.69	63.39	66.11	60.73
170	*PROSPECT ELEMENTARY SCHOOL	83.72									
172	ROOSEVELT ELEMENTARY SCHOOL (NEW)	66.76	67.14	69.82	75.72	77.03	77.14	75.38	70.65	77.08	71.99
174	#SCHAEFFER ELEMENTARY SCHOOL (PRIMARY)	63.83	79.71	90.50	92.55	88.52	81.59	80.49			
176	*SHERADEN ELEMENTARY SCHOOL	89.47									
176	***SCHAEFFER INTERMEDIATE SCHOOL		88.05	92.19	91.05	91.72	92.22	85.93			
178	SPRING HILL ELEMENTARY SCHOOL	87.60	89.53	87.77	88.97	89.31	89.10	81.40	80.95	84.46	75.34
180	#STEVENS ELEMENTARY SCHOOL	92.18	91.25	86.45	92.40	87.42	81.36	76.16			
181	SUNNYSIDE ELEMENTARY SCHOOL	71.13	80.48	76.38	82.27	81.38	79.12	80.27	77.36	84.55	79.71
183	++VANN ELEMENTARY SCHOOL	96.32	93.36	87.01	89.92	92.53					
184	WEIL TECHNOLOGY INSTITUTE	91.37	85.75	86.28	86.97	89.02	93.21	87.83	85.78	85.00	79.69
185	WEST LIBERTY ELEMENTARY SCHOOL	44.88	44.53	44.24	48.97	48.56	49.81	62.67	62.62	63.57	54.98
186	WESTWOOD ELEMENTARY SCHOOL	67.53	66.40	66.88	73.26	71.55	76.00	77.00	77.97	82.75	75.62
187	WHITTIER ELEMENTARY SCHOOL	61.19	77.46	77.13	81.68	82.67	75.63	68.67	60.25	68.63	55.56
189	WOOLSLAIR ELEMENTARY	91.25	92.16	89.05	88.70	86.55	82.47	79.63	80.12	90.18	80.53
192	*EAST HILLS ELEMENTARY SCHOOL	80.42									
195	M L KING ELEMENTARY SCHOOL	95.41	89.31	88.47	88.39	88.99	89.69	83.63	76.54	87.94	79.89
	TOTAL ELEMENTARY SCHOOLS	72.75 %	73.82 %	73.29 %	75.44 %	74.65 %	72.11 %	71.51 %	71.25 %	76.76 %	70.67 %

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
204	ALLEGHENY TRADITIONAL MIDDLE SCHOOL	79.62 %	79.87 %	81.85 %	80.00 %	80.07 %	83.38 %	81.37 %	84.18 %	87.70 %	83.73 %
205	SOUTH HILLS MIDDLE SCHOOL	54.60	65.33	70.64	73.53	75.05	72.25	72.34	76.32	80.38	79.00
208	*COLUMBUS MIDDLE SCHOOL	90.81									
210	++ARTHUR J. ROONEY MIDDLE SCHOOL	79.78	89.52	92.49	87.38	83.13					
211	*MILLIONES MIDDLE SCHOOL	95.21									
212	*KNOXVILLE MIDDLE SCHOOL	97.22									
215	PITTSBURGH CLASSICAL ACADEMY MIDDLE SCHOOL	62.28	61.24	62.57	63.49	72.67	78.72	79.70	76.64	72.87	72..81
221	*PROSPECT MIDDLE SCHOOL	84.65									
232	FRICK INTERNATIONAL STUDIES	52.51	55.60	60.53	61.96		59.56	66.75	73.51	74.70	73.41
234	**STUDENT ACHIEVEMENT MIDDLE CENTER		79.10	88.14	83.33		96.15	80.00	84.21	97.44	
250	SOUTH BROOK MIDDLE SCHOOL	53.58	52.82	59.95	62.65	60.05	62.91	67.51	68.60	72.75	72.89
272	ROGERS CAPA MIDDLE SCHOOL	43.42	38.49	40.45	68.04	36.31	34.23	32.74	35.09	34.01	36.07
275	SCHILLER CLASSICAL ACADEMY	75.32	75.41	78.35	81.74	86.05	85.83	87.45	89.91	90.32	86.67
279	STERRETT CLAS. AC. MIDDLE SCHOOL	47.97	52.02	46.55	62.50	63.13	69.54	68.83	76.03	76.57	78.11
290	*WASHINGTON POLYTECHNIC ACADEMY	83.86									
297	*REIZENSTEIN MIDDLE SCHOOL	86.76									
298	ARSENAL MIDDLE SCHOOL	90.99	90.20	94.16	94.24	90.49	83.47	86.05	88.46	91.85	90.43
299	*GREENWAY MIDDLE SCHOOL	85.59									
	TOTAL MIDDLE SCHOOLS	72.28 %	65.97 %	68.38 %	72.19 %	74.49 %	70.66 %	70.31 %	72.98 %	74.20 %	72.63 %
301	ALLDERDICE HIGH SCHOOL	0.29	0.32	0.33	0.39	0.42	0.40	0.47	0.52	52.00	53.09
304	PGH HS CRT/PRFM ARTS	24.48	24.86	25.85	26.81	30.77	30.39	33.76	36.93	37.87	38.62
305	CARRICK HIGH SCHOOL	59.46	60.00	62.54	72.30	74.45	73.58	72.59	77.79	78.76	78.84
306	+ SCIENCE AND TECHNOLOGY ACADEMY					67.77	64.85	62.41	62.00	63.10	64.64
309	***PITTSBURGH UNIVERSITY PREP					80.71	74.53	80.14	81.77	86.84	86.64
312	^BARACK OBAMA IB 9-12						47.86	52.76	56.33	63.06	64.20
313	#LANGLEY HIGH SCHOOL	60.00	67.57	68.47	79.67	79.17	75.89	72.58			
317	#OLIVER HIGH SCHOOL	73.88	77.06	73.30	77.07	79.27	75.98	74.43			
318	PEABODY HIGH SCHOOL	68.65	72.28	69.78	75.92	78.79	73.14				
319	PERRY TRAD. AC. HIGH SCHOOL	50.81	55.74	59.69	65.35	67.20	69.30	80.50	86.05	88.35	85.20
322	SCHENLEY HIGH SCHOOL	49.88	49.35	53.42	54.33	55.80	54.65				
327	WESTINGHOUSE HIGH SCHOOL	72.92	77.28	80.97	89.69	84.39	82.39		78.28	84.43	81.47
329	BRASHEAR HIGH SCHOOL	48.08	49.23	51.09	58.83	60.40	59.59	63.00	67.69	76.70	75.14
332	**STUDENT ACHIEVEMENT CENTER		67.91	63.26	73.47	81.22	77.18	74.71	79.27	86.99	90.85
332	*LETSCHKE EDUCATION CENTER	63.72									
	TOTAL HIGH SCHOOLS	51.68 %	53.28 %	54.44 %	60.56 %	61.81 %	60.07 %	64.08 %	66.86 %	69.75 %	69.59 %

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

FREE AND REDUCED LUNCH PERCENTAGES LAST TEN FISCAL YEARS

School Code	School Name	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
335	**CLAYTON ACADEMY (CEP)	- %	- %	81.57 %	82.30 %	90.19 %	90.97 %	81.43 %	85.06 %	93.30 %	96.69 %
336	^ BRIDGES TO SUCCESS AT CLAYTON						63.64	75.44			
419	CONROY TMR CTR	0.87	0.85	87.65	84.30	81.41	77.56	75.80	76.87	83.03	80.25
446	MERCY BEHAVIORAL HEALTH	47.62	52.94	65.38	85.71	85.71	77.78	75.00	72.73	100.00	88.89
463	MCNAUGHER SPEC. ED. CTR./OLIVER CITYWIDE ACADEMY	88.04	86.36	83.96	94.44	84.00	75.76	74.51	87.80	90.21	88.00
337	***PITTSBURGH ONLINE ACADEMY								59.42	64.22	69.18
469	PIONEER CENTER	58.33	49.28	50.70	57.75	62.50	58.44	66.20	68.49	70.83	66.67
TOTAL SPECIAL SCHOOLS		79.44 %	76.32 %	79.21 %	81.94 %	82.66 %	76.22 %	76.18 %	78.16 %	83.75 %	81.72 %
TOTAL DISTRICT FREE/REDUCED PERCENTAGE		66.26 %	66.40 %	67.06 %	70.87 %	70.79 %	70.79 %	69.21 %	70.32 %	74.63 %	70.89 %

* 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, 2014

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Refunding Series 2002	2/5/2002	\$ 51,505,000	\$ 3,270,000	\$1,895,000 in 2015 \$1,375,000 in 2016	5.38 % 5.38	\$ 175,763	\$ 1,895,000
General Obligation Bonds, Refunding Series 2002A	6/1/2002	78,830,000	41,670,000	\$11,990,000 in 2015 \$11,030,000 in 2016 \$11,245,000 in 2017 \$7,405,000 in 2018	4.25 5.50 5.50 5.50	2,286,950	11,990,000
General Obligation Bonds, Refunding Series A of 2005	12/21/2004	20,175,000	4,110,000	\$2,360,000 in 2015 \$790,000 in 2016 \$815,000 in 2017 \$145,000 in 2018	3.50 3.80 3.90 4.00	150,205	2,360,000
General Obligation Bonds, Series B of 2006	11/30/2006	53,335,000	10,180,000	\$2,410,000 in 2015 \$2,125,000 in 2016 \$2,230,000 in 2017 \$0 in 2018 \$0 in 2019 \$0 in 2020 \$0 in 2021 \$0 in 2022 \$0 in 2023 \$0 in 2024 \$0 in 2025 \$3,415,000 in 2026	5.00 5.00 4.00 4.38	465,356	2,410,000

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2014**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, Series of 2007	11/27/2007	\$40,235,000	\$ 27,930,000	\$1,715,000 in 2015	5.00 %	\$ 1,215,208	\$ 1,715,000
				\$1,805,000 in 2016	5.00		
				\$1,895,000 in 2017	5.00		
				\$1,990,000 in 2018	5.00		
				\$2,085,000 in 2019	4.00		
				\$2,170,000 in 2020	4.00		
				\$2,255,000 in 2021	4.00		
				\$2,345,000 in 2022	4.10		
				\$2,445,000 in 2023	4.13		
				\$2,545,000 in 2024	4.13		
				\$2,650,000 in 2025	4.20		
				\$2,760,000 in 2026	4.25		
				\$1,270,000 in 2027	4.25		
General Obligation Bonds, Refunding Series A of 2009	10/27/2009	28,570,000	14,485,000	\$2,840,000 in 2015	4.00	611,350	2,840,000
				\$2,955,000 in 2016	4.00		
				\$3,070,000 in 2017	4.00		
				\$3,195,000 in 2018	5.00		
				\$2,425,000 in 2019	4.00		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2014

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds Refunding Series A of 2010	11/18/2010	\$30,975,000	\$ 30,740,000	\$3,380,000 in 2015	4.00 %	\$ 1,463,550	\$ 3,380,000
				\$3,455,000 in 2016	5.00		
				\$3,575,000 in 2017	5.00		
				\$3,965,000 in 2018	4.00		
				\$3,890,000 in 2019	5.00		
				\$4,080,000 in 2020	5.00		
				\$4,360,000 in 2021	5.00		
\$4,035,000 in 2022	5.00						
General Obligation Bonds Refunding Series B of 2010	11/18/2010	6,660,000	6,640,000	\$1,575,000 in 2015	5.00	332,000	1,575,000
				\$1,635,000 in 2016	5.00		
				\$1,690,000 in 2017	5.00		
				\$1,740,000 in 2018	5.00		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2014

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds Series C of 2010	11/18/2010	\$ 6,000,000	\$ 5,185,000	\$260,000 in 2015	2.00 %	\$ 171,474	\$ 260,000
				\$265,000 in 2016	2.00		
				\$270,000 in 2017	2.30		
				\$275,000 in 2018	2.50		
				\$285,000 in 2019	2.70		
				\$290,000 in 2020	3.00		
				\$300,000 in 2021	3.10		
				\$310,000 in 2022	3.25		
				\$320,000 in 2023	3.63		
				\$330,000 in 2024	3.63		
				\$345,000 in 2025	3.63		
				\$360,000 in 2026	3.63		
				\$370,000 in 2027	4.00		
				\$385,000 in 2028	4.00		
\$400,000 in 2029	4.00						
\$420,000 in 2030	4.00						
General Obligation Bonds Refunding Series of 2011	10/31/2011	9,995,000	9,475,000	\$0 in 2015	2.00	259,703	
				\$5,000 in 2016	1.50		
				\$135,000 in 2017	1.70		
				\$140,000 in 2018	2.05		
				\$140,000 in 2019	2.25		
				\$765,000 in 2020	2.50		
				\$2,725,000 in 2021	2.65		
				\$2,790,000 in 2022	2.75		
				\$2,775,000 in 2023	3.00		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2014

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds Refunding Series A of 2012	4/10/2012	\$ 71,130,000	\$ 60,880,000	\$1,915,000 in 2015	3.00 %	\$ 2,626,050	\$ 1,915,000
				\$4,555,000 in 2016	5.00		
				\$4,785,000 in 2017	4.00		
				\$7,985,000 in 2018	4.00		
				\$14,095,000 in 2019	4.00		
				\$11,100,000 in 2020	4.00		
				\$7,145,000 in 2021	5.00		
				\$2,975,000 in 2022	5.00		
				\$3,130,000 in 2023	5.00		
				\$3,195,000 in 2024	5.00		
General Obligation Bonds Series of B 2012	4/10/2012	5,000,000	4,140,000	\$445,000 in 2015	3.00	165,800	445,000
				\$465,000 in 2016	5.00		
				\$485,000 in 2017	4.00		
				\$505,000 in 2018	4.00		
				\$525,000 in 2019	4.00		
				\$550,000 in 2020	4.00		
				\$570,000 in 2021	4.00		
				\$595,000 in 2022	4.00		

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

**SCHEDULE OF BONDS AND NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2014**

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds Refunding Series A of 2014	7/10/2014	\$ 10,070,000	\$ 10,070,000	\$1,720,000 in 2015 \$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	1.00 % 0.00 0.00 0.00 0.00 0.00 0.00 5.00 5.00 5.00 5.00	\$ 455,228	\$ 1,720,000
General Obligation Bonds Refunding Series B of 2014	7/10/2014	\$ 26,670,000	\$ 26,670,000	\$655,000 in 2015 \$5,000 in 2016 \$5,000 in 2017 \$2,775,000 in 2018 \$2,885,000 in 2019 \$3,005,000 in 2020 \$3,120,000 in 2021 \$3,355,000 in 2022 \$3,520,000 in 2023 \$3,620,000 in 2024 \$3,725,000 in 2025	1.00 2.00 2.00 4.00 4.00 4.00 5.00 5.00 2.75 3.00 3.00	1,041,201	655,000

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SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2014

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds Series of C 2014	11/6/2014	\$ 9,995,000	\$ 9,995,000	\$440,000 in 2015 \$345,000 in 2016 \$360,000 in 2017 \$375,000 in 2018 \$390,000 in 2019 \$410,000 in 2020 \$430,000 in 2021 \$450,000 in 2022 \$475,000 in 2023 \$490,000 in 2024 \$505,000 in 2025 \$520,000 in 2026 \$535,000 in 2027 \$550,000 in 2028 \$570,000 in 2029 \$585,000 in 2030 \$610,000 in 2031 \$630,000 in 2032 \$650,000 in 2033 \$675,000 in 2034	2.00 % 3.00 4.00 5.00 5.00 5.00 5.00 5.00 3.00 3.00 3.00 3.00 3.15 3.20 3.30 3.45 3.60 3.60 3.60	\$ 261,289	\$ 440,000
Total General Obligation Bonds payable			<u>\$ 265,440,000</u>			<u>\$ 11,681,127</u>	<u>\$ 33,600,000</u>

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2014

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
Taxable General Obligation Bonds							
Qualified Zone Academy Bonds, Series of 2001	12/28/2001	\$10,952,000	\$ 597,295	\$597,295 in 2015	- %	\$ -	\$ 597,295
Qualified Zone Academy Bonds, Series of 2006	11/21/2006	5,608,000	2,957,569	\$352,207 in 2015 \$357,067 in 2016 \$361,995 in 2017 \$366,990 in 2018 \$372,055 in 2019 \$377,189 in 2020 \$382,394 in 2021 \$387,671 in 2022	1.38 1.38 1.38 1.38 1.38 1.38 1.38 1.38	40,814	352,207
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, 2014

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
Qualified School Construction Bonds, Series D of 2010	12/7/2010	\$19,520,000	\$ 14,400,000	\$960,000 in 2015 \$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 6.85	\$ 1,227,520	\$ 960,000
Total Taxable General Obligation Bonds			<u>\$ 60,489,864</u>			<u>\$ 3,673,426</u>	<u>\$ 1,909,502</u>

(Continued)

SCHOOL DISTRICT OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE YEAR ENDED DECEMBER 31, 2014

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Notes							
Qualified School Construction Bonds, Series A of 2010 (SPSBA)	12/14/2010	\$ 9,578,000	\$ 7,698,353	\$549,882 in 2015 \$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 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, 2014

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest Remaining	2015 Maximum Debt Service Requirements	
						Interest	Principal
Qualified Zone Academy Bonds, Series B of 2010 (SPSBA)	12/14/2010	\$13,972,000	\$ 11,234,588	\$802,471 in 2015	6.50 %	\$ 907,481	\$ 802,471
				\$802,471 in 2016	6.50		
				\$802,471 in 2017	6.50		
				\$802,471 in 2018	6.50		
				\$802,471 in 2019	6.50		
				\$802,471 in 2020	6.50		
				\$802,471 in 2021	6.50		
				\$802,471 in 2022	6.50		
				\$802,471 in 2023	6.50		
				\$802,471 in 2024	6.50		
				\$802,471 in 2025	6.50		
				\$802,471 in 2026	6.50		
				\$802,471 in 2027	6.50		
\$802,471 in 2028	6.50						
Total General Obligation Notes			<u>\$ 18,932,941</u>			<u>\$ 1,529,573</u>	<u>\$ 1,352,353</u>
Total General Obligation Bonds Payable			\$265,440,000			\$11,681,127	\$33,600,000
Total Taxable General Obligation Bonds			60,489,864			3,673,426	1,909,502
Total General Obligation Notes			<u>18,932,941</u>			<u>1,529,573</u>	<u>1,352,353</u>
Total outstanding			<u>\$344,862,805</u>			<u>\$16,884,126</u>	<u>\$36,861,855</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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 25, 2015.

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 25, 2015



Pittsburgh
Public Schools

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