



NEW ISSUE—BOOK-ENTRY ONLY

Enhanced Bond Rating (Based on PA School District

Fiscal Agent Agreement Intercept Program):

Moody's: A2 (stable outlook)

Insured Rating: S&P: AA (stable outlook)

See "RATINGS" and "MUNICIPAL BOND INSURANCE" herein

In the opinion of Bond Counsel, under existing law, interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Under existing law, the 2020 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2020 Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax. The opinion of Bond Counsel is subject to continuing compliance by the School District with certain tax covenants to satisfy certain provisions of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" herein.

\$101,780,000
PENN HILLS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)
General Obligation Bonds, Series of 2020

Dated: Date of Delivery

Principal Due: as shown on inside cover

Interest Due: April 1 and October 1

First Interest Payment: April 1, 2020

The Penn Hills School District (the "School District" or "District") will issue its General Obligation Bonds, Series of 2020 in the aggregate principal amount of \$101,780,000 (the "Bonds" or "2020 Bonds") as fully registered bonds. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. (See "BOOK-ENTRY ONLY SYSTEM" herein). If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to The Bank of New York Mellon Trust Company, N. A. ("Paying Agent"), acting as paying agent and sinking fund depository, at its designated corporate trust office in Pittsburgh, Pennsylvania. Interest on the Bonds is payable initially on April 1, 2020, and thereafter, semiannually on October 1 and April 1 of each year, until the principal sum thereof is paid. Payment of interest on the Bonds will be made by check drawn on the Paying Agent mailed to the registered owners of the Bonds as of the Record Date (see "THE BONDS" herein).

The Bonds are subject to redemption prior to maturity. (see "THE BONDS – Optional Redemption, – Mandatory Redemption" herein)

The Bonds are general obligations of the School District, payable from local taxes, state subsidy and other general revenues. The School District has covenanted in the Resolution authorizing the Bonds adopted by the Board of the School District on November 25, 2019 (the "Resolution") that it will budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its legally available revenues or funds, the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and available taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable real property within the School District, to the extent available by law. (See "SECURITY FOR THE BONDS – Commonwealth Aid to School Districts" herein). As additional security for the Bonds, a State Appropriation Intercept Agreement (the "Intercept Agreement") will be executed and delivered by and between the School District, the Pennsylvania Department of Education (the "Department" or "PDE"), the Treasurer of the Commonwealth of Pennsylvania (the "State Treasurer") and the Paying Agent, whereby the State Treasurer will withhold from the Commonwealth appropriations due to the School District on the last Thursday of the months of February and August of each fiscal year the amounts due on April 1 and October 1 of each year on the Bonds and to make payments of such amounts directly to the Paying Agent to provide for the payment of debt service on the Bonds.

The proceeds of the Bonds will be used to: (1) refund, on a current refunding basis, all of the District's General Obligation Bonds, Series B of 2009 (Federally Taxable Direct Payment Build America Bonds); (2) refund, on a current refunding basis, all of the District's General Obligation Notes, Series of 2013; and (3) pay the costs associated with issuing and insuring the Bonds. (See "PURPOSE OF THE BONDS" herein.)

The Bonds are authorized investments for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

An investment in the Bonds involves risk. Prospective investors should read the entire Official Statement, and, in particular, the sections entitled "SECURITY FOR THE BONDS" and "INVESTMENT CONSIDERATIONS" before deciding to purchase the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM").



MATURITIES, AMOUNTS, RATES AND YIELDS/PRICES
(See Inside Cover)

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of the Law Offices of Wayne D. Gerhold, Pittsburgh, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the School District by its counsel, Bruce E. Dice & Associates, P.C., Pittsburgh, Pennsylvania. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about February 13, 2020.

BOENNING & SCATTERGOOD
ESTABLISHED 1914

\$101,780,000
PENN HILLS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)
General Obligation Bonds, Series of 2020

Dated: Date of Delivery
Interest Due: April 1 and October 1

Principal Due: as shown below
First Interest Payment: April 1, 2020

MATURITY SCHEDULE

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP⁽¹⁾ 707487
2020	\$ 5,000	2.000%	1.130%	100.546%	JN5
2021	5,000	2.000	1.140	101.387	JP0
2022	1,725,000	3.000	1.150	104.784	JQ8
2023	1,790,000	4.000	1.180	109.999	JR6
2024	1,855,000	4.000	1.230	112.437	JS4
2025	4,615,000	5.000	1.280	120.154	JT2
2026	4,845,000	5.000	1.380	122.869	JU9
2027	5,085,000	5.000	1.470.	125.398	JV7
2028	5,085,000	5.000	1.550	127.775	JW5
2029	5,315,000	5.000	1.650	129.722	JX3
2030	5,530,000	3.000	2.130 ⁽²⁾	107.539	JY1
2031	5,680,000	3.000	2.230 ⁽²⁾	106.640	JZ8
2032	5,845,000	3.000	2.330 ⁽²⁾	105.749	KA1
2033	6,015,000	3.000	2.380 ⁽²⁾	105.307	KB9
2034	6,190,000	3.000	2.450 ⁽²⁾	104.692	KC7
2035	6,365,000	3.000	2.540 ⁽²⁾	103.907	KD5
2037 ⁽³⁾	13,285,000	3.000	2.630 ⁽²⁾	103.128	KE3
2040 ⁽³⁾	14,480,000	3.000	2.780 ⁽²⁾	101.846	KF0
2042 ⁽³⁾	8,065,000	3.000	2.860 ⁽²⁾	101.169	KG8

⁽¹⁾ The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District or the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

⁽²⁾ Yield to optional redemption date of October 1, 2029

⁽³⁾ Denotes term bonds

PENN HILLS SCHOOL DISTRICT
(Allegheny County, Pennsylvania)
260 Aster Street
Pittsburgh, PA 15235

BOARD OF SCHOOL DIRECTORS

Mrs. Erin L. Vecchio, President
Mr. Yusef F. Thompson, Sr.
Ms. Jackie Blakey-Tate
Mrs. Evelyn Herbert
Dr. Robert Marra
Dr. Elizabeth Rosemeyer
Mr. Michael Tauro
Mrs. Meryl R. Thomas
Mr. Kristopher Weigand

CENTRAL ADMINISTRATION

Dr. Nancy Hines..... Superintendent
Ms. Eileen Navish..... Business Manager
Dr. Daniel J. Matsook Chief Recovery Officer

SCHOOL DISTRICT SOLICITOR
BRUCE E. DICE & ASSOCIATES, P.C.
Pittsburgh, Pennsylvania

BOND COUNSEL
LAW OFFICES OF WAYNE D. GERHOLD
Pittsburgh, Pennsylvania

DISCLOSURE COUNSEL
BUCHANAN INGERSOLL & ROONEY PC
Pittsburgh, Pennsylvania

PAYING AGENT
THE BANK OF NEW YORK MELLON
Pittsburgh, Pennsylvania

DISSEMINATION AGENT
DIGITAL ASSURANCE CERTIFICATION (DAC)
Orlando, Florida

UNDERWRITER
BOENNING & SCATTERGOOD INC.
Pittsburgh, Pennsylvania

FINANCIAL ADVISOR
PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

No dealer, broker, salesperson or other person has been authorized by the School District or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, any such other information or representations may not be relied upon as having been authorized by the School District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement has been approved by the School District and the information set forth herein has been obtained from the School District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter or, as to information from other sources, by the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof or the earliest date of which said information is given.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PUBLIC OFFERING PRICES STATED ON THE COVER HEREOF MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER WITHOUT PRIOR NOTICE.

THE ORDER AND PLACEMENT OF THE MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS OR THE RESOLUTION IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF CERTAIN STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS SUBMITTED IN CONNECTION WITH THE SALE OF THE SECURITIES REFERRED TO HEREIN, AND MAY NOT BE REPRODUCED OR BE USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES AT ANY TIME IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

Neither the School District's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forecasted information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted information.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the School District include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the

School District. Such forward-looking statements speak only as of the date of this Official Statement. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the School District's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The School District does not generally publish its business plans and strategies or make external disclosures of its anticipated financial position or results of operations. Accordingly, the School District does not intend to update or otherwise revise the forecasted financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, the School District does not intend to update or revise the forecasted financial information to reflect changes in general economic or industry conditions. Additional information relating to the principal assumptions used in preparing the projections is set forth herein.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix H – Specimen Municipal Bond Insurance Policy".

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. No person is authorized to detach this **SUMMARY STATEMENT** from this Official Statement or otherwise use it without the entire Official Statement.

Issuer	Penn Hills School District, Allegheny County, Pennsylvania (the “School District” or “District”).
The Bonds	General Obligation Bonds, Series of 2020 (the “Bonds” or “2020 Bonds”), in the aggregate principal amount of \$101,780,000. The Bonds are initially dated the Date of Delivery and will mature as shown in the BOND MATURITY SCHEDULE shown on the inside of the Cover Page of this Official Statement. Interest on the Bonds will begin to accrue on the Date of Delivery, and is payable initially on April 1, 2020, and on each April 1 and October 1 thereafter. (See “ THE BONDS ” herein.)
Redemption Provisions	The Bonds are subject to redemption prior to their stated dates of maturity. (See “ THE BONDS – Optional Redemption and Mandatory Redemption ” herein.)
Form of Bonds	Book-entry form only.
Purpose of the Issue	The proceeds of the Bonds will be used to: (a) the current refunding of all or a portion of the General Obligation Bonds, Series B of 2009 (Federally Taxable Direct Payment Build America Bonds), (b) the current refunding of all or a portion of the General Obligation Notes, Series of 2013 and (c) the payment of all costs and expenses incurred by the School District in connection with the issuance and sale of the Bonds. (See “ PURPOSE OF THE BOND ISSUE - Sources and Uses of Funds ” herein.)
Security for the Bonds	The Bonds are general obligations of the School District, payable from local taxes, state subsidy and other general revenues. The School District has covenanted in the Resolution authorizing the Bonds adopted by the Board of the School District on November 25, 2019 (the “Resolution”) that it will budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its legally available revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and available taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable real property within the School District, to the extent available by law. As additional security for the payment of the Bonds, the School District will be entering into an Intercept Agreement, under which the School District requests and authorizes the Department of Education to provide notice to the State Treasurer to withhold a portion of the Commonwealth appropriations due to the School District on the last Thursday of the months of February and August of each fiscal year of the School District so long as the Bonds are outstanding, and to pay such withheld amounts directly to the Paying Agent for application to the debt service on the Bonds. (See “ SECURITY FOR THE BONDS ” herein.)
Credit Enhancement	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (See “ MUNICIPAL BOND INSURANCE ” herein.)
Ratings	The Bonds received a credit rating of “AA” (Stable Outlook) from S&P Global Ratings, Inc. (“S&P”) with the understanding that the above-described municipal bond insurance policy will be issued at the time of settlement of the Bonds. Moody’s Investors Service (“Moody’s) has assigned its enhanced rating of “A2” (stable outlook) to the Bonds on the basis of the Pennsylvania Intercept Program and with the understanding that, upon delivery of the Bonds, the Intercept Agreement will be executed and delivered and will be in full force and effect. (See “ RATINGS ” herein.)
Continuing Disclosure Undertaking	The School District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities and Exchange Act of 1934, as amended and interpreted (the “Rule”). (See “ CONTINUING DISCLOSURE UNDERTAKING ” herein.)

TABLE OF CONTENTS

The Table of Contents does not list all of the subjects in this Official Statement, and in all instances reference should be made to the complete Official Statement to determine the subjects set forth herein. No significance should be attached to the particular order in which subjects are set forth herein.

INTRODUCTION	1
CERTAIN RECENT EVENTS AND FINANCIAL IMPACT ON THE SCHOOL DISTRICT	2
Financial Recovery Status.....	2
THE BONDS.....	9
General.....	9
Payment of Principal and Interest.....	9
Transfer, Exchange and Registration of Bonds.....	10
Optional Redemption	10
Mandatory Redemption.....	11
Notice of Redemption	11
Manner of Redemption	11
Event of Default Remedies	12
BOOK-ENTRY ONLY SYSTEM.....	12
Disclaimer of Liability for Failures of DTC	14
SECURITY FOR THE BONDS.....	14
Sinking Fund.....	14
Security for General Obligation Bonds under Section 633 of the Public School Code of 1949 – State Enforcement of Debt Service Payments	15
Actions in the Event of Default.....	17
BOND INSURANCE	17
BOND INSURANCE RISK FACTORS	19
SCHOOL DISTRICT SUBJECT TO FINANCIAL RECOVERY STATUS AND PREVIOUSLY SUBJECT TO FINANCIAL WATCH STATUS	19
Commonwealth School District Financial Recovery Early Warning System.....	24
INVESTMENT CONSIDERATIONS	26
State Intercept Procedures and Timing	27
Reliance on Commonwealth Funding and Delays in Commonwealth Budget Process	27
Commonwealth Aid	28
Outstanding and Future Debt	28
Operating Deficits and Continued Financial Deterioration.....	28
School District's Ability to Generate Revenues.....	29
Ability to Raise Taxes.....	29
Adverse Legislative Changes	29
Reliance on Financing Transactions; Market Access; Debt Capacity	30
Fiscal Plans to Restore Structural Balance	30
Investment Risk; Limitations on Marketability of the Bonds.....	30
Challenges Facing the School District and Other Risk Factors Related to Finances and Operations.....	30
LITIGATION	31
DEFAULTS AND REMEDIES	31
LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS	32
The Taxpayer Relief Act, as Amended	32
Status of the Bonds Under the Taxpayer Relief Act.....	33

Act 130 of 2008	33
Act 48 of 2003	33
PURPOSE OF THE ISSUE	34
ESTIMATED SOURCES AND USES OF FUNDS	34
THE PENN HILLS SCHOOL DISTRICT	35
CONTINUING DISCLOSURE UNDERTAKING	35
Summary of Continuing Disclosure Undertaking Compliance.....	37
LEGAL MATTERS	37
TAX EXEMPTION	38
MISCELLANEOUS.....	39
Ratings.....	39
Underwriting.....	40
Paying Agent	40
School District Certification.....	40
Related Parties.....	40
Municipal Advisor.....	41
Other.....	41

APPENDIX A – Penn Hills School District

APPENDIX B – School District Audited Financial Statements – June 30, 2018

APPENDIX C – Debt Service Schedule

APPENDIX D – Recovery Plan

APPENDIX E – Proposed Form of Bond Counsel Opinion

APPENDIX F – Proposed Form of Continuing Disclosure Agreement

APPENDIX G – Form of Intercept Agreement

APPENDIX H – Specimen Municipal Bond Insurance Policy

OFFICIAL STATEMENT

\$101,780,000

PENN HILLS SCHOOL DISTRICT

Allegheny County, Pennsylvania

General Obligation Bonds, Series of 2020

INTRODUCTION

This Official Statement is furnished by the Penn Hills School District, Allegheny County, Pennsylvania (the “School District”), in connection with the issuance of its General Obligation Bonds, Series of 2020, in the aggregate principal amount of \$101,780,000 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of School Directors of the School District (the “School Board”) on November 25, 2019 (the “Resolution”), naming The Bank of New York Mellon, Pittsburgh, Pennsylvania, as Paying Agent (the “Paying Agent”), and in accordance with the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the “Act”) of the Commonwealth of Pennsylvania (the “Commonwealth”).

The Bonds are being issued for a project consisting of financing the payment of the costs associated with: (a) the current refunding, in order to achieve debt service savings, of all or a portion of the General Obligation Bonds, Series B of 2009 (Federally Taxable Direct Payment Build America Bonds) (the “2009 Bonds”), (b) the current refunding, in order to achieve debt service savings, of all or a portion of the General Obligation Notes, Series of 2013 (the “2013 Notes,” and, together with the 2009 Bonds, the “Refunded Bonds”) and (c) the payment of all costs and expenses incurred by the School District in connection with the issuance and sale of the Bonds.

The Bonds, when issued, will be general obligation bonds of the School District, issued pursuant to the Resolution. The prompt payment when due of the principal of, redemption premium, if any, and the interest on the Bonds, is secured by a pledge of the full faith, credit, and the available taxing power of the School District. (See “SECURITY FOR THE BONDS,” “LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS”)

In order to bolster the security for the Bonds otherwise available pursuant to Section 633 of the Pennsylvania Public School Code of 1949, as amended (the “School Code”), simultaneously with the issuance of the Bonds, a State Appropriation Intercept Agreement (the “Intercept Agreement”) will be executed and delivered by and among the School District, the Pennsylvania Department of Education (the “Department” or “PDE”), the Treasurer of the Commonwealth of Pennsylvania (the “State Treasurer”) and the Paying Agent. The substantial form of the Intercept Agreement is attached hereto as “Appendix G”. Under the Intercept Agreement, the School District requests and authorizes the Department to provide notice to the State Treasurer to withhold a portion of the Commonwealth appropriations due to the School District on the last Thursday of the months of February and August of each fiscal year of the School District (the “Appropriation Payment Dates”) so long as the Bonds are outstanding, commencing with the Commonwealth appropriation due to the School District on the last Thursday of February, 2020, and to pay such withheld amounts (the “Scheduled Amounts” as further detailed below) directly to the Paying Agent for application to the debt service on the Bonds, commencing with the Sinking Fund installment due March 15, 2020.

There can be no assurance that Commonwealth appropriations due the School District will be equal to or greater than the Scheduled Amounts or that payments of the same made pursuant to the Intercept Agreement will be made by the date on which payments are due to the Bondholders (April 1 and October 1). Pursuant to the Intercept Agreement, if in any such February and August the appropriations from the Commonwealth are insufficient to pay the Scheduled Amounts due on March 15 or September 15, as appropriate, the Department will voucher for such amount directly to the State Treasurer for payment to the Paying Agent so that any deficiency is cured in sufficient time to make

the payments due on the March 15 or September 15 sinking fund deposit date, as appropriate*. (See “SECURITY FOR THE BONDS – Commonwealth Aid to School Districts” herein.).

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Purchases of the Bonds can be made in book-entry only form, and purchasers will not receive certificates representing their interests in the Bonds. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Paying Agent directly to Cede & Co. Disbursement of such payments to the DTC Participants (herein defined) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners (herein defined) of the Bonds is the responsibility of the DTC Participants and the Indirect Participants (herein defined). See “THE BONDS” and “BOOK-ENTRY-ONLY SYSTEM” herein.

The information set forth in this Official Statement contains summaries of the Resolution, relevant provisions of Commonwealth law, the School District’s budget and the School District’s financial statements. Such summaries do not purport to be complete and reference is made to the Resolution, the School District’s budget and the School District’s financial statements, copies of which are on file and available for examination at the offices of the School District. Reference is also made to the Bonds and to the actual cited laws and regulations.

CERTAIN RECENT EVENTS AND FINANCIAL IMPACT ON THE SCHOOL DISTRICT

The School District expects its independent auditor to complete the audit of the School District’s financial statements for the fiscal year ended June 30, 2019 by approximately the end of March 2020, and the School District will adopt the audit soon thereafter and post it on EMMA (hereafter defined). Although no assurances can be given, School District officials anticipate the audit will be substantially in agreement with the estimated unaudited 2019 fiscal year information presented in this Official Statement.

Financial Recovery Status.

Preliminary and Final Determinations. In June 2017, the School District received notice from the Pennsylvania Department of Education (the “Department” or “PDE”) that it had been placed on the Commonwealth’s financial watch list. The list identifies school districts that are heading towards financial recovery status unless the districts address negative financial trends impacting their overall financial health. Along with identifying the School District as a district on the watch list, the listing allows PDE to provide technical assistance to address minor issues with the business operation of the District. In that vein, in June 2017, PDE assigned a technical consultant from the accounting firm Wessel & Company to assist with financial operations.

On January 16, 2019, the School District received correspondence from David W. Volkman, Executive Deputy Secretary for the Pennsylvania Department of Education of PDE’s Preliminary Declaration of Financial Recovery Status for the School District (the “Preliminary Declaration”) pursuant to the School Code (as hereafter defined) as a Moderate Financial Recovery School District.

The Preliminary Declaration listed certain criteria related to the School District’s fiscal matters which put the School District into financial recovery status pursuant to 22 Pa. Code Section 18.5. The School District did not request a hearing with respect to the Preliminary Declaration and on February 1, 2019, the School District received correspondence from Pedro A. Rivera, Secretary of Education for PDE stating the Final Declaration of Financial Recovery Status (the “Final Declaration”). The Final Declaration also listed criteria related to the School District’s fiscal matters that placed the School District in financial recovery status as defined in Section 621-A of the School Code, and effective February 1, 2019 the School District became subject to the provisions of Article VI-A of the School Code that apply to Moderate Financial Recovery School Districts as specified pursuant to

* The voucher procedure provides an advance on the next appropriation due to the School District.

Section 651-A of the School Code. For further information regarding the Preliminary Declaration and the Final Declaration and the specific criteria for financial recovery status that PDE noted as applicable to the School District, see “SCHOOL DISTRICT SUBJECT TO FINANCIAL RECOVERY STATUS AND PREVIOUSLY SUBJECT TO FINANCIAL WATCH STATUS –*Preliminary and Final Determinations of Financial Recovery Status*” within.

Appointment of Chief Recovery Officer. On February 5, 2019, the School District received correspondence from the Secretary of Education for PDE that under Section 631-A of the School Code, Dr. Daniel J. Matsook had been appointed as the Chief Recovery Officer for the School District (the “Chief Recovery Officer”). Dr. Matsook serves at the pleasure of the Secretary of Education, is compensated by PDE, and was responsible to oversee the development of the now adopted Recovery Plan (defined herein) and has responsibility to oversee its implementation and administration of the Recovery Plan for the School District, in coordination with PDE. For further information regarding the Chief Recovery Officer and his role, see “SCHOOL DISTRICT SUBJECT TO FINANCIAL RECOVERY STATUS AND PREVIOUSLY SUBJECT TO FINANCIAL WATCH STATUS” within including the sub-caption “*Appointment of Chief Recovery Officer.*”

Financial Recovery Advisory Committee. On February 25, 2019 at a regularly scheduled meeting, the School Board approved the appointment of a 12-member Financial Recovery Advisory Committee (the “Advisory Committee”). The purpose of the Advisory Committee is to meet with and provide recommendations and feedback to the Chief Recovery Officer on the development and implementation of the School District’s Financial Recovery Plan (the “Recovery Plan”) required pursuant to the School Code. For further information regarding the Advisory Committee, see “SCHOOL DISTRICT SUBJECT TO FINANCIAL RECOVERY STATUS AND PREVIOUSLY SUBJECT TO FINANCIAL WATCH STATUS -*Financial Recovery Advisory Committee*” within.

Timing and Formulation of Recovery Plan. The Recovery Plan for the School District was presented to the School Board on May 20, 2019 and approved by the School Board on June 29, 2019 by a vote of 9-0. PDE approved the Recovery Plan on July 16, 2019, with a directive to the Chief Recovery Officer to add an amendment explaining how the School District will fill the void left by the Board of School Director’s decision to NOT raise taxes in the amount of \$2.7 million as directed by the Recovery Plan for the 2019-20 school year. It was prepared by the Chief Recovery Officer and is anticipated to be in effect through at least the School District’s 2023-2024 academic year. The purpose of the Recovery Plan is to provide a road map to achieving structural budget balance for the School District. Although the full details and steps of the Recovery Plan are subject to various future actions, approvals and implementing steps, the Chief Recovery Officer has prepared the Recovery Plan with the goal of the School District continuing to fully and timely meet its existing obligations to note and bondholders and other creditors. The Chief Recovery Officer and the School District’s management believe that the successful implementation of the Recovery Plan will entail the actualization of the Recovery Plan’s significant actions related both to the School District’s revenues and expenses. No assurances can be given about the ability of the School District to timely implement the steps which have been outlined in the Recovery Plan or the extent of financial and operational benefits that will be realized should such steps be fully and timely implemented. The ability to achieve the goals of the Recovery Plan will be dependent on a number of circumstances and factors including some which will be beyond the control of the School District.

Elements of Recovery Plan. Prospective investors are directed to Appendix D to this Official Statement for a copy of the Recovery Plan which should be considered in its entirety, together with the remainder of this Official Statement, in addition to the discussion under this sub-caption. The Recovery Plan addresses various educational, operational and financial matters. It provides historical background, a discussion of the School District’s current situation and baseline projections and initiatives regarding the future. It also indicates that the School District “must change how it does business, how it compensates its workforce, how it educates its children, and how it charges its taxpayers to do so. The District must adjust what it spends to match its current and potential revenue. Academically, the District must build upon the things it does well in order to improve student achievement across the board.”

In connection with the implementation of the Recovery Plan, PFM Financial Advisors LLC (“PFM”) has been engaged to assist the Chief Recovery Officer by providing bond restructuring support and advising. The fees of PFM will be paid by PDE as part of its support to School District.

For further information regarding the Recovery Plan, see “SCHOOL DISTRICT SUBJECT TO FINANCIAL RECOVERY STATUS AND PREVIOUSLY SUBJECT TO FINANCIAL WATCH STATUS - *Timing and Formulation of Recovery Plan*” and “*Elements of Recovery Plan*” within.

Board’s Letter of No Confidence

On September 9, 2019, the Board of School Directors (the “Board”) attempted to have the Chief Recovery Officer removed and sent a letter of “no confidence” to the PDE. In its letter, the Board alleged that the Chief Recovery Officer attempted “to employ or appoint people, entities or other businesses of his own choosing without notice, input or consultation with the Penn Hills school board.” The letter alleged that the Chief Recovery Officer’s actions “create the appearance of impropriety and place in question the motives” of the Chief Recovery Officer.

Following meetings with the Board and the Chief Recovery Officer, the Pennsylvania Secretary of Education, Pedro Rivera, by letter dated September 30, 2019, indicated that Dr. Matsook would remain as Chief Recovery Officer. “As CRO, Dr. Matsook has the responsibility and authority to implement and ensure completion of the Plan. . . . However, the Board of School Directors remains the governing authority of the District and thereby has the power to legally bind the District. That said, the Financial Recovery Law requires the Board to take actions consistent with the Plan, including taking action this is necessary to implement the Plan and to refrain from taking action that would impede implementation of the Plan.”

Fiscal Year 2019-2020 Budget. On June 29, 2019, the School District adopted its budget for the fiscal year ending June 30, 2020 (the “FY 2019-20 Budget”). The FY 2019-20 Budget consists of revenues of approximately \$90.935 million, and expenditures of approximately \$90.935 million. However, due to starting the fiscal year with a negative fund balance of (\$14,000,000), the FY 2019-20 Budget discloses its Total Estimated Fund Balance, Revenues and Other Financing Sources Available for Appropriation as being \$76,934,705. FY 2019-20 Budget requires that a budgetary reserve in the amount of \$400,000 be funded. See “SCHOOL DISTRICT FINANCIAL SUMMARY – Summary of General Fund Revenues and Expenditures” in Appendix A hereto.

Fiscal Year 2018-19 Developments.

On June 30, 2018 the School District’s Board adopted its budget for the fiscal year ending June 30, 2019, which final budget incorporated changes directed by the PDE on January 24, 2018 (the “FY 2018-19 Budget”). As adopted, the FY 2018-19 Budget consisted of revenues of approximately \$91.158 million, and expenditures of approximately \$93.158 million. However, due to starting the fiscal year with a negative fund balance of (\$15,000,000), the FY 2018-19 Budget discloses its Total Estimated Fund Balance, Revenues and Other Financing Sources Available for Appropriation as being \$76,158,445.

The School District applied for and received a Tax Anticipation Loan in the amount of \$9,900,000 on July 2, 2018 at a 3.99% interest rate. It was repaid on September 28, 2018.

There were 12 teacher positions eliminated and the Commonwealth contributed \$2,000,000 in an additional grant.

Immediately prior to the commencement of its 2018-2019 fiscal year, on June 29, 2018, S&P Global Ratings (“S&P”) downgraded its rating of School District long-term indebtedness from B3 to Caa2. In its credit opinion, S&P stated that “[D]espite a sizeable deficit financing in 2015 and a 2017 refunding that extended bond maturity for up-front savings, Penn Hills School District, PA (Caa2 stable) has been unable to achieve structural balance in any of the last four fiscal years, leading to a severe cumulative fund balance deficit. The district’s liquidity position continues to be particularly weak; the district has been unable to meet all of its cash obligations on time and in full, and has relied on the commonwealth’s state aid intercept program (A2 stable) to meet its April debt service obligation in each of the last four years.”

Auditor General Performance Audit. On May 18, 2016, the Pennsylvania Auditor General (the “Auditor General”), released a routine Performance Audit regarding the School District (the “Performance Audit”) and an accompanying press release (the “Related Press Release”). The Performance Audit, which was conducted pursuant to the Fiscal Code (as defined herein), stated that the audit of the School District evaluated the application of best practices in the areas of finance, safety and contracts, and determined the School District’s compliance with certain relevant state laws, regulations, contracts, and administrative procedures. The Performance Audit, except as otherwise indicated therein, covered the period July 1, 2012 through June 30, 2015.

The Performance Audit made eight findings and contained 24 recommendations for improvement in relation to the findings. The Performance Audit’s findings were with respect to the following matters:

- School District’s deficient governance practices, including lack of separation of duties of Board Officers, contributed to the School District’s financial decline resulting in a negative \$18.8 million general fund balance as of June 30, 2015;
- Persistent financial operating deficits, budgeting errors, and increased debt service resulted in a substantial negative general fund balance;
- The District Violated its Policy Governing the Use of Procurement Cards and did not Monitor Purchases;
- The District Failed To Ensure that Approximately \$22,000 in Ticket Sales from 18 Sporting Events Were Deposited;
- The District’s Failure to Monitor its Transportation Contractor Resulted in Misappropriation of District Fuel of Between \$260,000 and \$384,500;
- The District’s Transportation Expenditures Significantly Exceeded PDE’s Final Formula Allowance;
- The District Improperly Sold its Tax-Exempt Fuel to a Municipality at a Markup, But its Deficient Billing Practices Netted Losses in the Thousands of Dollars; and
- The District Failed to Ensure that its School Bus Drivers Met All Employment Requirements.

The Auditor General indicated in the Related Press Release that the “recent audit of Penn Hills School District, Allegheny County, shows long-term lack of oversight permitted stunning financial mismanagement and illogical business decisions resulting in an outstanding debt of \$167 million and multiple criminal investigations.” The press release goes on to state that “this is one of the worst school audits I have ever seen . . . It is so bad that we already sent a copy of the report to the Allegheny County district attorney’s office, the U.S. Attorney for the Western District, the Department of Revenue and the state Ethics Commission for further investigation of possible criminal and tax violations.” See also “SCHOOL DISTRICT SUBJECT TO FINANCIAL RECOVERY STATUS AND PREVIOUSLY SUBJECT TO FINANCIAL WATCH STATUS” and “DEFAULTS AND REMEDIES.”

The Performance Audit sets out for each of its eight audit findings: related recommendations to the School District, the School District’s management’s related response, and the Auditor General’s subsequent conclusion. The School District agreed with all of the findings and recommendations presented in the Performance Audit.

The full text of the Performance Audit (including the School District’s responses) and the Related Press Release are available at the Auditor General’s website (www.paauditor.gov) but are not incorporated by specific reference into this Official Statement.

Grand Jury Proceedings

In response to the release of the results of the Auditor General’s performance audit, the Allegheny County District Attorney’s office empaneled a grand jury to investigate potential wrong doing at the School District. Following a two year investigation, the Grand Jury issued a report that failed to disclose conduct necessitating criminal charges, made recommendations that changes be made to state law and PDE policies relating to oversight of school districts and concluded that “reckless financial decisions by the Penn Hills School Board, School Administrators and their advisors over the past decade plunged the District into an accelerating downward financial spiral that resulted in the District’s economic ruin.”

Attorney General Declines Review

In response to the Grand Jury report, the President of the School Board and other district officials sent a letter to the Commonwealth’s Attorney General, Josh Shapiro, requesting an independent investigation of any criminality that may have taken place. In its response dated March 20, 2019, the Attorney General declined to take any further action, stating that “[w]hile we appreciate your inquiry, the Office of Attorney General does not review the investigative or prosecutorial work or discretionary decisions of other prosecutors’ office in the absence of a new, compelling, and specific reason to do so.”

Despite the absence of indictments or further action by the Attorney General, no assurances can be provided that the Performance Audit will not lead to other actual or requested inquiries, investigations or proceedings by other parties directly or indirectly involving the School District or have any collateral consequences to the School District of an operational, financial, reputational or other nature.

Labor Relations. The most recent collective bargaining agreement between the School District and its teachers’ union expires on June 30, 2021. The Teacher’s Union has a good working relationship with the Administration. See also “Labor Relations” in Appendix A.

Previous Financial Watch Status. Prior to its now current financial recovery status, in June of 2017, the Department placed the School District on “financial watch” status. As a consequence of such designation, the Commonwealth provided certain financial technical guidance to the School District including the use of a third party financial expert to provide a review of School District financial matters. The School District became the fifth school district within the Commonwealth to be placed on financial watch status. The financial watch designation and program is used for, among other things, reducing the likelihood that a school district may need to be subjected to greater state intervention involving a designation of financial recovery status (such as the School District’s current designation as a “Moderate Financial Recovery School District” and the related use of a Commonwealth-appointed chief recovery officer, or the further step of the appointment of a receiver). See also “SCHOOL DISTRICT SUBJECT TO FINANCIAL RECOVERY STATUS AND PREVIOUSLY SUBJECT TO FINANCIAL WATCH STATUS” and “DEFAULTS AND REMEDIES.”

Commonwealth Budgets, Legislation, Ratings Action and School District Response.

All education aid payments from the Commonwealth to the School District as contemplated in the School District’s adopted budget for its current fiscal year ending June 30, 2020 have been received to date as scheduled and all similar payments from the Commonwealth to the School District as contemplated in its budget for its prior fiscal year ended June 30, 2019 were timely received as scheduled.

On October 23, 2017, Fitch Ratings (“Fitch”) placed on Rating Watch Negative the Issuer Default Rating (the “IDR”) for the Commonwealth and certain related ratings, including the ratings on school credit enhancement programs which are linked by Fitch to the Commonwealth’s IDR. On July 11, 2017, the budget for the Commonwealth’s fiscal year ending June 30, 2018 became law under Act 1A without the signature of Governor Wolf.

On September 20, 2017, S&P downgraded the Commonwealth’s general obligation bond rating from “AA-” to “A+”. As discussed further below, S&P previously on December 11, 2015 withdrew its ratings on the bonds and notes of Pennsylvania school districts that were based on Pennsylvania’s state intercept program.

On June 12, 2017, Governor Wolf approved pension reform legislation in Pennsylvania enacted as Act 5 of 2017 (“Act 5”). Act 5 applies to both Pennsylvania’s State Employees’ Retirement System (“SERS”) and Public School Employees’ Retirement System (“PSERS”), the latter of which is applicable to employees of the School District. Act 5 creates new pension plan provisions for new employees hired on or after July 1, 2018 in the case of PSERS. New public school employees will have 90 days to irrevocably elect a new defined benefit/defined contribution hybrid option or a defined contribution only plan option. Act 5 also provides an option for current public school employees to opt into the new plan options. The School District’s management does not anticipate that Act 5 will have any material impact on the School District’s budget through the remainder of the current fiscal year ending June 30, 2020 or the budgeting process for the subsequent fiscal year ending June 30, 2021. As Act 5 neither creates any “fresh start” for pension assets or liabilities, nor mandates any changes in the pension benefits for the School District’s current retirees or current employees, the School District’s management does not expect Act 5 to materially impact the School District’s pension funding obligations during the next several years. See also “Pension Program” in Appendix A.

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) (“Act 85 of 2016”), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code (“Fiscal Code”). Act 85 of 2016 adds to the Fiscal Code Article XVI-E.4, entitled “School District Intercepts for the Payment of Debt Service During Budget Impasse”, which provides for intercept of subsidy payments by the Department from a school district subject to an intercept statute or an intercept agreement in the event of a budget impasse in any fiscal year. Act 85 of 2016 includes in the definition of “intercept statutes” Section 633 of the Public School Code, which applies to the Bonds. “Intercept agreements” are defined in Act 85 of 2016 as agreements entered into under the authority of an intercept statute. **The School District is a party to certain intercept agreements relating to certain of its outstanding general obligation bonds and notes. It is expected that the School District will enter into an intercept agreement with respect to the Bonds.** The School District’s general obligation bonds and notes, including the Bonds, are subject to Section 633 of the Public School Code.

On March 27, 2016, a full budget for the Commonwealth’s fiscal year ending June 30, 2016 became effective after Governor Tom Wolf allowed a budget supplement for the 2016 fiscal year to lapse into law. The delays in enactment of the Commonwealth’s budget for its fiscal year ending June 30, 2016 resulted in delays of basic education aid and other subsidies to school districts within Pennsylvania. In the case of several school districts, including the School District, the delays resulted in the need to undertake interim cash flow borrowings during the 2015 calendar year not otherwise anticipated at the outset of such school districts’ related fiscal years. In the case of the School District, as a result of the failure of the Governor and the General Assembly to timely adopt a full state budget, the School District did not timely receive any of the approximately \$13,455,506 million in state subsidies owed to the School District for the period from July 1, 2015 through December 31, 2015.

On January 11, 2016, Fitch commented in a press release that the Commonwealth’s then partial budget enacted for its fiscal year ending June 30, 2016 “reinforced Fitch Ratings” belief that the Commonwealth remains committed to supporting full and timely payment of school district debt service commitments despite its ongoing budget contention.” In August of 2015, Fitch commented that the credit quality of the Commonwealth’s school credit enhancement programs was not affected by the budget impasse because the Commonwealth remained committed to ensuring timely debt service payment. Fitch stated in its January 11, 2016 press release that the Commonwealth’s then partial budget enacted for its fiscal year ending June 30, 2016 provides for a full year of appropriation authority in line items for school districts other than basic education aid, and “thereby establishes a clear path for the commonwealth to direct revenues to bond trustees as needed for the school credit enhancement programs.” Fitch further stated that, “This full-year funding provides appropriation authority and revenue streams the State Treasurer and Department can utilize to meet school district debt service obligations under terms of Pennsylvania’s school credit enhancement programs.”

On December 29, 2015, Governor Tom Wolf signed an approximately \$23.4 billion emergency funding budget (“Act 10A”) and exercised certain line item vetoes with respect to a \$30.3 billion spending plan passed by the General Assembly for the Commonwealth’s fiscal year ending

June 30, 2016. The then partially enacted budget provided for approximately a half-year of direct aid to Pennsylvania school districts and also included the Governor's authorization of the release of certain federal funds that flow through the Department. During the period from January 5, 2016 to January 27, 2016, the School District received \$13,455,506 from the Commonwealth in state subsidies related to the period from July 1, 2015 through December 31, 2015 (which amount constituted approximately 40% of the amount of state subsidies owed to the School District for such period) and applied approximately \$3,178,421 million of such amount to pay the School District's vendors for accounts payable for its 2015 fiscal year and \$0 to provide for the payment of certain annual debt service requirements due in the School District's 2016 fiscal year.

On September 4, 2015, the Commonwealth's state aid intercept program and the related ratings for the general obligation bonds and notes of various school districts, including certain bonds and notes issued by the School District, were placed on CreditWatch by S&P (then Standard and Poor's Ratings Services) with negative implications. On December 11, 2015, S&P removed from CreditWatch and withdrew its ratings on the bonds and notes of Pennsylvania school districts that were based on Pennsylvania's state intercept program due to the then current impasse on the Commonwealth's 2016 fiscal year budget and the frequency with which Pennsylvania budgets have been delayed generally. S&P's report with respect to its December 11, 2015 ratings withdrawal action relating to the Pennsylvania state intercept program is available on S&P's website, but is not incorporated by specific reference into this Official Statement. Several series of the School District's general obligation bonds and notes had their ratings withdrawn as a consequence of the withdrawal of the rating of Pennsylvania's state aid intercept program. See also "SECURITY FOR THE BONDS – Security for General Obligation Bonds under Section 633 of the Public School Code of 1949- State Enforcement of Debt Service Payments."

The District met payroll and selectively paid bills to weather the storm of a delay in the State Subsidy. The District requested that the Commonwealth make its principal and interest payments due April 1, 2016 on behalf of the District and then the Commonwealth withheld these payments out of a future subsidy.

The School District's management considers the actual and potential adverse financial and operational impact on the School District due to certain of the events described above to be exacerbated by the School District's continuing structural budget deficits which over time have eliminated financial reserves, caused the School District to rely upon non-recurring and other extraordinary measures, and reduced the School District's flexibility to withstand the adverse impact of events such as those discussed in the preceding paragraphs.

See "SECURITY FOR THE BONDS – Security for General Obligation Bonds under Section 633 of the Public School Code of 1949 - State Enforcement of Debt Service Payments" for further information regarding the S&P's state aid intercept ratings withdrawal action and affected bonds and notes of the School District. See also "SCHOOL DISTRICT FINANCIAL SUMMARY" in Appendix A hereto for further information and discussion regarding the School District's structural budget deficits. See also "INVESTMENT CONSIDERATIONS" for a further discussion of certain of the foregoing financial challenges and risks facing the School District as well as other risks.

THE BONDS

General

The Bonds will be issued in book-entry only form, in denominations of \$5,000 principal amount and integral multiples thereof, will be in the aggregate principal amount of \$101,780,000 and will be dated the Date of Delivery. The Bonds will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of the Official Statement. Interest on the Bonds will be payable initially on April 1, 2020, and thereafter, semiannually on April 1 and September 1 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as partnership nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of Bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “BOOK-ENTRY ONLY SYSTEM” herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid. If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, Bond certificates will be issued directly to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of certificated Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of such Bonds, or registered assigns, upon surrender of such Bonds to The Bank of New York Mellon (the “Paying Agent”), acting as paying agent and sinking fund depositary for the Bonds, at its corporate trust office, located in Pittsburgh, Pennsylvania, or at any other of its offices as the Paying Agent may designate (or to any successor paying agent or alternate designated office(s)).

The Bonds will bear interest payable initially on April 1, 2020, and thereafter, semiannually on April 1 and October 1 of each year (each an “Interest Payment Date”), as set forth on the inside cover page hereof. The Bonds mature on the dates and in the amounts shown on the inside cover page. Each Bond shall bear interest from the Interest Payment Date next preceding the date of registration and authentication of such Bonds, unless (a) such Bonds are registered and authenticated as of an Interest Payment Date, in which event such Bonds shall bear interest from said Interest Payment Date, or (b) the Bonds are registered and authenticated after a Record Date (herein defined) and before the next succeeding Interest Payment Date, in which event such Bonds shall bear interest from such Interest Payment Date, or (c) the Bonds are registered and authenticated on or prior to the Record Date preceding April 1, 2020, in which event such Bonds shall bear interest from the dated date of the Bonds, or (d) as shown by the records of the Paying Agent, interest on such Bonds shall be in default, in which event such Bonds shall bear interest from the date to which interest was last paid on such Bond.

Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the 15th day (whether or not a business day) next preceding each Interest Payment Date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bonds subsequent to such Record Date and prior to such Interest Payment Date, unless the School District shall be in default of interest due on such Interest Payment Date. If the School District shall

be in default in payment of interest due on any Interest Payment Date, such defaulted interest shall be payable to the person in whose name the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of Bonds not less than ten (10) days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing. The principal of and interest on the Bonds are payable in lawful money of the United States of America.

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

Transfer, Exchange and Registration of Bonds

Subject to the provisions described herein, under "BOOK-ENTRY ONLY SYSTEM", Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, at its designated corporate trust office, accompanied by a written instrument or instruments in form, with instructions and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required: (a) to issue or to register the transfer of or exchange any Bond then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is given or (b) to register the transfer of or exchange any portion of any of the Bonds selected for redemption in whole or in part until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds or other authorized denominations of the same series, maturity and interest rate.

Optional Redemption

The Bonds stated to mature on or after October 1, 2030, will be subject to redemption prior to maturity, at the option of the School District, as a whole, on October 1, 2029, or on any date thereafter, or from time to time, in part (and if in part, of any order of maturity as selected by the School District and within a maturity by lot), on October 1, 2029, or on any date thereafter, in either case upon payment of a redemption price of 100% of the principal amount to be redeemed, together with accrued interest to the redemption date.

Mandatory Redemption

The Bonds maturing on October 1, 2037, 2040 and 2042, are subject to mandatory redemption prior to their stated maturity date, in part, on October 1 of the year set forth below, in the principal amount set forth below, together with interest accrued thereon to the date fixed for redemption, without premium.

Year (October 1)	Principal Amount	Year (October 1)	Principal Amount
2036	\$ 6,550,000	2038	\$ 6,930,000
2037*	6,735,000	2039	5,940,000

Year (October 1)	Principal Amount
2041	\$ 1,660,000
2042*	6,405,000

* Final Maturity

Notice of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.

Notice of any redemption of certificated Bonds shall be given by depositing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

If at the time of mailing of a notice of redemption the School District shall not have deposited with the Paying Agent, as sinking fund depositary, money sufficient to redeem all Bonds called for redemption, the notice of redemption may state that it is conditional, *i.e.*, that it is subject to the deposit of sufficient redemption money with the Paying Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless such money is so deposited. If the Bonds to be called for redemption shall have been refunded, money sufficient to redeem such Bonds shall be deemed to be on deposit with the Paying Agent for the purposes of this paragraph and the notice of redemption need not state that it is conditional, if the redemption money has been deposited irrevocably with another bank or bank and trust company which shall have been given irrevocable instructions to transfer the same to the Paying Agent not later than the opening of business on the redemption date.

Manner of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all Bonds of any particular series and maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See

"BOOK-ENTRY-ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of the same maturity and in authorized denominations in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

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

Event of Default Remedies

Upon occurrence of an event of default, Holders shall be entitled to the remedies contained in the Resolution and the Act. See "SECURITY FOR THE BONDS - Actions in the Event of Default" and "SECURITY FOR THE BONDS - Security for General Obligation Bonds under Section 633 of the Public School Code of 1949 - State Enforcement of Debt Service Payments" herein.

BOOK-ENTRY ONLY SYSTEM

The information under this heading has been obtained from materials provided by DTC for such purpose. The School District and the Underwriter does not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriter.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds have been issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate has been issued for the Bonds of each separate maturity and interest rate in the aggregate principal amount of such maturity and interest rate, and have been deposited with DTC.

DTC the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S& P's rating of AA+. The DTC Rules applicable to its Participants

are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the School District or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the School District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

Disclaimer of Liability for Failures of DTC

The School District and the Underwriter cannot and do not give any assurances that DTC, the Direct or Indirect Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the owner of Bonds, or will distribute any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The School District and the Underwriter are not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds, or any error or delay relating thereto.

SECURITY FOR THE BONDS

The Bonds are general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, within the limits provided by law. (See "SCHOOL DISTRICT FINANCIAL SUMMARY" in Appendix A hereto and "LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS - The Taxpayer Relief Act, as Amended" herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see "Actions in the Event of Default" below), and the Pennsylvania Public School Code of 1949, as amended, presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see below, "Security for General Obligation Bonds under Section 633 of the Public School Code of 1949-State Enforcement of Debt Service Payments" below).

Sinking Fund

In the Resolution, the School District has created a sinking fund for the Bonds (the "Sinking Fund"), to be maintained with the Paying Agent, as sinking fund depository, and segregated from all other funds of the School District. The School District will deposit in the Sinking Fund a sufficient sum not later than the fifteenth (15th) day next preceding the date when principal of or interest is due on the Bonds (each such date being referred to herein as a "Deposit Date") so that on each payment date the Sinking Fund will contain an amount which, together with any other available funds therein, is sufficient to pay, in full, interest and principal then due on the Bonds.

The Sinking Fund will be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or will be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities will be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, will be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds when due and payable.

As noted herein, the School District, the Department, the State Treasurer and the Paying Agent will enter into the Intercept Agreement under which the School District requests and authorizes the Department to provide notice to the State Treasurer to withhold a portion of the Commonwealth appropriations due to

the School District on the Appropriation Payment Dates so long as the Bonds are outstanding, commencing with the Commonwealth appropriation due to the School District on the last Thursday of February, 2020, and to Scheduled Amounts directly to the Paying Agent for application to the debt service on the Bonds, commencing with the Sinking Fund installment due March 15, 2020. (See “SECURITY FOR THE BONDS – Commonwealth Aid to School Districts” herein.)

Security for General Obligation Bonds under Section 633 of the Public School Code of 1949- Intercept Agreement

In order to bolster the security for the Bonds otherwise available pursuant to Section 633 of the Pennsylvania Public School Code of 1949, as amended (the “School Code”), simultaneously with the issuance of the Bonds, a State Appropriation Intercept Agreement (the “Intercept Agreement”) will be executed and delivered by and among the School District, the Pennsylvania Department of Education (the “Department” or “PDE”), the Treasurer of the Commonwealth of Pennsylvania (the “State Treasurer”) and the Paying Agent. The substantial form of the Intercept Agreement is attached hereto as “Appendix G”. Under the Intercept Agreement, the School District requests and authorizes the Department to provide notice to the State Treasurer to withhold a portion of the Commonwealth appropriations due to the School District on the last Thursday of the months of February and August of each fiscal year of the School District (the “Appropriation Payment Dates”) so long as the Bonds are outstanding, commencing with the Commonwealth appropriation due to the School District on the last Thursday of February, 2020, and to pay such withheld amounts (the “Scheduled Amounts” as further detailed below) directly to the Paying Agent for application to the debt service on the Bonds, commencing with the Sinking Fund installment due March 15, 2020.

There can be no assurance that Commonwealth appropriations due the School District will be equal to or greater than the Scheduled Amounts or that payments of the same made pursuant to the Intercept Agreement will be made by the date on which payments are due to the Bondholders (April 1 and October 1). Pursuant to the Intercept Agreement, if in any such February and August the appropriations from the Commonwealth are insufficient to pay the Scheduled Amounts due on March 15 or September 15, as appropriate, the Department will voucher for such amount directly to the State Treasurer for payment to the Paying Agent so that any deficiency is cured in sufficient time to make the payments due on the March 15 or September 15 sinking fund deposit date, as appropriate*. (See “SECURITY FOR THE BONDS – Commonwealth Aid to School Districts” herein.).

Legislation has been introduced from time to time in the Pennsylvania General Assembly which would allow charter schools to be paid directly by the Commonwealth from appropriations that otherwise would be first paid to school districts and could adversely affect a school district’s cash flow and reduce appropriations available for intercept under Section 633.

The School Code also requires each school district to report to the Secretary of Education of the Commonwealth within 120 days after the close of its fiscal year as part of its annual financial report, the amount of indebtedness that became due during the fiscal year together with the amounts paid on such indebtedness. Failure to include such information in the annual report permits the Secretary of Education of the Commonwealth to withhold any Commonwealth appropriation to the applicable school district until such report is filed.

All public school subsidies made by the Commonwealth are subject to appropriation by the General Assembly. Although the Constitution of the Commonwealth provides that “the General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth,” the General Assembly is not legally obligated to appropriate such subsidies and there can be no assurance that it will do so in the future. The allocation formula pursuant to which the Commonwealth distributes such subsidies to the various school districts throughout the Commonwealth may be amended at any time by the General Assembly. Moreover, the Commonwealth’s ability to make

* The voucher procedure provides an advance on the next appropriation due to the School District.

such disbursements will be dependent upon its own financial condition. At various times in the past, the enactment of budget and appropriation laws by the Commonwealth has been delayed, resulting in, among other things, the inability of the State Treasurer to make direct payments of school district subsidies pursuant to the intercept provisions described above and increased interim borrowing by school districts pending the appropriation and payment of state aid. Consequently, there can be no assurance that financial support from the Commonwealth for school districts, either for capital projects or education programs in general, will continue at present levels or that appropriations will be available for payments to bondholders if indebtedness of such school district is not paid when due. See "INVESTMENT CONSIDERATIONS - Commonwealth Aid" herein for certain information concerning payments made by the Commonwealth to the School District.

On July 13, 2016, the Governor of the Commonwealth signed into law Act 85 of 2016. Act 85 of 2016 adds to the Fiscal Code Article XVI-E.4, entitled "School District Intercepts for the Payment of Debt Service During Budget Impasse", which provides for intercept of subsidy payments by the Department from a school district subject to an intercept statute or an intercept agreement in the event of a budget impasse in any fiscal year. Act 85 of 2016 includes in the definition of "intercept statutes" Section 633 of the Public School Code, which applies to the Bonds. "Intercept agreements" are defined in Act 85 of 2016 as agreements entered into under the authority of an intercept statute. **The School District is a party to certain intercept agreements relating to certain of its outstanding general obligation bonds and notes. It is expected that the School District will enter into the Intercept Agreement with respect to the Bonds.** The School District's general obligation bonds and notes, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts as may be necessary for the Department to comply with the provisions of the applicable intercept statute or intercept agreement "shall be appropriated" to the Department from the General Fund of the Commonwealth after the Department submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year: (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due; (2) the conditions under which the Department is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring the Department to withhold payments which would otherwise be due to school districts; and (3) the Secretary of the Department, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which the Department may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The School District has not been advised as to whether the Department will submit a justification covering all school districts at the beginning of a budget impasse on July 1 of a fiscal year or on a case by case basis. The School District will include in an amendment to the agreement with the Paying Agent provisions requiring notice to be given by the School District to the Paying Agent, and by the Paying Agent to the Department, that the justification required by Act 85 of 2016 must be submitted to the appropriation committee chairs immediately (if it has not already been submitted) so that the steps necessary for the intercept payment to be made by the applicable debt service payment date can be implemented in sufficient time.

Act 85 of 2016 provides that, "The total amount of all intercept payments under this article [*i.e.*, Article XVII-E.4] may not exceed 50% of the total non-federal general fund subsidy payments made to the subject school district in the prior fiscal year."

Act 85 of 2016 requires that each school district subject to an intercept statute or intercept agreement must deliver to the Department, in such format as the Department may direct, a copy of the final official statement for the relevant bonds or notes or the loan documents relating to the obligations, within

thirty (30) days of receipt of the proceeds of the obligations. Until the Department finally establishes an electronic format and method for filing the information required, which includes a schedule of principal and interest payments, the School District will file a hard copy of the Official Statement for the Bonds, including schedules of principal and interest payments for all series of obligations outstanding, including sinking fund deposit dates or intercept payment dates, as applicable, and scheduled debt service payment dates for each series. The same schedules will be submitted by the School District as part of any electronic filing.

Act 85 of 2016 provides that any obligation for which the Department does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

Actions in the Event of Default

Subject to the exclusive representation of holders of the Bonds by a trustee appointed under the Act as described in the following paragraph, if the School District fails or neglects to pay principal or interest on any of the Bonds as it becomes due and payable, and such failure continues for thirty (30) days, the holder of such Bond may bring suit in a court of appropriate jurisdiction and venue and any judgment recovered shall have an appropriate priority upon the money next coming into the treasury of the School District, all as provided in the Act. The Act also provides other remedies to holders of the Bonds to enforce the School District's covenants in respect of payment of the Bonds.

In the event the School District defaults in the payment of the principal of or the interest on any of the Bonds after same shall become due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for thirty (30) days, or if the School District fails to comply with any provision of the Bonds or the Resolution, the Act provides that the holders of 25% in aggregate principal amount of the Bonds then outstanding may, by appropriate action, appoint a trustee to represent the holders of such Bonds. The trustee may, and upon request of the holders of 25% in principal amount of the Bonds then outstanding, and upon being provided with indemnity satisfactory to it, shall take such action on behalf of the holders of such Bonds as is more specifically set forth in the Act. Such representation by the trustee shall be exclusive.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance . The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion . Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$552.8 million, \$130.8 million and \$422.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material.

The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

The following are risk factors relating to bond insurance. See also “BOND INSURANCE” above.

In the event of default of the payment of principal or interest with respect to the Bonds (referred to as the “Insured Bonds” under this caption “BOND INSURANCE RISK FACTORS”) when all or some becomes due, any owner of the Insured Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure payment of redemption premium, if any.

Default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer's consent may be required in connection with any remedies that the Paying Agent exercises or any amendments to the Resolution and the bond insurer may be able to direct remedies in certain circumstances.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Insured Bonds are payable solely from the moneys received by the Paying Agent pursuant to the Resolution. In the event the bond insurer becomes obligated to make payments with respect to the Insured Bonds, no assurance is given that such event will not adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds.

The long-term insured ratings on the Insured Bonds are dependent on the financial strength of the bond insurer and its claims paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the insured ratings on the Insured Bonds will not be subject to downgrade and such event could adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer, the remedies available to the Paying Agent and holders of Insured Bonds may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the School District nor the Underwriter have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given.

SCHOOL DISTRICT SUBJECT TO FINANCIAL RECOVERY STATUS AND PREVIOUSLY SUBJECT TO FINANCIAL WATCH STATUS

Preliminary and Final Determinations of Financial Recovery Status. On January 16, 2019, the School District received correspondence from David W. Volkman, Executive Deputy Secretary for PDE of PDE’s Preliminary Declaration of Financial Recovery Status for the School District pursuant to the School Code as a Moderate Financial Recovery School District.

The Preliminary Declaration listed certain criteria related to the District’s fiscal matters on the basis of which PDE determined to place the School District into financial recovery status pursuant to 22 Pa. Code Section 18.5. The Preliminary Declaration provided the School District until January 30, 2019 to respond

to the Preliminary Declaration and request a hearing and that if the School District did not request a hearing by such date, the Preliminary Declaration would become final. The School District did not request a hearing to the Preliminary Declaration by January 30, 2019, and on February 1, 2019, the School District received correspondence from Pedro A. Rivera, Secretary of Education for PDE stating the Final Declaration of Financial Recovery Status. The Final Declaration also listed criteria related to the District's fiscal matters on the basis of which PDE determined to place the School District in financial recovery status as defined in Section 621-A of the School Code, and effective February 1, 2019, the School District became subject to the provisions of Article VI-A of the School Code that apply to Moderate Financial Recovery School Districts as specified pursuant to Section 651-A of the School Code.

The Preliminary Declaration and the Final Declaration specified the following criteria which placed the School District in Financial Recovery Status: (a) the School District's unreserved fund balance has declined for three consecutive years and is less than five percent of the School District's annual expenditures; (b) the School District's total outstanding debt is greater than the School District's total annual expenditures; (c) the School District is subject to withholding of its State appropriation under section 633 of the School Code; (d) the School District's assigned and unassigned total fund balance is less than zero in the School District's general fund; (e) the School District's assigned and unassigned total fund balance in the School District's general fund as a percentage of total expenditures is less than three percent; (f) the School District experiences a delinquent tax rate of more than 10 percent; and (g) the School District experienced a deficit of three percent or more for three consecutive school years, resulting in a reduction of unassigned fund balance each year.

Appointment of Chief Recovery Officer. Pursuant to the provisions of the School Code, a chief recovery officer is required to be appointed for a school district which is subject to a declaration of financial recovery status under the School Code. The chief recovery officer serves at the pleasure of the Pennsylvania Secretary of Education and is compensated by PDE. The chief recovery officer is to develop, implement and administer a financial recovery plan for the school district; coordinate PDE's provision of technical assistance to the school district; attend regular and executive sessions of the school district's board of school directors; and meet at least monthly with an advisory committee which is also established pursuant to the School Code.

On February 5, 2019, the School District received correspondence from the Secretary of Education for PDE that under Section 631-A of the School Code, Dr. Daniel J. Matsook had been appointed as the Chief Recovery Officer for the School District. Dr. Matsook has previously served as acting superintendent of the Wilkinsburg (Pennsylvania) School District during 2014-2015 with the mission of turning around the financially strapped PDE watch list school district. He also served as superintendent in the Center Area School District (Pennsylvania) from 2004 – 2009 at which time he led the Center Area School District in a voluntary merger with Monaca School District to form Central Valley School District, where Dr. Matsook served as superintendent from 2009 - 2013. Dr. Matsook was also assistant superintendent in the School District from 2002 - 2004. Dr. Matsook serves at the pleasure of the Secretary of Education, is compensated by PDE, and has the responsibility to oversee the development, implementation and administration of a financial recovery plan in the School District, in coordination with PDE.

Summary of Certain Provision of the School Code Related to Financial Recovery

Developing and Approving a Recovery Plan. Pursuant to the provisions of the School Code, the chief recovery officer shall develop a financial recovery plan for a school district within financial recovery status (a "financial recovery district") within 90 days of appointment, subject to extension by the Pennsylvania Secretary of Education (the "Education Secretary"). If the school board for a financial recovery district does not approve the financial recovery plan within 30 days of its receipt from the chief recovery officer, such school district would not be eligible to receive a Financial Recovery Loan (hereafter defined) or technical assistance from PDE. See "*Financial Recovery Loans*" below. If a school board for a financial recovery district does not approve a financial recovery plan within 365 days following a declaration of financial recovery status, the Education Secretary will seek the appointment of a receiver for such school district. See "*Receivership*" below. Any financial recovery plan is subject to final approval by the Education Secretary. The financial recovery plan may include recommendations for, among other things,

balancing the budget through tax or fee changes; enhancing the ability of the financial recovery district to negotiate new general obligation bonds and other debt; a Financial Recovery Loan; operational changes, and a capital budget which addresses infrastructure deficiencies.

Implementation of Financial Recovery Plan and School Board's Duty to Comply. Following the Education Secretary's approval of the Financial recovery plan, the chief recovery officer shall oversee the implementation of the plan by "directly controlling the implementation process" including directing employees and elected or appointed officials of the financial recovery district to take or refrain from taking certain actions. The school board for a financial recovery district shall comply with all directives of the chief recovery officer related to implementation of the recovery plan and may take no action that is inconsistent with the plan, not specifically identified in the recovery plan or not directed by the chief recovery officer as necessary to implement the plan. **If the school board for a financial recovery district fails to comply with the foregoing, the School District shall be subject to the appointment of a receiver pursuant to the School Code.** The School Code provides that no collective bargaining agreement, arbitration settlement or arbitration award may in any manner violate, expand or diminish the provisions of a financial recovery plan in effect on the date of execution of the collective bargaining agreement, arbitration settlement or arbitration award. The School Code specifies certain powers which a school district in financial recovery status may exercise only to the extent that the powers are specifically included in the financial recovery plan. Moreover, to exercise such powers, needed economies in the operation of the district's schools must be effected. Such specified powers include, among other things, reopening a district's budget for a current school year, suspending or revoking charters, closing or reconstituting schools, increasing tax levies in such amounts and at such times as is recommended by the chief recovery officer, subject to the limits of Act 1, and negotiating new collective bargaining agreements.

Receivership. Any receiver shall assume the powers and duties of the chief recovery officer and the board of school directors and shall have the powers and duties to implement the financial recovery plan including the power to direct the board of school directors to levy and raise taxes. A receiver, however, may not unilaterally levy or raise taxes or unilaterally abrogate, alter or otherwise interfere with a lien, charge, covenant or relative priority held by a holder of a debt obligation of a school district. Section 672-(A)(c)(3) of Article VI-A of the School Code further provides that nothing in the financial recovery provisions of such article or a financial recovery plan shall be construed to authorize a receiver to "Unilaterally impair or modify existing bonds, notes, school district securities or other lawful contractual or legal obligations of the school district, except as otherwise ordered by a court of competent jurisdiction or as provided in Section 642-A(a)(3)" of Article VI-A of the School Code which authorizes a receiver to, "Cancel or renegotiate any contract to which the board of school directors or the school district is a party, if the cancellation or renegotiation of contract will effect needed economies in the operation of the district's schools." Collective bargaining agreements are specifically exempted from such clause.

The Public School Code presently provides that a school district of the School District's class and various other classes may not file a municipal debt adjustment action under the United States Bankruptcy Code. See also "DEFAULTS AND REMEDIES" within.

Financial Recovery Loans. PDE shall provide an annual interest-free loan (a "Financial Recovery Loan") to implement the financial recovery plan (including the payment of current expenses) in an amount stated in the financial recovery plan. The Education Secretary may accelerate a Financial Recovery Loan if the school district fails to implement a financial recovery plan and is not progressing toward financial stability. A Financial Recovery Loan is not subject to and is subordinate to indebtedness incurred under the provisions of the Act. Failure to make timely payments of principal on a Financial Recovery Loan shall not subject a school district to withholding of unpaid amounts from Commonwealth appropriations.

Termination of Financial Recovery Status. The Education Secretary may terminate a school district's financial recovery status following a determination that the school district has satisfied and is continuing to satisfy the criteria for termination of financial recovery status enumerated in the financial recovery plan including the requirement that the school district does not request an advance of its basic education subsidy. Following termination, a school district enters a transition period (generally five years) during which the board of school directors resumes full control over school district management and the

chief recovery officer and the Department oversee the board of school directors to ensure that financial stability is maintained. Failure to maintain the objectives stated in the financial recovery plan would result in the Education Secretary seeking a receiver for the school district.

The foregoing is a summary of certain provisions of the School Code including principally pursuant to the amendments pursuant to the Act of July 12, 2012, P.L. 1142, No. 141 (“Act 141”). For further information related to the Commonwealth’s financial recovery provisions for school districts, see the School Code, including as amended by Act 141.

Financial Recovery Advisory Committee. On February 25, 2019 at a regularly scheduled meeting, the School Board approved by a vote of 7 affirmative and 0 negative (2 absent) the 12-member Financial Recovery Advisory Committee (the “Advisory Committee”). Members of the Advisory Committee include: (i) Penn Hills School Board Member – Yusef Thompson, Sr., (ii) Penn Hills School Board Member – Dr. Robert Marra, (iii) Allegheny Intermediate Unit Representative – Joe Lucarelli (CFO), (iv) Charter School Representative – Charles Daane (CFO Propel), (v) Special Education Advocate – Donna Westbrooks-Martin (Exec. Director ACLD Tillotson School), (vi) Representative of Adjoining District – John Zahorchak (Business Manager Plum School District), (vii) Penn Hills resident – Corey Young, (viii) Penn Hills resident – Adeshewa Metzger, (ix) Penn Hills School District Principal – Kristin Brown, (x) Penn Hills School District Business Manager – Eileen Navish, (xi) Penn Hills School District Teacher Representative – Rodlyn Checchio-Kunsa (PHEA president), and (xii) Penn Hills School District Superintendent – Dr. Nancy Hines.

The purpose of the Advisory Committee is to meet with and provide recommendations and feedback to the Chief Recovery Officer on the development and implementation of the Recovery Plan as required by the School Code.

Timing and Formulation of Recovery Plan. The Recovery Plan for the School District was presented to the School Board on May 20, 2019 and approved by the School Board on June 29, 2019 by a vote of 9-0. PDE approved the Recovery Plan on July 16, 2019, with a directive to the Chief Recovery Officer to add an amendment explaining how the School District will fill the void left by the Board of School Director’s decision to NOT raise taxes in the amount of \$2.7 million as directed by the Recovery Plan for the 2019-20 school year. Since adoption by the School Board on June 29, 2019 and approval by the Pennsylvania Secretary of Education, the implementation of the Recovery Plan has begun. The Recovery Plan is anticipated to be in effect through at least the School District’s 2023-2024 academic year. The purpose of the Recovery Plan is to provide a road map to achieving structural budget balance for the School District. The School District’s management expects that the Recovery Plan will provide that the School District’s revenues will dictate the level of expenditures to support educational programs. The Recovery Plan is intended to assist the School District in pursuing the goals of being cost-efficient, fiscally responsible and systemically effective in its responsibility to provide a quality academic program for its students. The School District management believes that in order to achieve the objectives of the Recovery Plan, it will be incumbent upon the citizens, businesses and employees of the Penn Hills School District to support the Recovery Plan. The School District’s management further considers it to be imperative for the financial and academic future of the School District that the guidelines and timelines set forth within the Recovery Plan are followed. Elements of the Recovery Plan include the School District’s current status, proposed initiatives, projected impact on revenues and expenditures for the five year plan period and recommended steps for implementation as well as required timelines for implementation. The Recovery Plan for the School District will be divided into the following chapters with detailed initiatives: introduction, baseline and multi-year financial projections, academics, operations, facilities, workforce and revenues. No assurances can be given about the ability of the School District to timely implement the steps which have been outlined in the Recovery Plan or the extent of financial and operational benefits that will be realized should such steps be fully and timely implemented. The ability to achieve the goals of the Recovery Plan will be dependent on a number of circumstances and factors including some which will be beyond the control of the School District. However, the School District’s management at this time considers the full implementation of the Recovery Plan to be necessary in order to achieve recurring structurally balanced budget results for the School District. Although the full implementing details and steps of the Recovery Plan will continue to be formulated over time and have not been fully specified or approved, the Chief Recovery

Officer has prepared the Recovery Plan with the current goal of the School District continuing to fully and timely meet its existing obligations to note and bondholders and other creditors. The Chief Recovery Officer and the School District's management believe that the successful implementation of the Recovery Plan will entail significant actions related both to the School District's revenues (including seeking certain exceptions to Act 1 (as hereafter defined) tax limits) and expenses.

Elements of Recovery Plan. Prospective investors are directed to Appendix D to this Official Statement for a copy of the Recovery Plan which should be considered in its entirety, together with the remainder of this Official Statement, in addition to the discussion under this sub-caption. The Recovery Plan addresses various educational, operational and financial matters. It provides historical background, a discussion of the School District's current situation and baseline projections and initiatives regarding the future. The Recovery Plan sets out certain general statements and characterizations with respect to the School District, including the following introductory statements regarding the goals of the Recovery Plan:

“The purpose of this plan is to provide a map to financial solvency. It is not intended to investigate any findings from either the PA Auditor General or Allegheny County District Attorney reports unless they are directly relevant to correcting practices that may hinder the District from operating efficiently. The plan will be developed with three premises in mind:

1. The Penn Hills School Board is responsible for providing the students with a college and career-ready educational experience in a safe and secure learning environment. The administration and staff are responsible for delivering that experience. The Superintendent is responsible for holding everyone accountable in the academic arena.

2. The District's revenues will dictate the level of expenditures to support the educational program. The PHSD must be cost-efficient and fiscally responsible in its duty to provide a quality academic program for its students.

3. The success of the recovery plan is contingent upon the good will of the employees and residents of the Penn Hills School District. A fair-minded approach to resolving the District's issues is essential. It is no one particular person's fault that the District is struggling, but it is everyone's civic and moral responsibility to fix it.

The Penn Hills School District must change how it does business, how it compensates its workforce, how it educates its children, and how it charges its taxpayers to do so. The District must adjust what it spends to match its current and potential revenue. Academically, the District must build upon the things it does well in order to improve student achievement across the board. The Penn Hills School District must change the narrative that feeds a negative public perception about the school district. This recovery plan and narrative are not about the past, but about the Penn Hills School District's move into a positive future. It will not be easy; there will be very difficult and unpopular decisions made along the way to recovery. However, the Penn Hills School District will emerge stronger, better, and more efficient in the end.”

The Recovery Plan states that, [T]hroughout this plan, the District and CRO are directed to take actions authorized by section 642-A of Act 141, granting them powers and duties to achieve the goals of the plan. The specific actions authorized in this plan pursuant to section 642-A shall include but are not limited to:

- Cancel or renegotiate contracts that are in conflict with or an impediment to timely implementation of the provisions of this plan if the cancellation or renegotiation will affect needed economies of the district (subsection 3);
- Increase tax levies, as recommended by the CRO (subsection 4);
- Appointment of a special tax collector of delinquent taxes, subject to approval by the CRO (subsection 5);
- Dispense with the services of nonprofessional employees (subsection 6);

- Employ professional and senior management employees who do not hold State certification (subsection 9);
- Enter into agreements with for-profit or non-profits organizations to provide non-instructional services (subsection 10);
- Close or reconstitute a school, including the reassignment, suspension, or dismissal of professional employees (subsection 11);
- Reallocate resources, amend school procedures, develop achievement plans and implement testing or other evaluation procedures for educational purposes (subsection 13);
- Supervise and direct principals, teachers, and administrators (subsection 14);
- Negotiate new collective bargaining agreements to effect needed economies (subsection 15);
- Delegate powers the CRO deems necessary to implement the plan (subsection 16);
- Employ entities to review financial and educational programs (subsection 17).

The potential financial and operational initiatives identified in the Recovery Plan are subject to various contingencies and no assurances can be provided as to: (i) the level of potential savings or additional revenue which may be identified in the Recovery Plan, (ii) the willingness or ability of the School District to timely and fully implement any identified actions, and (iii) the ultimate realization of potential savings or additional revenues due to such identified actions in light of various economic, political, demographic, financial, intergovernmental and other circumstances in which any such actions are implemented. The School District's ability to substantially implement and then sustain the corrective actions, best practices, and other initiatives and measures identified in the Recovery Plan is likely to require action by different school boards and administration officials of the School District, together with cooperative action of other stakeholders (e.g., collective bargaining units) over several years. Differing approaches and policy preferences over time to address current priorities and needs, together with new priorities and needs that may emerge or be identified in the future, could impact the timeliness and extent to which the Recovery Plan's goals are achieved and maintained over time.

Commonwealth School District Financial Recovery Early Warning System

Under section 611-A(c) of the Public School Code added by Act 141 of 2012, the Secretary of Education is required to "establish guidelines for the Early Warning System established under section 611-A, including a description of the variables that will be used by the Department to identify school districts in financial watch status." The principal goal of the guidelines is to identify and provide technical assistance to school districts to prevent them from becoming Financial Recovery Status school districts under Article VI-A(C) of the Public School Code (24 P.S. §§ 6-621-A-6-693-A).

Technical Assistance. Pursuant to Chapter 731 of the Public School Code, the Department is required to conduct the process outlined as follows in identifying, notifying and providing technical assistance to school districts:

(1) compile and maintain data and current information on the financial condition of school districts; (2) regularly analyze the financial condition of school districts; and (3) identify school districts potentially subject to being identified as in a "financial watch" status and therefore eligible to receive technical assistance from the Department. There are three levels to the Department's analysis: (i) Level 1 (early Warning System components), (ii) Level 2 (school district-provided current financial data) and (iii) Level 3 (determination of financial watch status). The Department, then, if applicable, will officially notify school districts in financial watch status and request additional information, if necessary, to conduct a review of the financial condition of the school district and then provide technical assistance to school districts in financial watch status. With respect to the School District, the School District assumes that each of these levels of analysis has been completed which resulted in the placement of the School District on financial watch status in June 2017 as noted above.

Early Warning System. In undertaking the Level 1 Analysis regarding Early Warning System components, the Department will consider budget and other financial data, additional data relevant to

financial condition, including fiscal measures and socioeconomic data, any determination of the host municipality as a financially distressed municipality under the Municipalities Financial Recovery Act, Act of 1987, P.L. 246, No. 47 (“Act 47”) administered by the Pennsylvania Department of Community and Economic Development (which status currently applies to the Penn Hills School District), and factors for Financial Recovery Status (under the Public School Code) as part of the early warning system.

The following components will be considered in this initial analysis: fund balance ratio, borrowing base capacity, and debt ratio. A basic education aid funding advance or a bond intercept payment may also be considered in the initial analysis. The School District is a party to certain intercept agreements relating to certain of its outstanding general obligation bonds and notes. It is expected that the School District will enter into an intercept agreement with respect to the Bonds.

Fund Balance Ratio. Fund balance ratio indicates how much cash the school district has on hand in the event that an unanticipated need arises. The Department considers a higher fund balance ratio to indicate a greater ability to meet fiscal obligations. The fund balance ratio will be calculated by: a school district’s total assets minus its total liabilities divided by the total general fund expenditures.

Borrowing Base Capacity Available. Borrowing base capacity indicates to what extent a school district, according to law, can incur additional debt. The Department considers a higher borrowing base capacity available to indicate a greater ability to borrow more money. The borrowing base capacity will be calculated by: a school district’s total debt that can be incurred minus the total outstanding debt, divided by the total amount of debt that can be incurred, according to the Local Government Unit Debt Act.

Debt Ratio. Debt ratio can be used to determine the school district’s ability to be approved to add additional debt. The Department considers a lower debt ratio to indicate increased ability to incur more debt. Debt ratio will be calculated by: a school district’s total debt service payments divided by total expenditures (for all funds). A three-year average will be used.

Advance BEF/Basic Education Funding. The Department considers an early basic education funding payment made to a school district to indicate a decreased ability to meet fiscal obligations and that such advances may be a warning sign that a school district is experiencing difficulty managing its cash flow.

Bond Intercept. The Department takes into its analysis an agreement entered into between a school district, the Department and a bond trustee (or paying agent) to have the Department make bond payments directly to a trustee (or paying agent) via deduction from the school district’s subsidies. The Department considers bond intercept payments to possibly indicate decreased ability to meet fiscal obligations. It is expected that the Bonds will have the benefit of an intercept agreement such as those referenced above in this paragraph.

Additional Data Relevant to Financial Condition. The Department also analyzes other fiscal and socioeconomic components such as: Market Value (MV)/Personal Income (PI) Aid Ratio, Equalized Mills and School Tax Ratio as described below.

Market Value (MV)/Personal Income (PI) Aid Ratio. A school district’s combined market value (MV) and personal income (PI) wealth for each resident student as compared to the state average. The Department considers a lower the MV/PJ Aid Ratio to indicate less dependence by the applicable school district on state funding and the market value/personal income aid ratio demonstrates the financial “wealth” of a school district.

Equalized Mills. This is calculated as a school district’s total taxes collected divided by its taxable market value as certified by the State Tax Equalization Board. The Department considers a higher equalized mills ranking to indicate a greater taxation effort on the part of taxpayers when compared to other school districts and a high equalized mills to indicate a decreased ability to raise additional funds via taxes. Equalized mills compare the property tax burden in the school district against all other school districts in Pennsylvania.

The Department uses this indicator to show, in relative terms, how a school district's tax burden is ranked based on property values.

School Tax Ratio. This is calculated as a school district's total taxes collected divided by the personal income of its resident taxpayers. The Department considers a higher school tax ratio to indicate a greater taxation effort on the part of taxpayers when compared to other school districts and a high school tax ratio to indicate a decreased ability to raise additional funds via taxes. School tax ratio compares the personal income tax burden in the school district against all other school districts in Pennsylvania. The Department uses this indicator to show, in relative terms, how a school district's tax burden is ranked based on personal income.

Act 47 status. The Department will also consider whether any political subdivision located within the school district is declared as financially distressed by the Pennsylvania Department of Community and Economic Development under Act 47.

Factors for Financial recovery status. The Department may include in its analysis of early warning system components the factors the Pennsylvania Secretary of Education may consider in determining whether to issue a declaration that a school district is in financial recovery status pursuant to section 621-A(a)(2)(l) of the School District Financial Recovery Act. See also "DEFUALTS AND REMEDIES" for further information regarding School Code provisions relating to school districts designated in financial recovery status. financial recovery status is designed to identify school districts which are experiencing potentially more severe financial stress than those under financial watch status. The designation of financial watch status is meant to help school districts avoid continued financial deterioration that may result in financial recovery status under the School Code.

Upon completion of the Level 1 analysis, the Department will determine if a school district may be experiencing financial difficulty. Affected school districts will be contacted by the Department and will be asked to provide additional, current information about their financial status which may include, but not be limited to information regarding the current budget, cash flow analysis, fund balances and the status of audits. Per the timeline in Act 141, a school district will have 15 days to respond to the Department's request. Upon receipt of the additional financial data, the Department will, working directly with the school district, ensure the accuracy and timeliness of the data, analyze the data, and share the results of the analysis with the school district superintendent. As part of the information gathering process, the Department may consult with and interview school district officials as needed.

Based on the Department's analysis of Level 1 and Level 2 information, the Department may decide to monitor the school district or designate the school district as being in financial watch status. The Department will notify the school district, *including* the superintendent, Board President and Solicitor, if the school district is designated as being in financial watch status and will provide technical assistance to any school district designated as being in financial watch status.

INVESTMENT CONSIDERATIONS

The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriter disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability bear a loss from an investment in the Bonds and the suitability of investing in the Bonds, in light of their particular, individual, circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire Official Statement.

Investment in the Bonds involves substantial risks. The following information should be considered by prospective investors in evaluation of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect

the relative importance of any such risks. Other factors which could result in a reduction of revenues available to the School District or an increase in the School District's expenses, and a corresponding reduction in the School District's ability to fulfill the terms of its debt service obligations, are discussed elsewhere in this Official Statement, including the Appendices hereto.

Prospective investors should consider this Official Statement, including the Appendices hereto, in its entirety prior to making any investment decision with respect to the Bonds.

State Intercept Procedures and Timing

The successful operation of the Intercept Agreement depends on the performance of certain administrative actions and the availability of adequate appropriations which can be withheld for payment or the successful operation of the provisions of the Fiscal Code added by Act 85 applicable in the case of a Commonwealth budget impasse.

Pursuant to the Resolution, the School District will deposit in the Sinking Fund a sufficient sum on or before each March 15 and September 15 of each year with respect to payments due on April 1 and October 1, respectively, on the Bonds. To enhance security for the repayment of the Bonds, the School District, the Department, the State Treasurer and the Paying Agent will be entering into the Intercept Agreement under which the School District requests and authorizes the Department to provide notice to the State Treasurer to withhold a portion of the Commonwealth appropriations due to the School District on the last Thursday of the months of February and August of each fiscal year of the School District so long as the Bonds are outstanding and to pay such withheld amounts directly to the Paying Agent for application to the debt service on the Bonds.

In addition to the Intercept Agreement, the School District is a party to intercept agreements with the Commonwealth relating to certain other of its general obligation bonds and notes. It is expected that such intercept agreements will be administered consistent with the rights of the related paying agents under such intercept agreements and any other intercept agreement which may apply to the School District's debt obligations in the future. There can be no assurance that Commonwealth appropriations due the School District will be equal to or greater than the amounts due under the Intercept Agreement or the other intercept agreement, or that payments of the same made will be made by the date on which payments are due to the Bondholders.

Reliance on Commonwealth Funding and Delays in Commonwealth Budget Process

Commonwealth subsidy payments to the School District have consistently been a major revenue source for the School District and fundamentally important to the School District's budgeting process. The delayed enactment of the Commonwealth's budget for its fiscal year ended June 30, 2016, adversely affected the School District's cash flow, finances and operations in 2015 and the resulting delay in receiving Commonwealth subsidy payments for the period from July 1, 2015 through December 31, 2015 was a significant factor which required the School District's issuance on [insert details of TANS]. The timing of the enactment of the Commonwealth's budgets for each of its fiscal years ended June 30, 2017, June 30, 2018 and June 30, 2019, in and of itself, has not adversely affected the School District's cash flow.

Delays in the Commonwealth budget process in any fiscal year of the School District may impact the School District's cash flow with potentially related materially adverse effects upon the School District's Finances and operations in the School District's applicable fiscal year or fiscal years. Moreover, there is no assurance that once enacted, the Commonwealth budget, in any fiscal year, will appropriate amounts equal to those estimated in the School District's budget for the related time period.

See also "CERTAIN RECENT EVENTS AND FINANCIAL IMPACT ON THE SCHOOL DISTRICT" regarding a discussion of certain events and the adverse financial impact on the School District caused by the delayed enactment of the Commonwealth's budget for its fiscal year ended June 30, 2016 and other factors.

Commonwealth Aid

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly. The largest subsidy, the basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in a school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and student count. School districts also receive subsidies for special education, pupil transportation, health service and debt service.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on certain financings upon final approval of the Department. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to eligible Financings and the School District's Capital Account Reimbursement Fraction ("CARF"). The School District's existing "Reimbursable Percentage" of eligible Financings is 18.12%. The School District's existing Market Value/Income Aid Ratio is 66.23%. The product of these two factors is approximately 12.02%, which is the maximum potential percentage of debt service that will be reimbursed by the Commonwealth for eligible Financings. In future years, this percentage may change as the School District's CARF changes, or as a result of future legislation. CARF is a function of the market value per weighted average daily membership of the School District relative to that of the Commonwealth. (See "Coverage of Debt Service and Lease Rental Requirements by State Aid" in Appendix A attached hereto for a table presenting data on the extent to which current total Commonwealth Aid provides coverage for debt service and lease rental requirements.)

Outstanding and Future Debt

Over-burdening debt, coupled with a declining trend of student enrollment has pushed the School District into its present condition. Requests for short-term loans to pay bills and State subsidy advancements to relieve the pressure from cash flow problems became common strategies over the past five years. These practices only resulted in short-term fixes plunging the District into deeper financial difficulty. Even with two consecutive years (FY2017-2018 and FY2018-2019) of additional state assistance (two million dollars each year), the cycle of using future monies to pay for past bills continued. As of December 31, 2019, the School District had \$166,265,000 of long term debt outstanding, with annual debt service payments through 2043 ranging from \$4.25 million to \$15.85 million.

The School District's management anticipate that the School District will continue to issue tax anticipation notes or incur short-term loans to pay bills and seek State subsidy advancements every fiscal year moving forward as it has done historically in prior fiscal years.

In the event of a default, holders of the Bonds would share in the assets of the School District with all other holders of outstanding bonds and notes, subject to the application of intercept agreement provisions for certain general obligation bonds and notes other than the Bonds, and other unsecured creditors having equal priority. The Bondholders are, therefore, reliant in great measure, on the willingness and capability of the Commonwealth to make timely and adequate Commonwealth Aid payments to the School District to assure that none of its outstanding debt goes into default.

Operating Deficits and Continued Financial Deterioration

The School District has experienced operating deficits in certain prior fiscal years, including each of its last five audited fiscal years. The School District has experienced deficits in its annual operations (i.e., annual revenues compared to annual expenditures) with annual General Fund deficits on a modified accrual basis of \$18,844,581 in 2015, \$6,792,441 in 2016, \$11,009,543 in 2017, \$12,092,043 in 2018 and \$8,960,575 in 2019 (unaudited numbers in 2019). These results are prior to certain adjustments made for Other Financing Sources (Uses) (*i.e.*, special education settlements and operating transfers in/(out)).

The School District's estimated 2019-2020 operating deficit of \$14,000,000 (modified accrual basis), further increased the negative ending fund balance for the School District's Total Government Funds as of the end of such fiscal year.

For a discussion of certain historical financial information relating to the School District, see "SCHOOL DISTRICT FINANCIAL SUMMARY" in Appendix A to this Official Statement.

The School District's ability to balance its budget (and maintain balanced budgets over the long-term) is dependent upon the successful implementation of the Recovery Plan and any successor comprehensive plan to address the financial impact of changes in state and federal funding, reliance upon local revenue sources, changes in charter schools' funding formula, special education challenges, changes in student population, unfunded mandates, or partially funded mandates such as required pension contributions, and other factors affecting operating, transportation, labor, medical and pension costs. See "Fiscal Plans to Restore Structural Balance" below.

School District's Ability to Generate Revenues

The School District has pledged its full faith, credit and taxing power to pay debt service on the Bonds. Any use of the Commonwealth subsidy amounts to pay debt service on the School District's indebtedness reduces the amount of revenues otherwise available to the School District for its operating expenses. The School District cannot assure Bondholders that it will be able to decrease expenses or increase taxes which will be sufficient to balance the budget in the School District's fiscal year 2019 or subsequent years.

Ability to Raise Taxes

The School District's ability to raise taxes may be limited, as described in the discussion of "LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS – The Taxpayer Relief Act, as Amended" herein.

The School District has not raised taxes in each of its last three fiscal years through the 2019-2020 fiscal year. The Board of School Directors did not raise taxes for the 2019-20 school year as directed by Recovery Plan, voiding a \$2.7 million revenue source. The School District chose to rely on one-time funding assistance promised by a local legislator, as was done two prior years. See also "2019-2020 Budget" under "SCHOOL DISTRICT FINANCIAL SUMMARY" in Appendix A hereto. Additionally, the School District filed for allowable exceptions under The Taxpayer Relief Act in 2015 to increase tax rates by more than the index permitted thereunder (the "Index") without seeking voter approval. No assurances can be provided that the School Board will approve an increase in tax rates in any future year. In addition, there have been proposals in the Pennsylvania General Assembly that would further limit the ability of a school district to raise taxes without seeking voter approval at a referendum. No assurances can be provided regarding how voters within the School District would evaluate and vote upon any proposal submitted to them to raise taxes.

Adverse Legislative Changes

The School District has been adversely impacted by changes in Pennsylvania law and the inability of the Commonwealth to deal with the adequacy and equity of school funding in general. Changes in the way the Commonwealth reimburses school districts for the cost of special education have shifted a substantial burden from the Commonwealth to the School District. Moreover, legislative changes have adversely impacted the School District pertaining to the manner in which "charter schools" are financed within the Commonwealth. The charter school law provides for the creation of schools outside the management and control of a school district, which provide education to students according to the schools' respective charters. The school district in which the charter school student lives is required to pay a per student amount to the charter school to provide for the education of the student. The school district pays the prescribed amount to the charter school, but cannot immediately recover the amount by an equivalent reduction in school district costs. Legislative action providing for charter school subsidy in 2013 did not include authorization for appropriations to school districts in any future year. Accordingly, the School District will be required to continue to monitor the impact of local charter schools carefully and make

appropriate adjustments to its budget. In addition, budgetary and other legislative changes may impact the level of reimbursement that the Commonwealth provides to the School District for capital projects or other purposes.

Reliance on Financing Transactions; Market Access; Debt Capacity

The School District's ability to manage its cash flow, timely pay operating expenses and other obligations, and improve its budgetary results during the current and upcoming fiscal years is dependent, in part, on its ability to accomplish certain financing activities, such as the plan of finance to be accomplished through the issuance of the Bonds. The School District's budgetary and capital plans are dependent in part on its ability to maintain access to the capital markets or other financing sources. No assurances can be provided that the School District will be able to maintain such access or that such financings can be accomplished on terms that do not create longer term financial pressure on the School District. Beyond the short-term, the School District's ability to utilize financing transactions to address structural budget issues is also constrained by the debt limits of the Act. See also "DEBT OF THE SCHOOL DISTRICT – Borrowing Capacity Under Local Government Unit Debt Act" in Appendix A hereto.

Fiscal Plans to Restore Structural Balance

The School District Administration's previous efforts and partially developed and implemented fiscal and educational plans for the School District are now being addressed in the Recovery Plan. The objectives of the Recovery Plan (and any similar or successor or amended plan) will be to overcome structural deficits by bringing expenditures into line with revenues while continuing to provide a quality education to all of the School District's students. Any such plan is expected to require reductions in staffing and general operating expenses which may extend beyond the scope of reductions planned to date and staffing levels reflected in the current budget. There is no guarantee that any such fiscal plan will be successful when and if implemented.

Investment Risk; Limitations on Marketability of the Bonds

There can be no assurance that there will be a secondary market for the purchase and sale of the Bonds. From time to time, there may be no market, or a limited market, for the Bonds depending upon prevailing market conditions and the financial condition and results of operations of the School District. The Bonds should therefore be considered investments in which funds are committed to maturity or until earlier redemption.

Challenges Facing the School District and Other Risk Factors Related to Finances and Operations

In the future, the following factors, among others, may adversely affect the Finances and operations of the School District to an extent that cannot be determined at this time.

1. Expenditures required to comply with special education or other instructional requirements including the settlement of claims related to special education litigation;
2. Expenditures to comply with any future Federal and/or Commonwealth mandates;
3. Unknown litigation, regulatory actions or other similar claims regarding the School District;
4. Changes in Commonwealth pension funding requirements which may affect the level of annual employer contributions required by the School District;
5. Increased competition from charter schools (including cyber charter schools) which may increase required payments from the School District for tuition or reduce levels of Commonwealth aid to the School District;
6. Adverse economic conditions which may impact real estate property values, non-property tax revenues and levels of tax delinquencies;
7. Changes in collective bargaining agreements which may affect the timing and extent to which the School District may be able to implement cost containment measures;

8. Adverse demographic, economic or financial developments affecting the Penn Hills School District or the County of Allegheny (i.e., overlapping tax jurisdictions), which may constrain the ability of the School District to raise tax revenues;
9. The recurrence of a Commonwealth budget impasse which could exacerbate or contribute to cash flow strains during the related budget year of the School District;
10. Pressure on the School District's state law debt ceiling under the Act which may limit its ability over time to undertake budgetary debt service savings transactions and/or fund capital improvements; and
11. Changes in public support for public education funding, in general, and funding for the School District, in particular, which may impact the level of Commonwealth education aid received by the School District and/or constrain the ability of the School District to raise taxes.

LITIGATION

There is no litigation pending or, to the knowledge of School District officials, threatened which might have a material adverse effect upon the School District, seeks to restrain or enjoin the issuance or sale of the Bonds, or, in any way contests or affects the validity of the Bonds or any proceedings of the School District taken with respect to the issuance or sale thereof. The School District in the normal course of its operations is sometimes named as a defendant in civil lawsuits for which defense costs and judgments are covered by liability insurance policies maintained by the School District.

See also "CERTAIN RECENT EVENTS AND FINANCIAL IMPACT ON THE SCHOOL DISTRICT - Certain Government Proceedings" for a discussion of a Pennsylvania Auditor General performance audit of the School District and a grand jury proceeding which has been concluded.

At the time of the issuance of the Bonds, the President or Vice President and Solicitor of the School District, will deliver a certificate and letter, respectively, dated as of the date thereof, certifying, among other things, that there is no litigation pending or, to the knowledge of the respective person, threatened, which challenges the validity or enforceability of the Bonds; or in the event that such litigation is pending or threatened, a description of the nature of such litigation, together with an opinion of legal counsel approved by the School District to the effect that such litigation is without legal merit.

DEFAULTS AND REMEDIES

The School Code presently provides that a school district of the School District's class and various other classes may not file a municipal debt adjustment action under the United States Bankruptcy Code. The School Code also provides that school districts which are in financial recovery status under Article VI-A of the School Code may become subject to receivership under certain circumstances. The School District is currently in financial recovery status under the School Code as a Moderate Financial Recovery School District. See also, "CERTAIN RECENT EVENTS AND FINANCIAL IMPACT ON THE SCHOOL DISTRICT" and "SCHOOL DISTRICT SUBJECT TO FINANCIAL RECOVERY STATUS AND PREVIOUSLY SUBJECT TO FINANCIAL WATCH STATUS."

The School Code provides that the Education Secretary shall, after proper investigation, issue a declaration that a school district is in financial recovery status when, subject to certain conditions, such school district (a "financial recovery school district") has received an advance of its basic education subsidy at any time. The Education Secretary will appoint a chief recovery officer for the financial recovery school district to develop and implement a financial recovery plan for the financial recovery school district. The school board of a financial recovery school district is required to comply with all directives of the chief recovery officer related to implementation of the recovery plan and may take no action that is inconsistent with the plan, not specifically identified in the recovery plan or not directed by the chief recovery officer as necessary to implement the plan. If **the school board of a financial recovery school district fails to comply with**

the foregoing, the financial recovery school district shall be subject to the appointment of a receiver pursuant to the School Code.

A receiver shall assume all powers and duties of the chief recovery officer and the board of school directors except the power to levy and raise taxes. Section 672-(A)(c)(3) of Article VI-A of the School Code provides that nothing in the financial recovery provisions of such article or a financial recovery plan shall be construed to authorize a receiver to “Unilaterally impair or modify existing bonds, notes, school district securities or other lawful contractual or legal obligations of the school district, **except as otherwise ordered by a court of competent jurisdiction or as provided in section 642-A(a)(3)**” of Article VI-A of the School Code which authorizes a receiver to, “Cancel or renegotiate any contract to which the board of school directors or the school district is a party, if the cancellation or renegotiation of contract will effect needed economies in the operation of the district’s schools.” Collective bargaining agreements are specifically exempted from such clause.

See “SCHOOL DISTRICT SUBJECT TO FINANCIAL RECOVERY STATUS AND PREVIOUSLY SUBJECT TO FINANCIAL WATCH STATUS” for a further discussion of provisions of the School Code related to financial recovery school districts. See also “SECURITY FOR THE BONDS - Actions in the Event of Default” regarding certain remedies available under the Act in the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds.

LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS

The Taxpayer Relief Act, as Amended

The Taxpayer Relief Act, which became effective June 27, 2006 provides, *inter alia*, that a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index, unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the referendum exceptions provided by the Taxpayer Relief Act applies. On June 30, 2011, the General Assembly adopted legislation (Act 25 of 2011) amending The Taxpayer Relief Act eliminating several exceptions previously permitted under The Taxpayer Relief Act and providing for the rescission of certain prior approved referendum exceptions for disaster/emergency costs, implementation of a court order, school construction and non-academic school construction (effective after the last payment of principal and interest on debt incurred to finance same). The Taxpayer Relief Act together with Act 25 of 2011 will hereinafter be referred to as the “Taxpayer Relief Act”. The exceptions available under the Taxpayer Relief Act are summarized as follows:

1. to pay interest on and principal of indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest on and principal of any indebtedness approved by the voters at referendum;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the actual dollar amount of estimated payments between the current year and the upcoming year is greater than the Index.

The School District did not elect to become subject to Act 72 of 2004 and has no outstanding indebtedness that was approved by voter referendum.

A school district intending to utilize the foregoing exceptions is entitled to apply to PDE for approval thereof, if and to the extent a tax increase greater than the Index is needed in any particular fiscal year. The

Taxpayer Relief Act provides that PDE shall approve a school district's request if a review of the data demonstrates that the school district qualifies for the exception sought and the sum of the dollar amounts of all exceptions for which the school district qualifies is not more than what is necessary to balance the budget after giving effect to the revenue to be raised by the allowable increase under the Index. There can be no assurance; however, that approval will be given by PDE to utilize a referendum exception in any future fiscal year or years.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by the court or PDE, as the case may be. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index to be determined and reported by PDE by September of each year for application to the following fiscal year is the average of the percentage increase in the statewide average weekly wage, as determined by the Pennsylvania State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the Federal Bureau of Labor Statistics for the preceding 12- month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Taxpayer Relief Act, as amended, does not affect the School District's covenant under the Act to budget, appropriate and pay debt service on all outstanding debt of the School District.

The summary of The Taxpayer Relief Act, as amended, is not intended to be an exhaustive discussion or a legal representation thereof, and a prospective purchaser of any bonds should review the full text of the Taxpayer Relief Act, as amended, as part of any decision to purchase any of the Bonds.

Status of the Bonds Under the Taxpayer Relief Act

In order for indebtedness to be eligible for an exception to the referendum requirement of the Taxpayer Relief Act, subject to certain limitations to the exception, the debt must be incurred prior to the effective date of the Taxpayer Relief Act or refund indebtedness so incurred. The School District does not believe that the Bonds are eligible for an exception to the referendum requirement of the Taxpayer Relief Act for debt incurred prior to the effective date of the Taxpayer Relief Act.

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax which is revenue neutral. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or municipal election for approval by the voters. [The School District has taken no action to replace its occupation tax.]

Act 48 of 2003

Pennsylvania Act No. 2003-48 enacted on December 23, 2003 prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

	Act 48 of 2003 Allowable % of Total Budgeted Expenditures
Total Budgeted Expenditures	
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%

Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved undesignated fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

In addition, for a discussion of certain provisions of the Act and the School District’s debt capacity thereunder, see “DEBT OF THE SCHOOL DISTRICT - Borrowing Capacity Under Local Government Unit Debt Act” in Appendix A hereto.

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to: (a) the current refunding of all of the 2009 Bonds, currently outstanding in the principal amount of \$104,760,000, plus accrued interest to the redemption date (b) the current refunding of all of the 2013 Notes, currently outstanding in the principal amount of \$1,590,000, plus accrued interest to the redemption date, and (c) the payment of all costs and expenses incurred in connection with the issuance and sale of the Bonds.

Upon issuance of the 2020 Bonds a portion of the proceeds will be deposited in an escrow fund for the Refunded Bonds with The Bank of New York Mellon, as escrow agent for the Refunded Bonds, and such proceeds will be held in cash and/or invested in direct obligations of the United States of America (the “Escrow Securities”), the principal of which, together with cash and any investment earnings thereon, will be in an amount sufficient to pay the principal of and interest on the Refunded Bonds as they become due and payable and to redeem the Refunded Bonds on February 25, 2020, at a redemption price of 100% of the principal amount of the Refunded Bonds plus accrued interest thereon, pursuant to the optional redemption provisions of the Refunded Bonds. See “ESTIMATED SOURCES AND USES” below.

ESTIMATED SOURCES AND USES OF FUNDS

The following are the expected sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds

Par Amount of the Bonds	\$ 101,780,000.00
Original Issue Premium	9,579,545.20
Total Sources of Funds	\$ 111,359,545.20

Uses of Funds

2009 Bonds Refinancing Requirement	\$ 107,343,018.00
2013 Notes Refinancing Requirement	1,612,355.50
Costs of Issuance ¹	2,404,171.70
Total Uses of Funds	\$ 111,359,545.20

(1) Includes legal fees, underwriter’s discount, bond insurance premium, rating agency fees, printing and miscellaneous fees.

THE PENN HILLS SCHOOL DISTRICT

The School District, a Pennsylvania school district of the second class, encompasses an area of approximately 19.3 square miles and is located in the eastern section of Allegheny County in the southwestern quadrant of Pennsylvania, approximately nine miles east of downtown Pittsburgh. The School District is coterminous with the Municipality of Penn Hill (the “Municipality”). For additional details about the School District, see “APPENDIX A - Penn Hills School District, Allegheny County, Pennsylvania.”

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the “Rule”), promulgated under the Securities Exchange Act of 1934, as amended, by the Securities and Exchange Commission (the “Commission”), the School District, in a Continuing Disclosure Certificate, to be dated the date of delivery of the Bonds, to be delivered in connection with the original issuance of the Bonds, has agreed to provide, or cause to be provided:

- (i) the School District’s annual audited financial statements, which shall be prepared in conformity with generally accepted accounting principles consistently applied as applicable to school districts of the Commonwealth;
- (ii) a summary of the budget for the School District for the new fiscal year (the “Summary of Budget”), when available;
- (iii) certain annual operating data as follows (the “Annual Operating Data”):
 - (a) the assessed value and aggregate market value of all taxable real estate for the current fiscal year;
 - (b) the taxes and millage rates imposed for the current fiscal year;
 - (c) the real property tax collection results for the most recent fiscal year, including (1) the real estate tax levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year’s levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year’s levy and as an aggregate dollar amount); and
 - (d) pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible).

The audited financial statements, Summary of Budget and Annual Operating Data are collectively referred to as the “Annual Information.”

The Annual Information will be provided to the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access System (“EMMA”) in accordance with the Rule not later than March 30 following the end of each fiscal year ending the previous June 30; in a timely manner, not in excess often (10) business days after the occurrence of the event, to the MSRB via EMMA, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserve reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the security, or other material events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

The obligations of the School District described above will remain in effect only for such period as (i) the Bonds are outstanding in accordance with their terms, and (ii) the School District remains an obligated person with respect to the Bonds within the meaning of the Rule. The School District reserves the right to terminate its obligation to provide the Annual Information and notices of material events, as set forth above, if and when the School District is no longer an obligated person with respect to the Bonds within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this caption is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds).

Each Bondholder (including beneficial owners) may enforce the School District's continuing disclosure undertaking; provided that, the right to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the School District's obligations under its continuing disclosure undertaking. Any failure by the School District to comply with the provisions of the undertaking will not constitute a default or an event of default with respect to the Bonds.

The obligations of the School District described above may be amended without the consent of the Bondholders, to the extent permitted by the Rule, as from time to time amended.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issues (and other "obligated persons" with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

On or before the date of settlement of the Bonds, the School District will enter into a disclosure dissemination agent agreement ("Disclosure Dissemination Agreement") with Digital Assurance Certification, L.L.C ("DAC") as its Disclosure Dissemination Agent for the purpose of ensuring ongoing compliance with its continuing disclosure filing requirements. DAC provides its clients with automated filing of rating events, templates consolidating all outstanding filing requirements the accompany reminder

notices of annual or interim mandatory filings, review of all template filings by professional accountants, as well as time and date stamp record of each filing along with the unique ID form EMMA accompanying the copy of the actual document filed. DAC also offer its clients a series of training webinars each year qualified for 15-20 NASBA certified CPE credits, as well as model secondary market compliance policies and procedures.

The Disclosure Dissemination Agent has only the duties specifically set forth in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the School District has provided such information to the Disclosure Dissemination Agent as required by the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report, or any other information, disclosures or notices provided to it by the School District and shall not be deemed to be acting in any fiduciary capacity for the School District, the Holders of the Bond or any other party. The Disclosure Dissemination Agent has no responsibility for the School District's failure to report to the Disclosure Dissemination Agent Notice Even or a Duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the School District that complied with the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent may conclusively rely upon certification of the school District at all times.

Bondholders are advised that a draft of the form of the Continuing Disclosure Agreement is attached hereto as Appendix F. The Continuing Disclosure Agreement and the Disclosure Dissemination Agreement, copies of which are available at the office of the School District, should be read in their entirety for more complete information regarding the School District's continuing disclosure undertaking.

Summary of Continuing Disclosure Undertaking Compliance

The School District has entered into continuing disclosure undertakings for previously issued bonds that have been outstanding within the past five years (collectively, the "Prior Undertakings"). Under the Prior Undertakings, the School District agreed to provide audited financial statements, budgets, certain financial and operating data related to the School District and notices of certain events. In the previous five years, the School District has, on several occasions, failed to comply with certain provisions of the Prior Undertakings, including: (a) failing to file or timely file audited financial statements; (b) failing to timely file required financial and operating data; (c) failing to timely file budgets; (d) filing incomplete operating data; and (e) failing to file or timely file certain notices of the aforementioned late filings and notices of enhanced and insured rating changes. As of the date of this Official Statement, all required audited financial statements, budgets, operating data and notices of late filings has been filed with the MSRB's EMMA system.

The School District has taken certain additional steps to foster compliance with its continuing disclosure undertakings including the retention of DAC to provide dissemination agent services with respect to the Bonds and the School District's other continuing disclosure undertakings.

LEGAL MATTERS

Certain legal matters incidental to the authorization, issuance and delivery of the Bonds are subject to the approval of the Law Offices of Wayne D. Gerhold, Pittsburgh, Pennsylvania, Bond Counsel. A copy of the proposed form of Bond Counsel Opinion is attached as Appendix E to this Official Statement. Certain legal matters in connection with the general solicitor's review will be passed upon by Bruce E. Dice & Associates, P.C., Pittsburgh, Pennsylvania, Solicitor to the School District. Buchanan Ingersoll & Rooney PC, Pittsburgh, PA, has served as disclosure counsel to the School District in connection with the issuance of the Bonds.

Bond Counsel has not been engaged to verify nor have they independently verified, the accuracy, completeness or truthfulness of any statements, certifications, information or financial

statements set forth in the Preliminary Official Statement, dated January 17, 2020 (the “Preliminary Official Statement”), or the Official Statement, dated January 28, 2020 (the “Official Statement”), or otherwise used in connection with the offering of the Bonds or set forth in or delivered by the School District officials, and similarly expresses no opinion with respect to whether the School District in connection with the offering of the Bonds or the preparation of the Preliminary Official Statement or the Official Statement, has made any untrue statement of a material fact or omitted to state any material fact necessary in order to make any statement made therein not misleading.

TAX EXEMPTION

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

State Tax Matters

In the opinion of Bond Counsel, the Bonds and the interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania Federal Income Tax Matters

Federal Tax Matters

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the “Code”) for purposes of the Federal individual or corporate alternative minimum taxes.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The School District has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds)

may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel express no opinion regarding the Bonds or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel have rendered opinions that interest on the Bonds is excludable from gross income for Federal and Pennsylvania income tax purposes, the ownership, or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel express no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers. Such effects include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of social security or railroad retirement benefits, under Section 86 of the Code and, for tax years beginning in 1996, limiting the use of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any Bond may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, the residence of a holder of Bonds in a state other than Pennsylvania, or being subject to tax in a state other than Pennsylvania, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

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

Original Issue Premium

The Bonds of each maturity are being offered and sold to the public at a price in excess of the principal amount thereof (the "Premium Bonds"). Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

MISCELLANEOUS

Ratings

S&P is expected to assign its credit rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, an insurance policy guaranteeing when due the scheduled

payment of the principal of and the interest on the Bonds will be issued concurrently with the delivery of the Bonds by the Bond Insurer.

Moody's Investors Service ("Moody's) has assigned its enhanced rating of "A2" (stable outlook) to the Bonds on the basis of the Pennsylvania Intercept Program and with the understanding that, upon delivery of the Bonds, the Intercept Agreement will be executed and delivered and will be in full force and effect. This rating may be changed, suspended or withdrawn as a result of a change in, or unavailability of, information.

The above ratings are not a recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the applicable rating agency. Such rating reflects only the view of the applicable rating agency and any desired explanation of the significance of any such rating should be obtained from the rating agency furnishing the same. Any downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

Underwriting

The Bonds are being sold to Boenning & Scattergood Inc., as underwriter (the "Underwriter"). The Underwriter, subject to the satisfaction of certain conditions in Bond Purchase Agreement, dated November 25, 2019, as supplemental by an Addendum dated January 28, 2020 (the "Purchase Agreement") has agreed to purchase the Bonds from the School District at a purchase price of \$110,621,640.21 (representing the aggregate principal amount of the Bonds, plus original issue premium in the amount of \$9,579,545.20, less an underwriter's discount of \$737,905). The Purchase Agreement provides that the Underwriter will purchase all the Bonds, if any Bonds are purchased, in accordance with the terms of the Purchase Agreement. The initial public offering prices, set forth on the inside cover page of this Official Statement, may be changed by the Underwriter from time to time without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Bonds to the public and said Bonds offered to other dealers may be at prices lower than those offered to the public.

The Underwriter has provided the following information for inclusion in this Official Statement: The Underwriter and its affiliates are full service financial institutions engaged in various activities, that may include securities trading, investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriter and its applicable affiliates may actively trade debt and if applicable equity securities . The Underwriter and its applicable affiliates may engage in transactions for their own accounts involving the Bonds or other offerings of the School District. The Underwriter and its applicable affiliates may also communicate independent investment recommendations, market color or trading ideas in respect of the Bonds or other offerings of the School District. The Underwriter does not make a market in credit default swaps with respect to municipal securities at this time but may do so in the future.

Paying Agent

The principal of and interest on the Bonds will be payable at the corporate trust office of The Bank of New York Mellon, Pittsburgh, Pennsylvania, provided that interest may be paid by checks drawn on the Paying Agent and mailed to the registered owners on the appropriate Regular Record Date.

School District Certification

At closing, the Underwriter will also receive a certificate signed by the President of the School Board to the effect, among other things, that (a) this Official Statement, as of its date and as of the date of closing, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and (b) there has been no material adverse changes in the financial condition of the School District since June 30, 2018 other than those disclosed herein.

Related Parties

Buchanan Ingersoll & Rooney PC serves as disclosure counsel to the School District with respect to the Bonds and from time to time represents Boenning & Scattergood Inc. in unrelated matters.

Municipal Advisor

PFM Financial Advisors LLC, Harrisburg, Pennsylvania, has been retained by PDE to serve as municipal advisor (the “Municipal Advisor”) to the School District in connection with the issuance of the Bonds. The Municipal Advisor is not obligated to any holder of the Bonds to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Municipal Advisor is an independent, registered advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Other

All the summaries of the provisions of the Act, the School Code, the Taxpayer Relief Act, Act 85 of 2016, and other laws, the Bonds and the Resolution and other documents hereinabove set forth are made subject to all the detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions.

All information, estimates and assumptions herein have been obtained from officials of the School District, other governmental bodies, trade and statistical services and other sources which are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended as such and not as representations of fact.

Appendices attached hereto are expressly incorporated herein as a part hereof.

**PENN HILLS SCHOOL DISTRICT
Allegheny County, Pennsylvania:**

By: /s/ Erin L. Vecchio
President, Board of School Directors

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APPENDIX A

PENN HILLS SCHOOL DISTRICT

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PENN HILLS SCHOOL DISTRICT
 (Allegheny County, Pennsylvania)

Description

The Penn Hills School District, a Pennsylvania school district of the second class, encompasses an area of approximately 19.3 square miles and is located in the eastern central section of Allegheny County in the southwest portion of Pennsylvania, approximately nine miles east of downtown Pittsburgh. The School District is coterminous with the Municipality of Penn Hills (the “Municipality”).

Actual and Projected Pupil Enrollment

Current Pupil Enrollment

School Year	Kindergarten	1-6	7-12	Total
2014-2015	277	1,566	2,003	3,846
2015-2016	285	1,543	1,934	3,762
2016-2017	237	1,523	1,782	3,542
2017-2018	228	1,478	1,682	3,388
2018-2019	224	1,428	1,657	3,309
2019-2020	240	1,412	1,657	3,309

Projected Pupil Enrollment

2020-2021	235	1,414	1,659	3,308
2021-2022	236	1,423	1,669	3,328
2022-2023	238	1,442	1,688	3,368
2023-2024	240	1,459	1,704	3,403
2024-2025	240	1,459	1,704	3,403

Source: School District Administration for Fiscal Year Ended June 30, 2019

Population Trends

	2010	2015	2018
School District	42,329	42,239	40,974
Allegheny County (except Pgh.)	1,223,348	1,231,145	1,218,452
Commonwealth of Pennsylvania	12,702,379	12,779,559	12,807,060

Source: Census Bureau's estimates for 2018

School District Facilities

	Year Built	Additions, Renovations	Grades Served	Pupil Capacity	Enrollment
Elementary Schools:					
Penn Hills Elementary	2014		K-4	1,500	1,164
Secondary Schools:					
Linton Middle School	1968	1991; 2010	5-8	2,351	992
Penn Hills Senior High	2012		9-12	1,402	1,148
Other:					
Fralic Athletic Center		2001			

Source: School District Administration for Fiscal Year Ended June 30, 2019

School District Employment

Type of Personnel	Number	Annual Payroll
Administrative	23	\$ 2,117,326.22
Professional / Instructional	311	22,732,116.42
Classified Support Personnel	153	5,154,229.78
Total Employees	487	

Source: School District Administration for Fiscal Year Ended June 30, 2019

Labor Relations

There are presently 418 represented employees of the School District, teachers as well as classified personnel. The classified personnel include secretaries, custodial, maintenance, teacher assistants and nutrition center employees.

The Pennsylvania State Education Association represents the teachers, counselors, nurses, librarians and school psychologists with a contract which expires on June 30, 2021. The Penn Hills AFSCME, Local 1314 (Plant Services Division) contract expires on June 30, 2023, the Penn Hills AFSCME, Local 1314 (Food Services Division) contract expires on July 31, 2021 and the Penn Hills School Educational Support Professionals contract expires on June 30, 2022. The union contracts are negotiated under Pennsylvania's Act 88 and the negotiation of the contracts is not subject to binding arbitration. The administrators as well as a small segment of support employees are non-union and have wages and benefits approved annually by the School Board.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees,

part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F).

Member Contributions. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a 'shared risk' provision in Act 120 of 2010 that in future years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

Employer Contributions. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2018, the rate of employer's contribution was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per the PSERS Retirement Code, the Commonwealth is required to contribute 50% of the above stated contribution rate directly to PSERS on behalf of the employer. Contributions to the pension plan from the employer were \$9,073,881 for the year ended June 30, 2018.

Under Act 5 of 2017 ("Act 5") PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members' classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make

recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

PSERS uses its actuarial valuations to project future increases in pension obligations as a percentage of payroll, for school districts including the School District. Below is the current percentage as well as the percentages for the past three fiscal years, and a projection for the following three fiscal years.

Fiscal Year	Percentage of Payroll
2015	21.40%
2016	25.84%
2017	30.03%
2018	32.57%
2019	33.43%
2020	34.29%
2021	34.51%
2022	34.95%

Source: PSERS Fiscal Year 2020-2021 Contribution Rate
Forecasts released 12/6/2019

At June 30, 2017, the School District reported a liability of \$104,654,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School District's proportion was .2119%, which was a decrease of .0122% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the School District recognized pension expense of \$9,221,718.

As of June 30, 2017, the PSERS plan was 56.3% funded, with an unfunded actuarial accrued liability of approximately \$44.5 billion. PSERS' rate of return for fiscal year ended June 30, 2018 was 9.27%. The Fund had plan net assets of \$56.7 billion at June 30, 2018. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Official Statement.

The Fund's complete report is available on the PSERS website on the Internet: www.psers.state.pa.us.

Additional information relating to the Districts' Pension Obligations can be found in the District's "Audited Financial Statements for the Years Ended June 30, 2018" in Appendix B of this document.

SOURCE: School District Administrative Officials and PSERS –Budget Report Fiscal Year 2018-2019.

Other Post-Employment Benefits (“OPEB”)

The School District provides certain health care benefits for its retirees (commonly referred to as “other post-employment benefits” or “OPEB”), on a pay-as-you-go basis. However, the School District became subject to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, which requires it to reflect the present value of future OPEB as a liability on the School District’s financial statements, commencing with the School District’s annual financial statements for the fiscal year ending June 30, 2009. More recently, GASB issued Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 75) which supersedes GASB 45. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to actuarial present value, and attribute that present value to periods of employee service. GASB 75 requires the School District to recognize its proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net OPEB obligation (similar to pension), as well as the School District’s net OPEB obligation. The combination of these two net OPEB liabilities totals \$17,036,130 as of June 30, 2018.

The School District offers two OPEB plans for its employees: a PSERS program and a School District Program.

PSERS OPEB Plan

Plan Description. The School District employees participate in the PSERS – Health Insurance Premium Assistance program, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. The members eligible to participate in the System include all full-time public-school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided. Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance eligible retirees must obtain their health insurance coverage through either their school employer or PSER’s Health Option Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Contributions. The District’s contractually required contribution for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance any unfunded accrued liability. During the 2017-2018 fiscal year, the Penn Hills School District contributed \$237,282 to the premium assistance program.

OPEB Liability. At June 30, 2018, the District reported a liability of \$4,317,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2016 to June 30, 2017. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30,

2017, the School District's proportion was .2119%, which was a decrease of .0122% from its proportion measured as of June 30, 2016.

School District OPEB Plan

Plan Description. The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides healthcare, prescription drug, dental, vision, and/or life for the life of the member, until the member is eligible for Medicare, or up to four or ten years or until age 65, whichever comes first, for eligible retirees, their spouses and/or their dependents through the District's health insurance plan. A Medicare supplement is also provided to grandfathered employees until death. The member is covered until death for life insurance. The Retiree Health Plan covers both active and retired members. Benefit provisions are established through negotiation with the District and the union representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

Funding Policy. The contribution requirements of plan members and the School District are negotiated between the District and the union representatives as part of the collective bargaining agreements. The plan is funded on a pay as-you-go basis, i.e. premiums are paid monthly to fund the health care benefits provided to current retirees. During the 2017-2018 fiscal year, the Penn Hills School District paid \$1,425,087 for retiree health insurance coverage for 136 participants.

OPEB Liability. The District's total OPEB liability of \$12,719,130 was measured as of June 30, 2018 and was determined by an actuarial valuation performed as of June 30, 2018. As the District's OPEB Plan is unfunded, the total OPEB liability is equal to the net OPEB liability.

SOURCE: School District Administrative Officials and Audited Financial Statements for the Years Ended June 30, 2018

Additional information relating to the Other Post-Employment Benefits can be found in the District's "**Audited Financial Statements for the Years Ended June 30, 2018**" in Appendix B of this document.

SCHOOL DISTRICT FINANCIAL SUMMARIES

Summary of Recent Financial History and Current Financial Status

A summary of General Fund Revenue and Expenditures for the fiscal years ended June 30, 2016-2018, along with projected 2019 and budgeted 2020 is presented in the table included later in this section. The School District's liquidity and fund balance position significantly deteriorated in recent years. The School District has experienced deficits in its annual operations (i.e., annual revenues compared to annual expenditures) with annual General Fund deficits on a modified accrual basis of \$18,844,581 in 2015, \$6,792,441 in 2016, \$11,009,543 in 2017, \$12,092,043 in 2018 and \$8,960,575 in 2019 (unaudited numbers in 2019). These results are prior to certain adjustments made for Other Financing Sources (Uses) (i.e., special education settlements and operating transfers in/(out)).

Since 2012, the School District has experienced financial pressures chiefly from increases in debt service, pension costs and the dollar magnitude of charter school payments. The most significant reason for the operating deficits were the borrowings to fund the construction in 2010 of a new high school and elementary school. These borrowings caused the School District's debt service to

increase to approximately \$11,000,000 in fiscal year 2014 compared to \$2,650,000 prior to the construction projects. Of particular note in regard to the debt service increase is that the School District's adopted general fund budgets for fiscal years 2014 and 2015 under-budgeted debt service by approximately \$6,500,000 and \$3,500,000, respectively. The School District's failure to budget the increase in debt service payments for the \$130 million of additional debt is the primary cause of its dire financial circumstance.

The following table provides an historical overview of the School District's debt service expenditures in relation to total general fund expenditures:

June 30	Total Debt Service Expenditures⁽¹⁾	General Fund Expenditures⁽²⁾	D/S %
2009	\$2,647,212	\$71,126,341	3.72%
2010	5,737,030	75,036,688	7.65%
2011	9,855,576	81,855,737	12.04%
2012	9,848,891	79,923,220	12.32%
2013	14,298,257	87,546,029	16.33%
2014	11,066,766	85,599,557	12.93%
2015	10,960,071	89,451,873	12.25%
2016	12,115,980	88,494,260	13.69%
2017	12,717,965	82,672,804	15.38%
2018	9,209,035	90,015,097	10.23%
2019	11,923,587	90,614,932	13.16%
2020 (Budgeted)	11,919,250	90,934,705	13.11%

Source: School District Administrative Officials

⁽¹⁾ A portion of these debt service expenditures for Fiscal Year 2010 - 2013 were capitalized by proceeds of bond issues.

⁽²⁾ Portion of these General Fund Expenditures for Fiscal Year 2010 - 2013 include capitalized interest payments.

Charter School Tuition

Since 2010, the School District has experienced a significant decline in school enrollment, mostly as a result of increases in charter school Enrollment and decreases in birth rates (See "Pupil Enrollment History" herein). The School District faces competition from a number of charter and cyber schools. However, since 2014-15, charter school enrollments have stabilized, in part due to active efforts by School District officials to retain students. For the 2019-20 school year, there are 847 Penn Hills School District students in charter schools (See "Charter and Cyber School Enrollment History"). The payments to charter schools made by the School District in 2018-19 are estimated to total \$14,306,777. A recent history of charter school payments is provided below:

Year	Amount
2012-2013	\$10,273,089
2013-2014	10,200,619
2014-2015	10,901,523
2015-2016	10,996,621
2016-2017	11,079,483
2017-2018	14,306,483
2018-2019	14,306,777

SOURCE: School District Administration

SUMMARY OF GENERAL FUND REVENUES AND EXPENDITURES
 For Fiscal Years Ended June 30

	2016	2017	2018	2019 Projected ¹	2020 Budgeted ²
Revenue					
Local Sources	\$43,745,049	\$45,950,576	\$47,784,346	\$49,522,420	\$49,804,516
State Sources	30,789,542	34,064,706	36,106,584	36,150,607	36,685,504
Federal Source	3,721,465	4,104,218	4,779,632	5,117,488	4,444,685
Other Sources	-0-	-0-		\$0	0
TOTAL REVENUE	\$78,256,056	\$84,119,500	\$88,670,562	\$90,790,516	\$90,934,705
Expenditures					
Instruction	\$49,682,830	\$48,202,673	\$54,236,594	\$53,001,590	\$52,704,086
Support Services	25,605,245	26,283,598	25,508,148	24,503,499	24,650,570
Non-instructional services	1,090,205	1,048,439	1,046,533	1,186,256	1,160,797
Capital Outlays	-0-	-0-	-0-	0	\$0
Debt Service – P&I	12,115,980	12,801,892	9,175,983	11,923,587	12,419,252
Interfund Transfers Out	-0-	-0-	-0-	0	
TOTAL EXPENDITURES	\$88,494,260	\$88,336,602	\$89,967,258	\$90,614,932	\$90,934,705
Excess (Deficiency) of Revenue over Expenditures	\$(10,238,204)	\$(4,217,102)	\$(1,296,696)	\$175,584	\$0
Other Financing Sources					
Sale of fixed assets	\$293,399	-0-	\$205,090	\$2,954,520	\$0
Sale of Bonds	19,965,000	-0-	-0-	0	\$0
Bond Premiums	2,027,795	-0-	-0-	0	\$0
Other Objects	-0-	-0-	(33,052)	0	\$0
Other Uses of Funds	-0-	-0-	-0-	0	\$0
Insurance Recoveries	4,150	-0-	-0-	0	\$0
Transfers in	-0-	-0-	41,708	1,815	\$0
Transfers out	-0-	-0-	-0-	0	\$0
TOTAL OTHER FINANCING SOURCES	\$22,290,344	-0-	\$213,746	\$2,956,335	\$0
NET CHANGE IN FUND BALANCES	\$12,052,140	\$(4,217,102)	\$(1,082,950)	\$3,131,918	\$0
Fund Balance Beginning	\$(18,844,581)	\$(6,792,441)	\$(11,009,543)	\$(12,092,493)	
Prior Period Adjustment	-0-	-0-	-0-		0
Fund Balances Ending	\$(6,792,441)	\$(11,009,543)	\$(12,092,493)	\$(8,960,575)	

Source: School District Audited Financial Statements

¹ Source: School District Annual Financial Report, Form PDE-2057

² Source: Final School District Budget Adopted June 29, 2019

Budgeting Process in School Districts under the Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the PDE. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such PDE and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under Pennsylvania Act No. 1 of the Special Session of 2006 (the “Tax Payer Relief Act”), all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days’ public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. The PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS”) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If the PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which the PDE approval is required (see “LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS”), the school district must publish notice of its intent to seek the PDE approval not less than one week before submitting its request for approval to the PDE and, if the PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. The PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if it denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under the Taxpayer Relief Act, the school district must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week’s public notice of the intent to file such petition. The court may schedule a hearing on the petition, and the school district must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the school district of its decision no later than 55 days prior to the upcoming election. Such Act provides that the court in approving the petition shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception and the appropriate duration of the tax increase. If the court denies the school district’s petition, the Taxpayer Relief Act permits the school district to submit a referendum question to the local election officials at least 50 days before the upcoming election.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Discussion of 2019-20 Adopted Budget and Financial Stabilization Efforts

Since fiscal year 2015 and each fiscal year thereafter, including the fiscal year 2018-19 adopted budget, the School District has raised real estate tax millage to the maximum amount allowed under the Taxpayer Relief Act. In the current fiscal year, the School District maintained millage at the same level as in 2018-19.

The School District employed conservative revenue budgeting assumptions for the 2019-20 adopted budget. Aside from local taxes which comprise 55% of fiscal year 2020 budgeted revenues, the next largest source of revenue is the commonwealth basic education Subsidy 40% of total revenues. Federal revenue provides 5% of the Budgeted revenue. The School District budgeted a .8% increase in the Commonwealth basic education subsidy for Fiscal Year 2020.

The Chief Recovery Officer, Dr. Daniel Matsook, was appointed in early February 2019 by PDE and developed the 2019/20 Budget along with his development of the Recovery Plan voted on June 29, 2019 by the School Board. His Plan is right sizing the School District in order to bring expenditures in line with revenues. His efforts included among others, an extensive programming review to determine the effectiveness and expense of all programs and their component parts. Only two programs were changed in the 2019/20 Budget, pre-kindergarten and the ROTC program. The pre-kindergarten program is still a viable program in the School District; however, now it is contracted out. There is no cost to the School District because it is grant funded. Because of the low participation in the ROTC Program, students participate in the program in an adjacent school district. The School District pays a fee per student. In addition to those two changes, there were sixty six positions eliminated in order to balance the budget: four Administrator positions, 25 teacher positions, 20 instructional aides and service aide positions, 10 custodial positions, four secretarial positions, one computer technology position, and two health room assistant positions. In the current budget year, Dr. Daniel Matsook is implementing Academic and Operational Initiatives addressed in the Recovery Plan while reviewing the Preliminary Budget for the 2020-2021 school year.

TAXES AND TAXING POWERS OF THE SCHOOL DISTRICT

General

The School District is empowered to impose the following taxes under the School Code:

1. An annual tax on all taxable real estate, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An annual tax on all taxable real estate to provide for the payment of:
 - (a) Salaries and increments of the teaching and supervisory staff.
 - (b) Rentals due any municipal authority, non-profit corporation or the State Public School Building Authority.
 - (c) Interest and Principal on any indebtedness incurred under the Act or any prior or subsequent act governing the incurrence of indebtedness of the School District, and
 - (d) The amortization of a bond or note issue which financed the construction of school facilities if issued prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident over eighteen years of age of not more than \$5.00.

The School District may also levy under The Local Tax Enabling Act, Act No. 511, approved December 31, 1965, as amended (the "Tax Enabling Act"), an additional per capita tax, wage taxes, and other taxes as provided for therein; provided, however, that the aggregate amount of taxes imposed under the Tax Enabling Act may not exceed 1.25% of the market valuation of the real estate in the School District as determined by the State Tax Equalization Board, and subject to certain other limitations.

These taxes are also subject to apportionment between overlapping municipalities and the School District where such municipalities exercise the right of such apportionment.

The foregoing is subject to, and qualified in all regards by, the provisions of the Taxpayer Relief Act as described herein.

Current Tax Structure (6/30/2019)

	Real Estate Millage	Earned Income	Real Estate Transfer	Local Services	Mercantile Tax		
					Retail	Wholesale	Business Privilege
School District	28.6646	.5%	.5%	\$5.00	1.5%	1.0%	1 mill
Municipality of Penn Hills	6.444	1.25%	1.5%	\$47.00	1.5%	1.0%	1 mill
Allegheny County	4.7300						

SOURCE: School District Administrative Officials.

History of Real Estate Tax Millage

Year	Millage	Current Collections
2009-2010	24.810	\$31,363,739
2010-2011	24.810	31,015,407
2011-2012	24.810	31,133,953
2012-2013	24.810	30,967,216
2013-2014*	23.470	31,060,749
2014-2015	24.154	32,317,407
2015-2016	24.806	33,542,447
2016-2017	26.306	35,654,380
2017-2018	27.557	37,462,017
2018-2019	28.665	39,196,357
2019-2020	28.665	37,524,934**

Source: School District Administrative Officials

* Figures based on Allegheny County re-assessment

** Payments collected through 12/31/2019

Real Estate Valuation

Year	Assessed Value	Market	Ratio
2015	\$1,592,255,804	\$1,592,255,804	100.00%
2016	1,497,363,028	1,497,363,028	100.00%
2017	1,500,088,790	1,500,088,790	100.00%
2018	1,563,287,391	1,454,841,623	107.45%
2019	1,595,975,649	1,471,872,002	108.43%

Real Estate Tax Collection Procedures

Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the School District.

Assessed values are established by the Allegheny County Board of Assessments.

The property tax calendar is as follows:

July 1	Levy date
July 1 –August 31	2% discount period
September 1 –October 31	Face payment period
November 1 –January 15	10% penalty period
January 15	All taxes unpaid become delinquent and are turned over to the delinquent tax collector for collection.

Real Property Tax Collections

The real property tax collection results for the most recent fiscal year end, including:

- (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount)
- (2) the dollar amount of real estate taxes collected that represent current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount)
- (3) the amount of real estate taxes collected that represent taxes levied in prior years (expressed as an aggregate dollar amount)
- (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount)

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Assessed Valuation	1,497,363,028	1,512,473,609	1,563,287,391	1,595,975,649	1,599,495,284
Millage	24.8061	26.3061	27.5570	28.6646	28.6646
Current Levy	37,143,737	39,787,282	43,079,511	45,748,004	45,848,893
Adjusted Tax Levy	37,077,614	39,427,465	0	0	0
Collections	33,542,447	35,654,380	39,533,063	39,196,357	37,524,934*
Current & Delinquent Collected**	36,798,779	38,414,371	42,710,271	42,740,837	--
Percent Current Collections to Current Adjusted Levy	90.5%	90.4%	91.8%	85.7%	81.84%*
Percent Current and Delinquent Collections to Current Adjusted Levy**	99.2%	97.4%	99.1%	93.4%	--

* As of 12/31/2019

** The School District sells its delinquent tax claims in the first quarter of each year. See "Sale of Tax Claims" below.

Sale of Tax Claims

On May 6, 2016, the Penn Hills School District sold its outstanding delinquent real estate tax claims for the tax years 2014, 2015, and 2016 as of January 1, 2016 to the Northwest Pennsylvania Incubator Association (NPIA). NPIA borrowed the necessary fund from Firstrust Savings Bank. The sale proceeds to the Penn Hills School District were approximately \$3,253,322. Section 3.02 of the agreement of sale between the District and NPIA provides for a mandatory repurchase clause by the District in the event of default by NPIA on its loan obligation to Firstrust Savings Bank. In the event of default, the District would be responsible for the outstanding balance due Firstrust Savings Bank by NPIA.

On June 27, 2016, the School District approved a resolution to sell to NPIA its 2017, 2018, and 2019 tax claims. On March 25, 2019, the School District approved a resolution to sell its delinquent taxes as of June 30, 2020 to NPIA.

Major Real Estate Taxpayers

Taxpayer	Principal Business	Assessed Value
DLC Alcoma Limited Partnership	Apartment Complex	\$7,159,600
Rodi Medical Bldg LLC	Medical Building	\$7,095,600
Penn Hills Shopping Center LLC	Shopping Center	\$6,200,000
St. Margaret Nursing Home UPMC	Healthcare	\$5,480,600
Associated Investors Inc	Investment Company	\$5,341,700
Mariesten LP	Real Estate	\$3,839,200
Seneca Hills Assisted Living LP UPMC	Assisted Living	\$3,723,700
Duff Manor Estates LP	Apartment Complex	\$3,450,000
Kappa Frankstown Associates LLC	Real Estate	\$3,372,900
U Pull and Pay LLC	Retail	\$2,828,700
RH Properties Management	Real Estate	\$2,642,300
Penn Hills Retail LP	Retail	\$2,609,100
Penn Arbors Apt LLC	Apartment Complex	\$2,606,600
East Side Commons LP	Real Estate	\$2,600,000

DEBT OF THE SCHOOL DISTRICT

Article IX, Section 10, of the Constitution of the Commonwealth requires the General Assembly to prescribe the debt limits of units of local government in the Commonwealth, including the School District, based on a percentage of total revenues of such units over a period immediately preceding the borrowing. Self-liquidating or subsidized debt and all debt approved by referendum are not treated as debt to which the Constitutional debt limits apply. The Act implements Article IX, Section 10 of the Constitution.

“Electoral debt” under the Act includes all debt incurred, or transferred to that category, with the assent of the electors. “Lease rental debt” includes all debt, other than electoral debt, secured by

payments made from tax or other general revenues of the School District, pursuant to leases, guarantees, subsidy contracts or other forms of agreement. "Nonelectoral debt" includes all debt except electoral debt or lease rental debt. The Act requires the School District to classify its debt as electoral, nonelectoral or lease rental. Electoral and nonelectoral debt constitute general obligations for which the full faith and credit of the School District is pledged, while lease rental debt represents obligations of duly incorporated governmental authorities for which the School District has agreed to make certain payments, either absolutely or upon the event of certain contingencies, usually in the form of lease agreements or guaranties. The School District may pledge its full faith and credit for the payment of lease rental debt. The Act also permits each category of debt to be classified as "self- liquidating" to the extent user charges imposed by the School District or any of the contracting agencies are sufficient to pay all or a portion of such debt, or as "subsidized" to the extent that payments from another governmental body will be used to pay the debt. Self-liquidating and subsidized debt are not subject to any debt limitations under the Act. Debt incurred to fund an unfunded actuarial accrued liability in a pension plan is also not subject to any debt limitations under the Act.

Under the Act, the School District may not incur any new nonelectoral debt if, following the issuance thereof, the aggregate net principal amount of outstanding nonelectoral debt of the School District will exceed 250% of its borrowing base. In addition, the School District may not incur any new lease rental debt or nonelectoral debt if, following the issuance thereof, the aggregate net principal amount of outstanding nonelectoral and lease rental debt of the School District will exceed 350% of its borrowing base. The borrowing base of the School District is defined in the Act as the arithmetic average of the total revenues of the School District for the three (3) full fiscal years of the School District immediately preceding the date on which the new nonelectoral debt or new lease rental debt is incurred. Total revenues generally include all revenues of the School District, but exclude certain revenues set forth in the Act. The Bonds will be issued as nonelectoral debt of the School District, without the approval of the electorate, subject to the limitations on the incurring of nonelectoral debt under the Act.

LOCAL GOVERNMENT UNIT DEBT ACT – DEBT STATEMENT
as of January 1, 2020

	Nonelectoral Debt	Lease Rental Debt
Gross Debt		
Outstanding Principal Amount of Bonds:		
General Obligation Bonds, Series B of 2009 (Federally Taxable Direct Payment Build America Bonds)*	\$104,760,000	
General Obligation Notes, (Federally Taxable) Refunding Series B of 2012	755,000	
General Obligation Bonds, Series C of 2012	22,355,000	
General Obligation Notes, Series of 2013*	1,590,000	
General Obligation Bonds, Series of 2015	13,475,000	
General Obligation Note, Series A of 2015	1,945,000	
General Obligation Notes, Federally Taxable Series of 2017	21,385,000	
Capital Leases	0	
Total Gross Debt	\$166,265,000	\$0

Exclusions from Gross Debt

Total Exclusions

Total Net Nonelectoral and Lease Rental Debt	\$166,265,000	\$0
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* Being refunded by the 2020 Bonds

Source: School District Administrative Officials

SUMMARY OF OUTSTANDING DEBT FOLLOWING 2020 BOND ISSUANCE

General Obligation Notes, (Federally Taxable) Refunding Series B of 2012	\$ 755,000
General Obligation Bonds, Series C of 2012	22,355,000
General Obligation Bonds, Series of 2015	13,475,000
General Obligation Note, Series A of 2015	1,945,000
General Obligation Notes, Federally Taxable Series of 2017	21,385,000
General Obligation Bonds, Series of 2020	101,780,000
Total General Obligation Bonds	\$161,695,000

Source: School District Administrative Officials

BORROWING CAPACITY UNDER LOCAL GOVERNMENT UNIT DEBT ACT
Following Issuance of 2020 Bonds

FISCAL YEAR
(June 30 FYE)

	2017	2018	2019 (Unaudited)
Total Gross Revenues	\$ 84,119,543	\$ 88,670,562	\$93,746,850
Less: Total Deductions	4,775,877	4,779,632	6,953,984
Total Net Revenue	79,343,666	83,890,930	86,792,866
Borrowing Base (arithmetic average of total net revenue for three fiscal years)		\$ 83,342,487	
		Net Nonelectoral Debt (Borrowing Base x 225%)	
Debt Limitations		\$ 187,520,597	
Less: Then Existing Net Debt*		161,695,000	
Remaining Borrowing Capacity		<u>\$ 25,825,597</u>	

*Includes 2020 Bonds but excludes debt refunded (2009, 2013) by the 2020 Bonds.

Source: School District Administrative Officials

The following table provides an historical overview of the School District's debt service obligations:

ANNUAL DEBT SERVICE FOLLOWING ISSUANCE OF 2020 BONDS

Fiscal Year Ended	G.O. Bonds Series B of 2009 ¹¹⁾ (BABS)	G.O. Notes Series B of 2012 (Taxable)	G.O. Bonds Series C of 2012 (Tax-Exempt)	G.O. Notes Series of 2013 (Tax-Exempt)	G.O. Bonds Series of 2015 (Tax-Exempt)	G.O. Notes Series A of 2015 (Tax-Exempt)	G.O. Bonds Series of 2017 (Taxable)	G.O. Bonds Series of 2020 (Tax-Exempt)	Total Debt Service
6/30/2020	2,165,376	85,978	894,200	200,176	3,046,625	86,219	1,120,564	478,487	8,077,623
6/30/2021		88,773	894,200		3,047,875	86,106	1,120,332	3,593,600	8,830,885
6/30/2022		86,463	894,200		3,043,125	85,975	1,120,100	3,593,500	8,823,362
6/30/2023		89,048	894,200		3,047,000	85,825	1,119,867	5,287,575	10,523,515
6/30/2024		86,363	894,200		3,044,125	85,675	1,119,635	5,290,900	10,520,898
6/30/2025		88,394	894,200		3,044,250	90,450	1,119,403	5,283,000	10,519,697
6/30/2026		90,188	894,200			441,050	1,573,381	7,890,525	10,889,344
6/30/2027		86,863	894,200			448,900	1,575,988	7,884,025	10,889,976
6/30/2028		88,419	894,200			423,300	1,606,739	7,875,775	10,888,433
6/30/2029		89,738	894,200			780,300	1,493,302	7,621,525	10,879,064
6/30/2030		90,819	894,200				2,284,987	7,591,525	10,861,531
6/30/2031		81,900	894,200				2,297,690	7,590,700	10,864,490
6/30/2032			987,300				2,306,360	7,572,550	10,866,210
6/30/2033			988,400				2,310,997	7,564,675	10,864,072
6/30/2034			994,200				2,313,794	7,556,775	10,864,769
6/30/2035			989,800				2,324,081	7,548,700	10,862,581
6/30/2036			990,300				2,338,728	7,535,375	10,864,403
6/30/2037			990,600				2,347,466	7,526,650	10,864,716
6/30/2038			990,700				2,360,026	7,512,375	10,863,101
6/30/2039			990,600				2,371,006	7,502,400	10,864,006
6/30/2040			2,024,200				2,433,658	6,319,350	10,777,208
6/30/2041			8,537,700					1,876,100	10,413,800
6/30/2042			8,535,900					1,877,050	10,412,950
6/30/2043			4,253,400					6,501,075	10,754,475
TOTAL	2,165,376	1,052,941	42,003,500	200,176	18,273,000	2,613,800	38,658,104	146,874,212	251,841,109

Source: School District Administrative Officials

DEBT RATIOS AND FINANCIAL FACTORS

Penn Hills 2010 Population	42,329
Taxable Assessed Real Estate Value (2018-2019)	\$1,596,062,084
School District General Obligation Debt	\$166,265,000
Allocable Portions of Overlapping Debt	
County of Allegheny	\$57,988,340
Municipality of Penn Hills	<u>\$15,526,536</u>
Total Overlapping Debt	\$ 73,514,876
 Total Direct and Overlapping Debt	\$239,779,876
Per Capita Direct Debt	\$3,928
Per Capital Direct and Overlapping Debt	\$5,665
Direct Debt to Taxable Assessed Value	10.42%
 Direct Debt and Overlapping Debt to Taxable Assessed Value	15.02%

Debt Service Requirements

The table below presents the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

COVERAGE OF DEBT SERVICE AND LEASE RENTAL REQUIREMENTS BY STATE AID*

2018-2019 Commonwealth Aid Received*	\$36,150,607
2018-2019 Gross Debt Service Requirements	\$11,923,586
Maximum Future Debt Service Requirements after Issuance of Bonds	\$10,889,996
Coverage of 2018-2019 Gross Debt Service Requirements	3.03x
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	3.32x

* Per PDE-2057, Annual Report for fiscal year ended June 30, 2019

APPENDIX B

SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS – JUNE 30, 2018

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PENN HILLS SCHOOL DISTRICT

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**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**PENN HILLS  
SCHOOL DISTRICT**  
ALLEGHENY COUNTY, PENNSYLVANIA

**FINANCIAL STATEMENTS**

**AND**

**OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE**

**WITH REPORTS OF**

**CERTIFIED PUBLIC ACCOUNTANT**

**FOR THE YEAR ENDED  
JUNE 30, 2018**

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**PENN HILLS SCHOOL DISTRICT**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
**TABLE OF CONTENTS**

|                                                                                                                                                                  | <u>PAGE</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| INDEPENDENT AUDITOR'S REPORT .....                                                                                                                               | i-iii       |
| MANAGEMENT'S DISCUSSION AND ANALYSIS .....                                                                                                                       | iv-xiv      |
| EXHIBIT A – STATEMENT OF NET POSITION .....                                                                                                                      | 1           |
| EXHIBIT B – STATEMENT OF ACTIVITIES .....                                                                                                                        | 2           |
| EXHIBIT C – BALANCE SHEET – Governmental Funds .....                                                                                                             | 3           |
| EXHIBIT D – RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET<br>TO THE STATEMENT OF NET POSITION .....                                                     | 4           |
| EXHIBIT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN<br>IN FUND BALANCES- Governmental Funds .....                                                     | 5           |
| EXHIBIT F - RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF<br>REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES<br>TO THE STATEMENT OF ACTIVITIES ..... | 6           |
| EXHIBIT G - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN<br>IN FUND BALANCES, BUDGET AND ACTUAL - Governmental Funds .....                                 | 7           |
| EXHIBIT H - STATEMENT OF NET POSITION – Proprietary Funds .....                                                                                                  | 8           |
| EXHIBIT I - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND<br>NET POSITION – Proprietary Funds .....                                                        | 9           |
| EXHIBIT J - STATEMENT OF CASH FLOWS – Proprietary Funds.....                                                                                                     | 10          |
| EXHIBIT K– STATEMENT OF NET POSITION – Fiduciary Funds.....                                                                                                      | 11          |
| NOTES TO THE FINANCIAL STATEMENTS .....                                                                                                                          | 12-47       |

**OTHER SUPPLEMENTARY INFORMATION**

|                                                                                       |       |
|---------------------------------------------------------------------------------------|-------|
| SCHEDULE 1 – SCHEDULE OF GENERAL FUND REVENUES – Final Budget and Actual .....        | 48    |
| SCHEDULE 2 – SCHEDULE OF GENERAL FUND EXPENDITURES – Final Budget<br>and Actual ..... | 49-53 |

**PENN HILLS SCHOOL DISTRICT  
ALLEGHENY COUNTY, PENNSYLVANIA  
TABLE OF CONTENTS**

|                                                                                                                                                                                                                               | <u>PAGE</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>                                                                                                                                                                              |             |
| SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED CONTRIBUTIONS<br>– DEFINED BENEFIT PENSION PLAN.....                                                                                                                     | 54          |
| SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF NET PENSION<br>LIABILITY – DEFINED BENEFIT PENSION PLAN.....                                                                                                             | 55          |
| SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED OPEB<br>CONTRIBUTIONS – PSERS PLAN.....                                                                                                                                  | 56          |
| SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB<br>LIABILITY – PSERS PLAN.....                                                                                                                              | 57          |
| SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS -<br>DISTRICT POST-RETIREMENT HEALTHCARE PLAN.....                                                                                                         | 58          |
| <b><u>INFORMATION REQUIRED BY GOVERNMENTAL AUDITING STANDARDS AND THE<br/>UNIFORM GUIDANCE</u></b>                                                                                                                            |             |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements Performed in Accordance with<br>Government Auditing Standards..... | 59-60       |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control<br>over Compliance required by the Uniform Guidance.....                                                                            | 61-62       |
| Supplementary Schedule of Expenditures of Federal Awards .....                                                                                                                                                                | 63          |
| Notes to Schedule of Expenditures of Federal Awards .....                                                                                                                                                                     | 64          |
| Schedule of Findings and Questioned Costs.....                                                                                                                                                                                | 65-66       |
| Management's Corrective Action Plan.....                                                                                                                                                                                      | 67-68       |
| Status of Prior Audit Findings.....                                                                                                                                                                                           | 69-70       |

# **Mark C. Turnley**

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**To the Management and Board of Education  
Penn Hills School District**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Penn Hills School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Penn Hills School District'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 Penn Hills School District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Penn Hills School District as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". My opinions are not modified with respect to this matter.

## **Emphasis of Matter**

As shown on the Governmental Funds Balance Sheet (Exhibit C), the Penn Hills School District General Fund maintained a deficit fund balance of \$12,092,493 as of June 30, 2018. My opinion is not modified with respect to this matter. See Note 17 regarding Penn Hills School District's financial recovery status.

## **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 iv-xiv, and the other required supplementary information on pages 54-58, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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***

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Penn Hills School District's basic financial statements. The other supplementary information on pages 48-53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

### ***Other Information (Continued)***

The other supplementary information and schedule of expenditures of federal awards 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 my opinion, the other supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 22, 2019 on my consideration of the Penn Hills School District's internal control over financial reporting and on my 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 my 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 Penn Hills School District's internal control over financial reporting and compliance.



Mark C. Turnley, CPA

March 22, 2019  
New Brighton, Pennsylvania

**PENN HILLS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

## **INTRODUCTION**

The discussion and analysis of the Penn Hills School District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2018. This discussion and analysis present the district's financial performance as a whole. The financial statements and the notes to the financial statements provide a more detailed look at the finances for the 2017-2018 school year.

The Management Discussion and Analysis (MD&A) is a requirement of the Comprehensive Annual Financial Report (CAFR) conforming to the model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999. GASB 34 requires a comparison of certain information between the current year and the prior year.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2017-18 fiscal year are as follows:

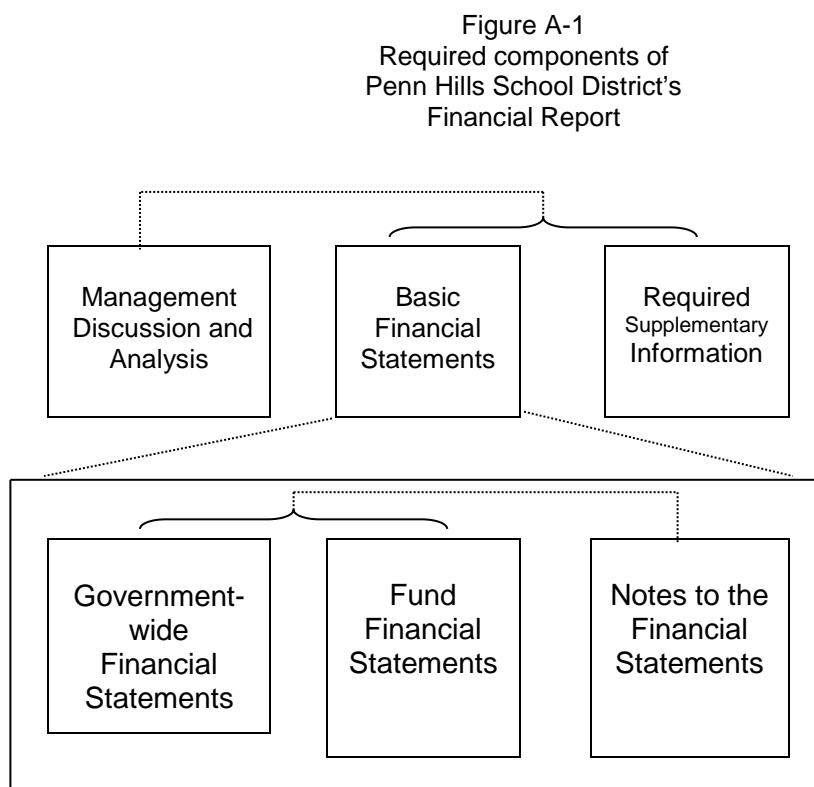
- The District's total governmental and business-type activities liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2018 by \$153,215,718 (net position – deficit). This was a decrease of \$5,487,695 over June 30, 2017. This deficit is mainly the result of the District's implementation of GASB Statement No. 68 '*Accounting and Financial Reporting for Pensions*' during the 2014-2015 fiscal year. The District is now required to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PERS) overall net pension obligation. For the Penn Hills School District, this liability stands at \$101,514,380 for governmental activities and \$3,139,620 for business-type activities as of June 30, 2018.
- Total revenues were \$88,910,511 for all governmental funds of which the general fund accounted for \$88,875,652 worth of revenues. Excluding other financing sources such as bond/Note proceeds, this represents an increase of \$4,790,968 from the prior fiscal year.
- The School District had \$89,967,258 in expenditures for the General Fund (excluding other financing uses) which represents an increase of \$1,630,656 from the prior fiscal year.
- At the end of the current fiscal year, the fund balance of the General Fund was a deficit \$12,092,493 of which \$583,984 is non-spendable for prepaid expenditures applicable to the 2018-2019 fiscal year. This represents a decrease of \$1,082,950 from the prior fiscal year.

**PENN HILLS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**USING THE ANNUAL FINANCIAL REPORT (GASB 34)**

The Annual Financial Report consists of this Management Discussion and Analysis and a series of financial statements and notes to those statements. The statements are organized so that the reader can understand Penn Hills School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:



**PENN HILLS SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**FISCAL YEAR ENDING JUNE 30, 2018**

**USING THE ANNUAL FINANCIAL REPORT (GASB 34) (Continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
 Major Features of Penn Hills School District's  
 Government-wide and Fund Financial Statements  
 Fund Statements

|                                        | Government-wide Statements                                                           | Governmental Funds                                                                                                                                                                         | Proprietary Funds                                                                                                   | Fiduciary Funds                                                                                                      |
|----------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Scope                                  | Entire District (except fiduciary funds)                                             | The activities of the District that are not proprietary or fiduciary, such as education, administration and community services                                                             | Activities the District operates similar to private business – Food Services                                        | Instances in which the District is the trustee or agent to someone else's resources – Scholarship and Activity Funds |
| Required financial statements          | Statement of net position<br>Statement of activities                                 | Balance Sheet<br>Statement of revenues, expenditures, and changes in fund balance                                                                                                          | Statement of net position<br>Statement of revenues, expenses and changes in net position<br>Statement of cash flows | Statement of fiduciary net position<br>Statement of changes in fiduciary net position                                |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus                                      | Modified accrual accounting and current financial resources focus                                                                                                                          | Accrual accounting and economic resources focus                                                                     | Accrual accounting and economic resources focus                                                                      |
| Type of asset/liability information    | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included                                                            | All assets and liabilities, both financial and capital, and short-term and long-term                                | All assets and liabilities, both short-term and long-term                                                            |
| Type of inflow-outflow information     | All revenues and expenses during year, regardless of when cash is received or paid   | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid                                  | All revenues and expenses during year, regardless of when cash is received or paid                                   |

**PENN HILLS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

## **OVERVIEW OF FINANCIAL STATEMENTS**

### **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, the reader needs to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, student support, administration and community services. Property taxes, state and federal subsidies, and grants finance most of these activities.
- Business type activities –The District operates a food service operation and charges fees to students, staff and visitors to help it cover the costs of the food service operation.

### **Fund Financial Statements**

The District's fund financial statements, which begin on Page 3, provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be reported separately by state law and by bond requirements.

**Governmental funds** – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary funds** – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

**PENN HILLS SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**FISCAL YEAR ENDING JUNE 30, 2018**

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

**Fiduciary funds** - The District is the trustee, or fiduciary, for student activity funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Page 11. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

A comparative breakdown of assets, liabilities and net position of the District for the past two fiscal years is as follows:

Table A-1  
Fiscal Year Ended June 30, 2018 and 2017  
Net Position

|                                                            | <b>JUNE 30, 2018</b>           |                                 |                         | <b>JUNE 30, 2017</b>    |              |
|------------------------------------------------------------|--------------------------------|---------------------------------|-------------------------|-------------------------|--------------|
|                                                            | <b>GOVERNMENTAL ACTIVITIES</b> | <b>BUSINESS-TYPE ACTIVITIES</b> | <b>TOTAL</b>            | <b>TOTAL</b>            | <b>TOTAL</b> |
| Current Assets                                             | \$ 4,506,917                   | \$ 552,793                      | \$ 5,059,710            | \$ 5,128,070            |              |
| Capital Assets                                             | 147,280,417                    | 335,723                         | 147,616,140             | 135,235,556             |              |
| Deferred Outflows of Resources                             | 17,818,572                     | 476,584                         | 18,295,156              | 19,047,745              |              |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>     | <b>\$ 169,605,906</b>          | <b>\$ 1,365,100</b>             | <b>\$ 170,971,006</b>   | <b>\$ 159,411,371</b>   |              |
| Current Liabilities                                        | \$ 20,494,675                  | \$ 53,724                       | \$ 20,548,399           | \$ 20,820,568           |              |
| Long-Term Liabilities                                      | 292,142,195                    | 3,269,130                       | 295,411,325             | 281,450,627             |              |
| Deferred Inflows of Resources                              | 7,980,190                      | 246,810                         | 8,227,000               | 4,842,000               |              |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b> | <b>\$ 320,617,060</b>          | <b>\$ 3,569,664</b>             | <b>\$ 324,186,724</b>   | <b>\$ 307,113,195</b>   |              |
| Net Investment in Capital Assets (Deficit)                 | \$ (6,261,473)                 | \$ 335,723                      | \$ (5,925,750)          | \$ (17,146,786)         |              |
| Unrestricted (Deficit)                                     | (144,749,681)                  | (2,540,287)                     | (147,289,968)           | (130,555,038)           |              |
| <b>TOTAL NET POSITION (Deficit)</b>                        | <b>\$ (151,011,154)</b>        | <b>\$ (2,204,564)</b>           | <b>\$ (153,215,718)</b> | <b>\$ (147,701,824)</b> |              |

The change in deferred outflows of resources, deferred inflows of resources, and long-term liabilities are partly the result of the updated valuation from PSERS as required under GASB Statement No. 68 that requires the District to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net pension obligation, which for the Penn Hills School District, totals \$104,654,000. The change in long-term liabilities is primarily the result of the implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Post-employment Benefits other than Pensions" ("OPEB"). This new statement requires the District to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net OPEB obligation (similar to pension), as well as the District's net OPEB obligation. The combination of these two net OPEB liabilities totals \$17,036,130 as of June 30, 2018. Capital assets and the related net investment in capital assets increased as a result of an updated fixed asset appraisal conducted by the District applicable to the 2017-2018 fiscal year.

The results of this year's operations as a whole are reported in the Statement of Activities on Page 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

**PENN HILLS SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**FISCAL YEAR ENDING JUNE 30, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

The following Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues, expenses, and change to the net position for the past two fiscal years.

Table A-2  
Fiscal Year Ended June 30, 2018 and June 30, 2017  
Changes in Net Position

|                                            | JUNE 30, 2018              |                             |                       | JUNE 30, 2017         |  |
|--------------------------------------------|----------------------------|-----------------------------|-----------------------|-----------------------|--|
|                                            | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                 | TOTAL                 |  |
| <b>REVENUES</b>                            |                            |                             |                       |                       |  |
| <b>Program Revenues:</b>                   |                            |                             |                       |                       |  |
| Charges for Services                       | \$ 557,910                 | \$ 778,822                  | \$ 1,336,732          | \$ 1,530,108          |  |
| Grants and Contributions                   | 21,070,505                 | 2,196,047                   | 23,266,552            | 22,381,651            |  |
| <b>General Revenues:</b>                   |                            |                             |                       |                       |  |
| Property, Other Taxes                      | 45,902,890                 | -                           | 45,902,890            | 43,746,681            |  |
| Grants, Subsidies and Contributions        | 20,859,357                 | -                           | 20,859,357            | 18,701,806            |  |
| Investment Earnings                        | 70,139                     | 88                          | 70,227                | 3,661                 |  |
| Gain (Loss) on Disposition of Fixed Assets | (475,846)                  | -                           | (475,846)             | -                     |  |
| Miscellaneous                              | 244,620                    | -                           | 244,620               | 515,781               |  |
| <b>TOTAL REVENUES</b>                      | <b>\$ 88,229,575</b>       | <b>\$ 2,974,957</b>         | <b>\$ 91,204,532</b>  | <b>\$ 86,879,688</b>  |  |
| <b>EXPENSES</b>                            |                            |                             |                       |                       |  |
| Instruction                                | \$ 56,061,145              | \$ -                        | \$ 56,061,145         | \$ 53,902,096         |  |
| Instructional Student Support              | 6,212,635                  | -                           | 6,212,635             | 6,572,896             |  |
| Administrative and Financial Support       | 4,888,659                  | -                           | 4,888,659             | 5,293,643             |  |
| Operation and Maintenance of Plant         | 8,070,923                  | -                           | 8,070,923             | 8,395,859             |  |
| Pupil Transportation                       | 7,085,594                  | -                           | 7,085,594             | 7,542,955             |  |
| Student Activities                         | 971,359                    | -                           | 971,359               | 1,016,114             |  |
| Community Services                         | 120,795                    | -                           | 120,795               | 137,339               |  |
| Interest on Long-term Debt                 | 10,347,760                 | -                           | 10,347,760            | 9,193,700             |  |
| Food Services                              | -                          | 2,933,357                   | \$ 2,933,357          | 2,981,888             |  |
| <b>TOTAL EXPENSES</b>                      | <b>\$ 93,758,870</b>       | <b>\$ 2,933,357</b>         | <b>\$ 96,692,227</b>  | <b>\$ 95,036,490</b>  |  |
| <b>CHANGE IN NET POSITION</b>              | <b>\$ (5,529,295)</b>      | <b>\$ 41,600</b>            | <b>\$ (5,487,695)</b> | <b>\$ (8,156,802)</b> |  |

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, long-term debt, as well as each program's net cost (total cost less revenues generated by the activities) for the past two fiscal years. This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**PENN HILLS SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**FISCAL YEAR ENDING JUNE 30, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

Table A-3  
Fiscal Year Ended June 30, 2018 and June 30, 2017  
Governmental Activities

|                                                            | JUNE 30, 2018            |                        | JUNE 30, 2017            |                        |
|------------------------------------------------------------|--------------------------|------------------------|--------------------------|------------------------|
|                                                            | TOTAL COST<br>OF SERVICE | NET COST<br>OF SERVICE | TOTAL COST<br>OF SERVICE | NET COST<br>OF SERVICE |
| <b>EXPENSES</b>                                            |                          |                        |                          |                        |
| Instruction                                                | \$ 56,061,145            | \$ 43,304,878          | \$ 53,902,096            | \$ 42,916,328          |
| Instructional Student Support                              | 6,212,635                | 4,844,472              | 6,572,896                | 5,825,130              |
| Administrative and Financial Support                       | 4,888,659                | 4,266,820              | 5,293,643                | 4,863,309              |
| Operation and Maintenance of Plant                         | 8,070,923                | 6,721,784              | 8,395,859                | 7,068,304              |
| Pupil Transportation                                       | 7,085,594                | 4,563,241              | 7,542,955                | 4,815,580              |
| Student Activities                                         | 971,359                  | 807,818                | 1,016,114                | 860,470                |
| Community Services                                         | 120,795                  | 117,272                | 137,339                  | 135,854                |
| Interest on Long-term Debt/Refunds                         | 10,347,760               | 7,504,170              | 9,193,700                | 4,417,823              |
| <b>TOTAL EXPENSES</b>                                      | <b>\$ 93,758,870</b>     | <b>\$ 72,130,455</b>   | <b>\$ 92,054,602</b>     | <b>\$ 70,902,798</b>   |
| <b>Less:</b>                                               |                          |                        |                          |                        |
| Unrestricted Grants, Subsidies                             |                          | 20,859,357             |                          | 18,701,896             |
| <b>TOTAL NEEDS FROM LOCAL TAXES<br/>AND OTHER REVENUES</b> |                          | <b>\$ 51,271,098</b>   |                          | <b>\$ 52,200,902</b>   |

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4  
Fiscal Year ended June 30, 2018 and June 30, 2017  
Business-Type Activities

|                                       | JUNE 30, 2018            |                        | JUNE 30, 2017            |                        |
|---------------------------------------|--------------------------|------------------------|--------------------------|------------------------|
|                                       | TOTAL COST<br>OF SERVICE | NET COST<br>OF SERVICE | TOTAL COST<br>OF SERVICE | NET COST<br>OF SERVICE |
| <b>EXPENSES</b>                       |                          |                        |                          |                        |
| Food Service                          | \$ 2,933,357             | \$ (41,512)            | \$ 2,981,888             | \$ (221,933)           |
| Investment Earnings                   |                          | 88                     |                          | 190                    |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b> |                          | <b>\$ 41,600</b>       |                          | <b>\$ (221,743)</b>    |
| <b>NET INCOME &lt;LOSS&gt;</b>        |                          | <b>\$ 41,600</b>       |                          | <b>\$ (221,743)</b>    |

Operating expenses of the Food Service program decreased by \$48,531 (2%) from the previous fiscal year while operating revenues decreased \$12,630 (2%). Federal and state subsidies related to the food service program increased by \$227,544 (12%) for the current fiscal year.

**PENN HILLS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**THE DISTRICT FUNDS**

At June 30, 2018, the District's governmental funds reported a combined deficit fund balance of \$12,073,431 compared to a deficit balance of \$10,988,686 for the year ended June 30, 2017. The main reason for the increase in deficit was related to the overall general operations of the General Fund where expenditures exceeded revenues by \$1,082,950. The District's debt service fund maintained a fund balance of \$19,062 as of June 30, 2018. The following is additional information concerning revenues, expenses and fund balance.

**REVENUES**

The revenues received into the general fund during 2017-2018 came from three major sources (not including other financing sources): local, state, and federal revenues. Of total revenues, local revenues account for 54%, state revenues are 41% and federal revenues only 5%.

Local revenues can be grouped in two major categories, tax revenues and non-tax revenues. Local real estate tax accounted for 81% of total tax revenues and 78% of total local revenues in 2017-2018. Other forms of tax revenue include earned income tax, local service tax, business privilege tax, mercantile tax, real estate transfer tax and delinquent tax collections. Tax revenue increased in the 2017-2018 fiscal year by approximately \$2,156,209 . The increase was most notable in current real estate tax collections, which increased by \$1,600,191. Non-tax revenues, including federal monies received through the intermediate unit, athletic admissions and fees, interest earnings, tuition from other PA school districts and other miscellaneous revenues accounted for 4.4% of total local revenues.

Basic education subsidy and special education subsidy are the two largest sources of state revenue with basic education subsidy providing 46% of the total and special education subsidy providing 9.2% of the total. Subsidies increased overall by \$2,041,878 primarily due to a new educational empowerment subsidy of \$2,000,000.

Federal revenues accounted for just 5% of the total revenues, and increased from 2016-2017 by \$675,414. This increase was primarily due to an increase of \$602,446 in Title I grant monies.

The 2017-2018 general fund revenues (excluding other financing sources) increased by \$4,551,019 from the past fiscal year as follows:

| FUNCTION        | REVENUES                    | VARIANCE<br>FROM<br>PRIOR YEAR | %<br>CHANGE | AMOUNT<br>OVER (UNDER)<br>2017-2018 |  |
|-----------------|-----------------------------|--------------------------------|-------------|-------------------------------------|--|
|                 |                             |                                |             | BUDGET                              |  |
| Local Sources   | \$ 47,784,346               | \$ 1,833,727                   | 4.0%        | \$ 444,263                          |  |
| State Sources   | 36,106,584                  | 2,041,878                      | 6.0%        | 4,307,046                           |  |
| Federal Sources | 4,779,632                   | 675,414                        | 16.5%       | (487,370)                           |  |
| <b>TOTAL</b>    | <b><u>\$ 88,670,562</u></b> | <b><u>\$ 4,551,019</u></b>     |             | <b><u>\$ 4,263,939</u></b>          |  |

**PENN HILLS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**THE DISTRICT FUNDS (Continued)**

**EXPENSES**

The revenues received during the 2017-2018 fiscal year were used to pay general fund expenses of \$90,000,310. These expenses were categorized into five major functions: instruction, support services, non-instructional operations, construction/improvements, and other financing uses.

The 2017-2018 general fund expenditures (excluding transfers) decreased by \$1,663,708 or 1.9% from the past fiscal year.

| FUNCTION                          | EXPENSES             | VARIANCE<br>FROM<br>PRIOR YEAR | %<br>CHANGE | AMOUNT<br>OVER (UNDER)<br>2017-2018<br>BUDGET |
|-----------------------------------|----------------------|--------------------------------|-------------|-----------------------------------------------|
| Instructional Services            | \$ 54,236,594        | \$ 6,033,921                   | 12.5%       | \$ 6,322,900                                  |
| Support Services                  | 25,508,148           | (775,450)                      | -3.0%       | (293,170)                                     |
| Non-instructional Services        | 1,046,533            | (1,906)                        | -0.2%       | (341,631)                                     |
| Other Financing Uses/Debt Service | 9,209,035            | (3,592,857)                    | -28.1%      | (90,278)                                      |
| <b>TOTAL</b>                      | <b>\$ 90,000,310</b> | <b>\$ 1,663,708</b>            |             | <b>\$ 5,597,821</b>                           |

**GENERAL FUND BUDGET**

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget (transfers) to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Page 7 of the financial statements.

The District applies for federal, state, and local grants and these grants cannot always be anticipated exactly during the budget development process.

**PENN HILLS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2018, the District had \$147,110,707 invested in a broad range of capital assets, including land, buildings and furniture and equipment, net of depreciation. This amount represents a net increase (including additions, deletions and depreciation) of \$11,875,151 from 2016-2017 which is mainly the result of a new fixed asset valuation performed for the 2017-2018 fiscal year.

**DEBT ADMINISTRATION**

As of July 1, 2017, the District had total outstanding bond, note, and lease principal of \$171,396,174 on its General Obligation Bond and Note Issues and Lease Purchase Obligations. During the 2017-2018 fiscal year, the District issued General Obligation Notes, Series of 2017 in the amount of \$21,395,000; \$18,850,000 of the proceeds were used to refund the Series 2014 bond issue. The District made other payments against principal during the year 2017-2018 fiscal year of \$220,000. At June 30, 2018 the District had outstanding debt of \$171,409,710.

Other long-term obligations include accrued vacation pay and sick leave for specific employees of the District, as well as retiree health insurance, and net pension obligations. More detailed information about our long-term liabilities is included in Notes 10, 11, and 13 to the financial statements.

**MAJOR FINANCIAL ISSUES**

The Penn Hills School District continues to face a financial burden above and beyond what most districts are experiencing due to the construction of two mega-sized schools that were completed in 2012 and 2014. As reported by PA Auditor General Eugene DePasquale in 2016, the District had no plan in place to pay for these expenditures before construction began and relied almost exclusively on borrowed funds. The resulting debt service obligation is excessive and continues to present a challenge. The District has limited options available to it at this time and has already refinanced its debt once to try and make the payments more affordable. A grand jury report was released by the Allegheny County District Attorney's Office on February 5, 2019. That report reiterated concerns previously expressed by PA Auditor General Eugene DePasquale in 2016 regarding the heavy burden of our debt-service obligation.

On January 16, 2019, the Pennsylvania Department of Education notified District Administration that the Penn Hills School District was being moved to Financial Recovery status. Accordingly, a Chief Recovery Officer was designated and began on-site work at the District shortly thereafter. Michael Lamb, CPA/Technical Advisor assigned by the Pennsylvania Department of Education in 2017, remains involved and is working in conjunction with Dr. Daniel Matsook, our new Chief Recovery Officer and our Business Manager Eileen Navish.

In accordance with Act 141, Dr. Matsook is leading development of a multi-year Financial Recovery Plan that will be presented to the Penn Hills Board of School Directors and Pennsylvania Department of Education April 2019. That plan will include and commit the District to specific strategies aimed at eliminating our negative fund balance.

**PENN HILLS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the School District's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, please contact Eileen Navish, Business Manager at (412) 793-7000 ext. 1231 or by mail at Penn Hills School District, Administrative Office, 260 Aster Street, Pittsburgh, PA 15235.

**PENN HILLS SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

**EXHIBIT A**

|                                                                           | <b>Governmental Activities</b> | <b>Business-Type Activities</b> | <b>Total</b>            |
|---------------------------------------------------------------------------|--------------------------------|---------------------------------|-------------------------|
| <b>ASSETS</b>                                                             |                                |                                 |                         |
| <b>Current Assets:</b>                                                    |                                |                                 |                         |
| Cash and Cash Equivalents                                                 | \$ 309,912                     | \$ 17,451                       | \$ 327,363              |
| Taxes Receivable, net                                                     | 152,522                        | -                               | 152,522                 |
| Internal Balances                                                         | 4,408                          | (4,408)                         | -                       |
| Due From Other Governments                                                | 3,285,360                      | 258,327                         | 3,543,687               |
| Other Receivables                                                         | 170,731                        | 109,642                         | 280,373                 |
| Inventories                                                               | -                              | 48,499                          | 48,499                  |
| Prepaid Expenses                                                          | 583,984                        | 123,282                         | 707,266                 |
| <b>Total Current Assets</b>                                               | <b>\$ 4,506,917</b>            | <b>\$ 552,793</b>               | <b>\$ 5,059,710</b>     |
| <b>Noncurrent Assets:</b>                                                 |                                |                                 |                         |
| Land                                                                      | \$ 803,721                     | \$ -                            | \$ 803,721              |
| Land Improvements (net)                                                   | 4,803,289                      | -                               | 4,803,289               |
| Building & Building Improvements (net)                                    | 140,693,059                    | -                               | 140,693,059             |
| Furniture & Equipment (net)                                               | 980,348                        | 335,723                         | 1,316,071               |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 147,280,417</b>          | <b>\$ 335,723</b>               | <b>\$ 147,616,140</b>   |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 151,787,334</b>          | <b>\$ 888,516</b>               | <b>\$ 152,675,850</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                                |                                 |                         |
| Deferred Interest on Refunding                                            | \$ 1,568,355                   | \$ -                            | \$ 1,568,355            |
| Deferred Outflows Related to Pension                                      | 15,174,565                     | 469,316                         | 15,643,881              |
| Deferred Outflows Related to OPEB                                         | 1,075,652                      | 7,268                           | 1,082,920               |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 17,818,572</b>           | <b>\$ 476,584</b>               | <b>\$ 18,295,156</b>    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 169,605,906</b>          | <b>\$ 1,365,100</b>             | <b>\$ 170,971,006</b>   |
| <b>LIABILITIES</b>                                                        |                                |                                 |                         |
| <b>Current Liabilities:</b>                                               |                                |                                 |                         |
| Accounts Payable (Cash Overdraft)                                         | \$ 1,544,877                   | \$ -                            | \$ 1,544,877            |
| Accounts Payable                                                          | 3,006,919                      | 27,759                          | 3,034,678               |
| Bonds and Notes Payable - Current Portion                                 | 2,230,000                      | -                               | 2,230,000               |
| Leases Payable - Current Portion                                          | 57,895                         | -                               | 57,895                  |
| Accrued Interest                                                          | 1,726,432                      | -                               | 1,726,432               |
| Accrued Salaries and Benefits                                             | 11,389,223                     | -                               | 11,389,223              |
| Payroll Withholdings                                                      | 442,269                        | -                               | 442,269                 |
| Unearned Revenue                                                          | 97,060                         | 25,965                          | 123,025                 |
| <b>Total Current Liabilities</b>                                          | <b>\$ 20,494,675</b>           | <b>\$ 53,724</b>                | <b>\$ 20,548,399</b>    |
| <b>Noncurrent Liabilities:</b>                                            |                                |                                 |                         |
| Bonds and Notes Payable - Long Term Portion                               | \$ 170,700,535                 | \$ -                            | \$ 170,700,535          |
| Leases Payable - Long Term Portion                                        | 111,815                        | -                               | 111,815                 |
| Net Pension Liability                                                     | 101,514,380                    | 3,139,620                       | 104,654,000             |
| Net OPEB Liability                                                        | 16,906,620                     | 129,510                         | 17,036,130              |
| Compensated Absences                                                      | 2,908,845                      | -                               | 2,908,845               |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 292,142,195</b>          | <b>\$ 3,269,130</b>             | <b>\$ 295,411,325</b>   |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 312,636,870</b>          | <b>\$ 3,322,854</b>             | <b>\$ 315,959,724</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                                |                                 |                         |
| Deferred Inflows Related to Pension                                       | \$ 7,566,970                   | \$ 234,030                      | \$ 7,801,000            |
| Deferred Intflows Related to OPEB                                         | 413,220                        | 12,780                          | 426,000                 |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 7,980,190</b>            | <b>\$ 246,810</b>               | <b>\$ 8,227,000</b>     |
| <b>NET POSITION</b>                                                       |                                |                                 |                         |
| Net Investment in Capital Assets (Deficit)                                | \$ (6,261,473)                 | \$ 335,723                      | \$ (5,925,750)          |
| Unrestricted (Deficit)                                                    | (144,749,681)                  | (2,540,287)                     | (147,289,968)           |
| <b>Total Net Position (Deficit)</b>                                       | <b>\$ (151,011,154)</b>        | <b>\$ (2,204,564)</b>           | <b>\$ (153,215,718)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 169,605,906</b>          | <b>\$ 1,365,100</b>             | <b>\$ 170,971,006</b>   |

**PENN HILLS SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
FOR THE YEAR ENDED JUNE 30, 2018

| Functions/Programs                                        | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                         |
|-----------------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|-------------------------|
|                                                           |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                   |
|                                                           |                      |                      |                                    |                                  |                                                   |                          |                         |
| <b>Governmental Activities:</b>                           |                      |                      |                                    |                                  |                                                   |                          |                         |
| Instruction                                               | \$ 56,061,145        | \$ -                 | \$ 12,756,267                      | \$ -                             | \$ (43,304,878)                                   |                          | \$ (43,304,878)         |
| Instructional Student Support                             | 6,212,635            | -                    | 1,368,163                          | -                                | (4,844,472)                                       |                          | (4,844,472)             |
| Administrative and Financial Support Services             | 4,888,659            | -                    | 621,839                            | -                                | (4,266,820)                                       |                          | (4,266,820)             |
| Operation and Maintenance of Plant Services               | 8,070,923            | 523,855              | 825,284                            | -                                | (6,721,784)                                       |                          | (6,721,784)             |
| Pupil Transportation                                      | 7,085,594            | -                    | 2,522,353                          | -                                | (4,563,241)                                       |                          | (4,563,241)             |
| Student Activities                                        | 971,359              | 34,055               | 129,486                            | -                                | (807,818)                                         |                          | (807,818)               |
| Community Services                                        | 120,795              | -                    | 3,523                              | -                                | (117,272)                                         |                          | (117,272)               |
| Interest on Long-Term Debt                                | 10,347,760           | -                    | 736,009                            | 2,107,581                        | (7,504,170)                                       |                          | (7,504,170)             |
| <b>Total Governmental Activities</b>                      | <b>\$ 93,758,870</b> | <b>\$ 557,910</b>    | <b>\$ 18,962,924</b>               | <b>\$ 2,107,581</b>              | <b>\$ (72,130,455)</b>                            |                          | <b>\$ (72,130,455)</b>  |
| <b>Business-Type activities:</b>                          |                      |                      |                                    |                                  |                                                   |                          |                         |
| Food Service                                              | \$ 2,933,357         | \$ 778,822           | \$ 2,196,047                       | \$ -                             | \$ 41,512                                         |                          | \$ 41,512               |
| <b>Total Business-Type Activities</b>                     | <b>\$ 2,933,357</b>  | <b>\$ 778,822</b>    | <b>\$ 2,196,047</b>                | <b>\$ -</b>                      | <b>\$ 41,512</b>                                  |                          | <b>\$ 41,512</b>        |
| <b>Total Primary Government</b>                           | <b>\$ 96,692,227</b> | <b>\$ 1,336,732</b>  | <b>\$ 21,158,971</b>               | <b>\$ 2,107,581</b>              | <b>\$ (72,130,455)</b>                            | <b>\$ 41,512</b>         | <b>\$ (72,088,943)</b>  |
| <b>General Revenues:</b>                                  |                      |                      |                                    |                                  |                                                   |                          |                         |
| Taxes:                                                    |                      |                      |                                    |                                  |                                                   |                          |                         |
| Property Taxes, Levied for General Purposes (net)         |                      |                      |                                    | \$ 40,350,344                    | \$ -                                              |                          | \$ 40,350,344           |
| Taxes Levied for Specific Purposes                        |                      |                      |                                    | 5,552,546                        | -                                                 |                          | 5,552,546               |
| State Property Tax Relief                                 |                      |                      |                                    | 2,359,927                        | -                                                 |                          | 2,359,927               |
| Basic Subsidy                                             |                      |                      |                                    | 16,499,430                       | -                                                 |                          | 16,499,430              |
| Educational Empowerment                                   |                      |                      |                                    | 2,000,000                        | -                                                 |                          | 2,000,000               |
| Investment Earnings                                       |                      |                      |                                    | 70,139                           | 88                                                |                          | 70,227                  |
| Sale of Fixed Assets                                      |                      |                      |                                    | (475,846)                        | -                                                 |                          | (475,846)               |
| Miscellaneous Revenue                                     |                      |                      |                                    | 244,620                          | -                                                 |                          | 244,620                 |
| Transfers between Governmental & Business-Type Activities |                      |                      |                                    | -                                | -                                                 |                          | -                       |
| <b>Total General Revenues</b>                             |                      |                      |                                    | <b>\$ 66,601,160</b>             | <b>\$ 88</b>                                      |                          | <b>\$ 66,601,248</b>    |
| <b>Change in Net Position</b>                             |                      |                      |                                    | <b>\$ (5,529,295)</b>            | <b>\$ 41,600</b>                                  |                          | <b>\$ (5,487,695)</b>   |
| Net Position (Restated) — July 1, 2017 (Deficit)          |                      |                      |                                    | (162,242,119)                    | (2,569,489)                                       |                          | (164,811,608)           |
| Prior Period Adjustment                                   |                      |                      |                                    | 16,760,260                       | 323,325                                           |                          | 17,083,585              |
| <b>Net Position — June 30, 2018 (Deficit)</b>             |                      |                      |                                    | <b>\$ (151,011,154)</b>          | <b>\$ (2,204,564)</b>                             |                          | <b>\$ (153,215,718)</b> |

The accompanying notes are an integral part of these financial statements

**PENN HILLS SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

|                                                                            | GENERAL<br>FUND        | DEBT<br>SERVICE<br>FUND | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|----------------------------------------------------------------------------|------------------------|-------------------------|--------------------------------|
| <b>ASSETS:</b>                                                             |                        |                         |                                |
| Cash and Cash Equivalents                                                  | \$ -                   | \$ 309,912              | \$ 309,912                     |
| Taxes Receivable, net                                                      | 152,522                | -                       | 152,522                        |
| Due From Other Funds                                                       | 295,258                | -                       | 295,258                        |
| Due From Other Governments                                                 | 3,285,360              | -                       | 3,285,360                      |
| Other Receivables                                                          | 170,731                | -                       | 170,731                        |
| Prepaid Expenses                                                           | 583,984                | -                       | 583,984                        |
| <b>TOTAL ASSETS</b>                                                        | <b>\$ 4,487,855</b>    | <b>\$ 309,912</b>       | <b>\$ 4,797,767</b>            |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>       |                        |                         |                                |
| <b>LIABILITIES:</b>                                                        |                        |                         |                                |
| Accounts Payable (Cash Overdraft)                                          | \$ 1,544,877           | \$ -                    | \$ 1,544,877                   |
| Accounts Payable                                                           | 3,006,919              | -                       | 3,006,919                      |
| Due to Other Funds                                                         | -                      | 290,850                 | 290,850                        |
| Accrued Salaries and Benefits                                              | 11,389,223             | -                       | 11,389,223                     |
| Payroll Withholdings                                                       | 442,269                | -                       | 442,269                        |
| Unearned Revenue                                                           | 97,060                 | -                       | 97,060                         |
| <b>TOTAL LIABILITIES</b>                                                   | <b>\$ 16,480,348</b>   | <b>\$ 290,850</b>       | <b>\$ 16,771,198</b>           |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                      |                        |                         |                                |
| Delinquent Real Estate Taxes                                               | \$ 100,000             | \$ -                    | \$ 100,000                     |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                 | <b>\$ 100,000</b>      | <b>\$ -</b>             | <b>\$ 100,000</b>              |
| <b>FUND BALANCES:</b>                                                      |                        |                         |                                |
| Nonspendable                                                               | \$ 583,984             | \$ -                    | \$ 583,984                     |
| Assigned                                                                   | -                      | 19,062                  | 19,062                         |
| Unassigned (Deficit)                                                       | (12,676,477)           | -                       | (12,676,477)                   |
| <b>TOTAL FUND BALANCES (Deficit)</b>                                       | <b>\$ (12,092,493)</b> | <b>\$ 19,062</b>        | <b>\$ (12,073,431)</b>         |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 4,487,855</b>    | <b>\$ 309,912</b>       | <b>\$ 4,797,767</b>            |

The accompanying notes are an integral part of these financial statements

**PENN HILLS SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

|                                                 |                        |
|-------------------------------------------------|------------------------|
| <b>Total Fund Balances - Governmental Funds</b> | <b>\$ (12,073,431)</b> |
|-------------------------------------------------|------------------------|

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 as assets in governmental funds. The cost of assets is \$185,307,797, and the accumulated depreciation is \$38,027,380. 147,280,417

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

|                                                    |             |
|----------------------------------------------------|-------------|
| Deferred outflows of resources related to pensions | 15,174,565  |
| Deferred outflows of resources related to OPEB     | 1,075,652   |
| Deferred inflows of resources related to pensions  | (7,566,970) |
| Deferred inflows of resources related to OPEB      | (413,220)   |

Property taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds. 100,000

Long term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

|                                                    |                |
|----------------------------------------------------|----------------|
| Bonds and notes payable (net of unamortized costs) | \$ 171,362,180 |
| Leases payable                                     | 169,710        |
| Accrued interest on the bonds                      | 1,726,432      |
| Net pension liability                              | 101,514,380    |
| Net OPEB Liability                                 | 16,906,620     |
| Compensated absences                               | 2,908,845      |
|                                                    | (294,588,167)  |

|                                                               |                                |
|---------------------------------------------------------------|--------------------------------|
| <b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (Deficit)</b> | <b><u>\$ (151,011,154)</u></b> |
|---------------------------------------------------------------|--------------------------------|

The accompanying notes are an integral part of these financial statements

**PENN HILLS SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                          | <b>GENERAL FUND</b>    | <b>CAPITAL<br/>PROJECT<br/>FUND</b> | <b>DEBT<br/>SERVICE<br/>FUND</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |           |
|----------------------------------------------------------|------------------------|-------------------------------------|----------------------------------|-----------------------------------------|-----------|
|                                                          |                        |                                     |                                  | <b>4</b>                                | <b>\$</b> |
| <b>REVENUES</b>                                          |                        |                                     |                                  |                                         |           |
| Local Sources                                            | \$ 47,784,346          | \$ 4                                | \$ 474                           | \$ 47,784,824                           |           |
| State Sources                                            | 36,106,584             | -                                   | -                                | 36,106,584                              |           |
| Federal Sources                                          | 4,779,632              | -                                   | -                                | 4,779,632                               |           |
| <b>Total Revenue</b>                                     | <b>\$ 88,670,562</b>   | <b>\$ 4</b>                         | <b>\$ 474</b>                    | <b>\$ 88,671,040</b>                    |           |
| <b>EXPENDITURES</b>                                      |                        |                                     |                                  |                                         |           |
| Instruction                                              | \$ 54,236,594          | \$ -                                | \$ -                             | \$ 54,236,594                           |           |
| Support Services                                         | 25,508,148             | -                                   | -                                | 25,508,148                              |           |
| Noninstructional Services                                | 1,046,533              | -                                   | -                                | 1,046,533                               |           |
| Debt Service                                             | 9,175,983              | -                                   | -                                | 9,175,983                               |           |
| <b>Total Expenditures</b>                                | <b>\$ 89,967,258</b>   | <b>\$ -</b>                         | <b>\$ -</b>                      | <b>\$ 89,967,258</b>                    |           |
| <b>Excess ( Deficiency) of Revenue over Expenditures</b> | <b>\$ (1,296,696)</b>  | <b>\$ 4</b>                         | <b>\$ 474</b>                    | <b>\$ (1,296,218)</b>                   |           |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                        |                                     |                                  |                                         |           |
| Operating Transfers In                                   | \$ 41,708              | \$ -                                | \$ 398                           | \$ 42,106                               |           |
| Operating Transfers (Out)                                | -                      | (42,106)                            | -                                | (42,106)                                |           |
| Note Proceeds                                            | -                      | -                                   | 21,395,000                       | 21,395,000                              |           |
| Note Closing Costs                                       | -                      | -                                   | (1,246,672)                      | (1,246,672)                             |           |
| Transfer to Escrow Agent - Interest                      | -                      | -                                   | (1,293,274)                      | (1,293,274)                             |           |
| Transfer to Escrow Agent - Principal                     | -                      | -                                   | (18,850,000)                     | (18,850,000)                            |           |
| Sale of Fixed Assets                                     | 205,090                | -                                   | -                                | 205,090                                 |           |
| Refund of Prior Year (Revenues) Expenses                 | (33,052)               | 34,381                              | -                                | 1,329                                   |           |
| <b>Total Other Financing Sources (Uses)</b>              | <b>\$ 213,746</b>      | <b>\$ (7,725)</b>                   | <b>\$ 5,452</b>                  | <b>\$ 211,473</b>                       |           |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <b>\$ (1,082,950)</b>  | <b>\$ (7,721)</b>                   | <b>\$ 5,926</b>                  | <b>\$ (1,084,745)</b>                   |           |
| FUND BALANCE - JULY 1, 2017 - (Deficit)                  | (11,009,543)           | 7,721                               | 13,136                           | (10,988,686)                            |           |
| <b>FUND BALANCE - JUNE 30, 2018 - (Deficit)</b>          | <b>\$ (12,092,493)</b> | <b>\$ -</b>                         | <b>\$ 19,062</b>                 | <b>\$ (12,073,431)</b>                  |           |

The accompanying notes are an integral part of these financial statements

**PENN HILLS SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS**      **\$ (1,084,745)**

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

|                                                                                                                                                                                                                                                                                                                                                                                             |                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$4,170,227) exceeds net capital outlays (\$43,000) in the period.                                                          | (4,127,227)                  |
| Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.                                                                                                                                                                        | 375,924                      |
| Proceeds from the disposition of fixed assets are recognized as revenue in the governmental funds, however these proceeds are netted against the remaining book value of these fixed assets in the statement of activities to recognize a gain or <loss> on the disposition of these assets.                                                                                                | (680,936)                    |
| Bond proceeds are recognized as revenues in the governmental funds. These proceeds are recognized as long-term liabilities in the government-wide financial statements.                                                                                                                                                                                                                     | (21,395,000)                 |
| Repayment of bond, note, and lease purchase obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.                                                                                                                                                                                               | 19,070,000                   |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | (158,942)                    |
| Bond and note discount costs are reported in governmental funds as expenditures. However, in the statement of activities, these costs are capitalized and amortized over the life of the note as interest expense.                                                                                                                                                                          | (274,982)                    |
| Bond and note premiums are reported in governmental funds as revenues. However, in the statement of activities, these premiums are capitalized and amortized over the life of the bond and note issues as credit to interest expense.                                                                                                                                                       | 395,460                      |
| Deferred interest on bond refundings is recognized in the government-wide financial statements when bonds are refunded and amortized over the life of the bond issue as interest expense.                                                                                                                                                                                                   | 1,219,686                    |
| In the statement of activities, certain operating expenses - compensated absences, retiree incentives, and health benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This year, the amount of these benefits earned exceeded the amount paid.   | <u>1,131,467</u>             |
| <b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>                                                                                                                                                                                                                                                                                                                                    | <b><u>\$ (5,529,295)</u></b> |

**PENN HILLS SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                               | Budgeted Amounts      |                       | Actual                 |                       | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|-----------------------|-----------------------|------------------------|-----------------------|---------------------------------------------------------|
|                                                               | Original              | Final                 | (Budgetary Basis)      |                       |                                                         |
|                                                               |                       |                       |                        |                       |                                                         |
| <b>REVENUES</b>                                               |                       |                       |                        |                       |                                                         |
| Local Sources                                                 | \$ 47,340,083         | \$ 47,340,083         | \$ 47,784,346          | \$ 444,263            |                                                         |
| State Sources                                                 | 31,799,538            | 31,799,538            | 36,106,584             | 4,307,046             |                                                         |
| Federal Sources                                               | 5,267,002             | 5,267,002             | 4,779,632              | (487,370)             |                                                         |
| <b>Total Revenues</b>                                         | <b>\$ 84,406,623</b>  | <b>\$ 84,406,623</b>  | <b>\$ 88,670,562</b>   | <b>\$ 4,263,939</b>   |                                                         |
| <b>EXPENDITURES</b>                                           |                       |                       |                        |                       |                                                         |
| Regular Programs                                              | \$ 34,421,901         | \$ 34,421,901         | \$ 38,106,353          | \$ (3,684,452)        |                                                         |
| Special Programs                                              | 11,179,146            | 11,179,146            | 13,550,480             | (2,371,334)           |                                                         |
| Vocational Programs                                           | 1,643,135             | 1,643,135             | 1,487,448              | 155,687               |                                                         |
| Other Instructional Programs                                  | 359,924               | 359,924               | 634,436                | (274,512)             |                                                         |
| Non Public School Programs                                    | 41,200                | 41,200                | 114,417                | (73,217)              |                                                         |
| Pre-Kindergarten                                              | 268,388               | 268,388               | 343,460                | (75,072)              |                                                         |
| Pupil Personnel Services                                      | 2,546,327             | 2,546,327             | 2,658,559              | (112,232)             |                                                         |
| Instructional Staff Services                                  | 2,931,886             | 2,931,886             | 2,531,004              | 400,882               |                                                         |
| Administrative Services                                       | 3,171,341             | 3,171,341             | 3,094,563              | 76,778                |                                                         |
| Pupil Health                                                  | 376,894               | 376,894               | 711,120                | (334,226)             |                                                         |
| Business Services                                             | 946,595               | 946,595               | 1,022,082              | (75,487)              |                                                         |
| Operation & Maintenance of Plant Services                     | 8,201,011             | 8,201,011             | 7,829,217              | 371,794               |                                                         |
| Student Transportation Services                               | 7,037,777             | 7,037,777             | 7,085,216              | (47,439)              |                                                         |
| Central Services                                              | 546,903               | 546,903               | 526,628                | 20,275                |                                                         |
| Other Support Services                                        | 42,583                | 42,583                | 49,759                 | (7,176)               |                                                         |
| Student Activities                                            | 1,219,564             | 1,219,564             | 926,031                | 293,533               |                                                         |
| Community Services                                            | 168,600               | 168,600               | 120,502                | 48,098                |                                                         |
| Debt Service                                                  | 9,299,313             | 9,299,313             | 9,175,983              | 123,330               |                                                         |
| <b>Total Expenditures</b>                                     | <b>\$ 84,402,489</b>  | <b>\$ 84,402,489</b>  | <b>\$ 89,967,258</b>   | <b>\$ (5,564,769)</b> |                                                         |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 4,134</b>       | <b>\$ 4,134</b>       | <b>\$ (1,296,696)</b>  | <b>\$ (1,300,830)</b> |                                                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                       |                       |                        |                       |                                                         |
| Operating Transfers In                                        | \$ -                  | \$ -                  | \$ 41,708              | \$ 41,708             |                                                         |
| Sale of Fixed Assets                                          | -                     | -                     | 205,090                | 205,090               |                                                         |
| Refund of Prior Year (Revenues)                               | -                     | -                     | (33,052)               | (33,052)              |                                                         |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ 213,746</b>      | <b>\$ 213,746</b>     |                                                         |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ 4,134</b>       | <b>\$ 4,134</b>       | <b>\$ (1,082,950)</b>  | <b>\$ (1,087,084)</b> |                                                         |
| FUND BALANCE - JULY 1, 2017                                   | (10,000,000)          | (10,000,000)          | (11,009,543)           | (1,009,543)           |                                                         |
| <b>FUND BALANCE - JUNE 30, 2018</b>                           | <b>\$ (9,995,866)</b> | <b>\$ (9,995,866)</b> | <b>\$ (12,092,493)</b> | <b>\$ (2,096,627)</b> |                                                         |

**PENN HILLS SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018**

|                                                                               | <b>FOOD<br/>SERVICES</b> |
|-------------------------------------------------------------------------------|--------------------------|
| <b>ASSETS</b>                                                                 |                          |
| <b>Current Assets:</b>                                                        |                          |
| Cash & Cash Equivalents                                                       | \$ 17,451                |
| Due from Other Governments                                                    | 258,327                  |
| Other Accounts Receivables (Special Functions)                                | 109,642                  |
| Inventories                                                                   | 48,499                   |
| Prepaid Expenses                                                              | 123,282                  |
| <b>TOTAL CURRENT ASSETS</b>                                                   | <b>\$ 557,201</b>        |
| <b>Noncurrent Assets:</b>                                                     |                          |
| Furniture and Equipment (net)                                                 | \$ 335,723               |
| <b>TOTAL NONCURRENT ASSETS</b>                                                | <b>\$ 335,723</b>        |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 892,924</b>        |
| <b>DEFERRD OUTFLOWS OF RESOURCES</b>                                          |                          |
| Deferred Outflows Related to Pension                                          | \$ 469,316               |
| Deferred Outflows Related to OPEB                                             | 7,268                    |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                                   | <b>\$ 476,584</b>        |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                        | <b>\$ 1,369,508</b>      |
| <b>LIABILITIES</b>                                                            |                          |
| <b>Current Liabilities:</b>                                                   |                          |
| Due to Other Funds                                                            | \$ 4,408                 |
| Accounts Payable                                                              | 27,759                   |
| Unearned Revenues                                                             | 25,965                   |
| <b>TOTAL CURRENT LIABILITIES</b>                                              | <b>\$ 58,132</b>         |
| <b>Noncurrent Liabilities:</b>                                                |                          |
| Net Pension Liability                                                         | \$ 3,139,620             |
| Net OPEB Liability                                                            | 129,510                  |
| <b>TOTAL NONCURRENT LIABILITIES</b>                                           | <b>\$ 3,269,130</b>      |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 3,327,262</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                          |                          |
| Deferred Inflows Related to Pension                                           | \$ 234,030               |
| Deferred Inflows Related to OPEB                                              | 12,780                   |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                    | <b>\$ 246,810</b>        |
| <b>NET POSITION</b>                                                           |                          |
| Net Investment in Capital Assets                                              | \$ 335,723               |
| Unrestricted (Deficit)                                                        | (2,540,287)              |
| <b>TOTAL NET POSITION (Deficit)</b>                                           | <b>\$ (2,204,564)</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND NET POSITION</b> | <b>\$ 1,369,508</b>      |

The accompanying notes are an integral part of these financial statements

**PENN HILLS SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                  |  | <b>FOOD SERVICES</b>  |
|--------------------------------------------------|--|-----------------------|
| <b>OPERATING REVENUES</b>                        |  |                       |
| Food Services Revenue                            |  | \$ 778,822            |
| <b>Total Operating Revenues</b>                  |  | <b>\$ 778,822</b>     |
| <b>OPERATING EXPENSES</b>                        |  |                       |
| Personnel Services                               |  | \$ 973,367            |
| Personnel Services - Benefits                    |  | 531,045               |
| Purchased Property Services                      |  | 16,180                |
| Other Purchased Services                         |  | 1,161,651             |
| Supplies                                         |  | 185,784               |
| Depreciation                                     |  | 64,548                |
| Other Operating Expenses                         |  | 782                   |
| <b>Total Operating Expenses</b>                  |  | <b>\$ 2,933,357</b>   |
| <b>OPERATING INCOME/(LOSS)</b>                   |  | <b>\$ (2,154,535)</b> |
| <b>NONOPERATING REVENUES (EXPENSES)</b>          |  |                       |
| Earnings on investments                          |  | \$ 88                 |
| State sources                                    |  | 272,051               |
| Federal sources                                  |  | 1,923,996             |
| <b>Total Nonoperating Revenues (Expenses)</b>    |  | <b>\$ 2,196,135</b>   |
| <b>CHANGE IN NET POSITION</b>                    |  | <b>\$ 41,600</b>      |
| NET POSITION (Restated) - JULY 1, 2017 (Deficit) |  | (2,569,489)           |
| Prior Period Adjustment                          |  | 323,325               |
| <b>NET POSITION - JUNE 30, 2018 (Deficit)</b>    |  | <b>\$ (2,204,564)</b> |

The accompanying notes are an integral part of these financial statements

**PENN HILLS SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                                                                                 | <b>FOOD<br/>SERVICES</b> |
|-----------------------------------------------------------------------------------------------------------------|--------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                              |                          |
| Cash Received from Users                                                                                        | \$ 705,748               |
| Cash Payments to Suppliers for Goods and Services                                                               | (2,799,764)              |
| <b>Net Cash (Used for) Operating Activities</b>                                                                 | <b>\$ (2,094,016)</b>    |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>                                                  |                          |
| State Sources                                                                                                   | \$ 269,426               |
| Federal Sources                                                                                                 | 1,740,814                |
| <b>Net Cash Provided by Non-Capital Financing Activities</b>                                                    | <b>\$ 2,010,240</b>      |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                                              |                          |
| Earnings on Investments                                                                                         | \$ 88                    |
| <b>Net Cash Provided by Investing Activities</b>                                                                | <b>\$ 88</b>             |
| <b>NET INCREASE &lt;DECREASE&gt; IN CASH AND CASH EQUIVALENTS</b>                                               | <b>\$ (83,688)</b>       |
| CASH AND CASH EQUIVALENTS - JULY 1, 2017                                                                        | 101,139                  |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2018</b>                                                                | <b>\$ 17,451</b>         |
| <b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b> |                          |
| <b>Operating Income (Loss)</b>                                                                                  | <b>\$ (2,154,535)</b>    |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES:</b>            |                          |
| Depreciation                                                                                                    | 64,548                   |
| Other Adjustments - Donated Commodities                                                                         | 135,391                  |
| Accrual of GASB 68 Pension Expense                                                                              | (12,882)                 |
| Accrual of GASB 75 OPEB Expense                                                                                 | (2,875)                  |
| (Increase) Decrease in Accounts Receivable                                                                      | (68,753)                 |
| (Increase) Decrease in Advances to Other Funds                                                                  | 3,054,601                |
| (Increase) Decrease in Inventories                                                                              | (9,625)                  |
| Increase (Decrease) in Advances from Other Funds                                                                | (2,906,740)              |
| Increase (Decrease) in Accounts Payable                                                                         | (186,007)                |
| Increase (Decrease) in Unearned Revenue                                                                         | (7,139)                  |
| <b>Total Adjustments</b>                                                                                        | <b>\$ 60,519</b>         |
| <b>NET CASH (USED FOR) OPERATING ACTIVITIES</b>                                                                 | <b>\$ (2,094,016)</b>    |

**NONCASH NONCAPITAL FINANCING ACTIVITIES:**

During the year, the District received \$135,391 of food commodities from the U.S. Department of Agriculture.

**PENN HILLS SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018**

**STUDENT  
ACTIVITY FUNDS**

**ASSETS**

|                           |                   |
|---------------------------|-------------------|
| Cash and Cash Equivalents | \$ 157,702        |
| <b>TOTAL ASSETS</b>       | <b>\$ 157,702</b> |

**LIABILITIES**

|                                            |                   |
|--------------------------------------------|-------------------|
| Other Current Liabilities (Student Groups) | \$ 157,702        |
| <b>TOTAL LIABILITIES</b>                   | <b>\$ 157,702</b> |

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Penn Hills School District was established under the authority of an act of the state legislature that designated a school board as the governing body. This district serves the Municipality of Penn Hills. The School District operates under a locally-elected nine-member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the school district's activities.

The financial statements of the Penn Hills School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The most significant of the School District's accounting policies are as follows:

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Penn Hills School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationships with the School District. Based on the application of these criteria, the Penn Hills School District has no component units.

The School District is associated with two jointly governed organizations (Note 12) and one public entity risk pool (Note 15). These organizations are:

- Jointly Governed Organizations:  
Forbes Road Career & Technology Center  
Allegheny Intermediate Unit
- Public Entity Risk Pool:  
Allegheny County Schools Health Insurance Consortium

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibit D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the District's business-type activities (food service operations) and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which the business-type activity or government function is self-financing or draws from the general revenues of the School District.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the School District. Under GASB Statement No. 34, the focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Major funds represent the District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For the Penn Hills School District, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds, if any, would be segregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**FUND ACCOUNTING**

The School District uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major and non-major governmental funds:

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - The general fund is used to account for all financial resources not required to be accounted for in some other fund. The general fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**CAPITAL PROJECT FUND** - The capital project fund accounts for financial resources used for the acquisition of capital assets and capital improvements, as deemed necessary by the Board of Education.

**DEBT SERVICE FUND** - The debt service fund is used to account for financial resources accumulated and payment of principal and interest on the District's long-term debt obligations.

**Proprietary Funds** - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the school district (internal service funds). The School District's major and sole enterprise fund is its Food Service Fund that accounts for the financial transactions related to the food service operations of the District.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The District's Agency Fund is comprised of the various student organization activity accounts administered by the District on behalf of the various student organizations.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

**PENN HILLS SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Penn Hills School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2018 under the modified accrual basis are **1) certain Act 511 taxes for the month of June, 2) federal and state subsidies earned in the fiscal year 2017-2018, and 3) other miscellaneous revenues earned in fiscal year 2017-2018 but received subsequent to June 30, 2018.**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2018 are those for which the Board of Education's intention was to expense these items as budgeted for the 2017-2018 official budget, and for which the District has incurred an obligation, but has not paid as of June 30, 2018.

Allocations of cost such as depreciation, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**BUDGETS**

In June of 2017, the Penn Hills School District adopted its fiscal year June 30, 2018 annual budget for the General Fund totaling \$84,402,489 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual method of accounting. Budgetary transfers among various expenditure line items can be performed by the district, as approved by the Board of Education, only during the last nine months of the fiscal year. The original and adjusted budgetary amounts are reflected in these financial statements (Exhibit G). Actual General Fund expenditures exceeded budgeted expenditures for the 2017-2018 fiscal year. All annual appropriations of the general fund lapse at fiscal year-end.

**CASH AND CASH EQUIVALENTS**

For the purpose of these basic financial statements, cash and cash equivalents include amounts in demand deposit accounts, and any other highly liquid, short-term investments, with original maturity terms of less than three months.

**INVESTMENTS**

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, and PA Act 10 of 2016, Penn Hills School District is permitted to invest funds consistent with sound business practices in the following types of investments:

**PENN HILLS SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INVESTMENTS (Continued)**

- I. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

**INVENTORIES**

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at fair value on a first-in first-out basis. This inventory consists of donated commodities from the U.S. Department of Agriculture as part of the food service program. The School District does not inventory the cost of such items as books and supplies, but rather records these items as expenditures in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The School District maintains a capitalization threshold of \$1,500. The cost of infrastructure is included as part of site improvements in the government-wide statement of net position. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS AND DEPRECIATION (Continued)**

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| <b>CATEGORY</b>              | <b>GOVERNMENTAL ACTIVITIES</b> |
|------------------------------|--------------------------------|
| Land Improvements            | 15-20 years                    |
| Buildings and Improvements   | 20-50 years                    |
| Furniture and Equipment      | 5-15 years                     |
| Vehicles                     | 5-10 years                     |
| Library Books and Text Books | 5 years                        |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**LONG-TERM DEBT FINANCING COSTS**

Bond and note issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District incurred \$1,246,672 in long-term debt financing costs during the 2017-2018 fiscal year in connection with the issuance of its General Obligation Notes, Series of 2017 as reflected on Exhibit E.

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Participants of the Penn Hills Education Association are entitled to accumulated unused sick reimbursement at the rate of \$100 per day up to 300 days upon retirement. Secretaries and aides are entitled to accumulated unused sick day reimbursement at the rate of \$60 per day for full time employees and \$30 per day for part time employees up to 250 days upon retirement or death. Confidential Executive Secretaries are reimbursed at the rate of \$100 per day up to 220 days upon retirement or death. Plant employees who are members of AFSCME, Local 1314 are entitled to accumulated unused sick reimbursement at the rate of \$70 per day up to 220 days upon retirement or death. They are also entitled to receive vacation earned in the final year of employment. Food service employees who are members of AFSCME, Local 1314 are entitled to accumulated unused sick reimbursement at the rate of \$60/\$50/\$40 per day up to 180 days upon retirement or death.

Act 93 members are entitled to accumulated unused sick day reimbursement at the rate of \$150 per day up to 300 days. Sick leave benefits are accrued as a liability at the time individuals become eligible for retirement in accordance with the terms of the District's collective bargaining agreements. The entire compensated absences liability of \$2,908,845 is shown as a non-current liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 11.

**OTHER POSTEMPLOYMENT BENEFITS**

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on other postemployment benefits activity is included in Note 13.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund statement of net position (Exhibit H).

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences and retiree health benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

Unearned Revenue arises when the District receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy District obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'. The District has a deficit net position of \$153,215,718 at June 30, 2018.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact. The non-spendable fund balance of \$583,984 represents July of 2018 insurance coverage applicable to 2018-2019 fiscal year paid in June of 2018.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest-level action to remove or change the constraint.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The Board of Education has assigned \$19,062 for future debt service payments.
- Unassigned fund balance – amounts that are available for any purpose. The District had a deficit General Fund balance of \$12,092,493 at June 30, 2018.

Act 48 of 2003 prohibits school districts from increasing real property taxes for the school year 2006-2007 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the Penn Hills School District, estimated ending unassigned fund balance must not exceed 8% of total budgeted expenditures.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Education has authority to assign fund balance.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Penn Hills School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are **1)** investment earnings and **2)** state and federal subsidies, including donated commodities, received from the U.S. Department of Agriculture. The District did not have non-operating expenses during the fiscal year.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the School District's 2017-2018 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on the School District's financial statements.

GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The primary objective of this Statement is to address reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45. The effects on the School District's net position of adopting this GASB statement are detailed in Note 18.

GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreement*". The primary objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 85, '*Omnibus 2017*'. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB issued Statement No. 86, '*Certain Debt Extinguishment Issues*'. The primary objective of this Statement is to improve consistency in accounting and financial reporting for certain debt extinguishments and to enhance the decision-usefulness of that information.

**PENDING GASB PRONOUNCEMENTS**

In November of 2016, the GASB issued Statement No. 83, '*Certain Asset Retirement Obligations*'. The primary objective of this Statement is to provide financial statement users with information about 'asset retirement obligations (ARO) that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of this Statement are effective for the School District's June 30, 2019 financial statements.

In January of 2017, the GASB issued Statement No. 84, '*Fiduciary Activities*'. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The provisions of this Statement are effective for the School District's June 30, 2020 financial statements.

In June of 2017, the GASB issued Statement No. 87, '*Leases*'. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the School District's June 30, 2021 financial statements.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENDING GASB PRONOUNCEMENTS**

In March 9 of 2018, the GASB issued Statement No. 88, '*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*'. The primary objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The provisions of this Statement are effective for the School District's June 30, 2019 financial statements.

In June of 2018, the GASB issued Statement No. 89, '*Accounting for Interest Cost Incurred before the end of a Construction Period*'. The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs. The provisions of this Statement are effective for the School District's June 30, 2021 financial statements.

In August of 2018, the GASB issued Statement No. 90, '*Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)*'. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for the School District's June 30, 2020 financial statements.

The effects of implementing the aforementioned GASB Statements on the School District's financial statements have not yet been determined.

**NOTE 2 - CASH DEPOSITS**

The following represents the bank balance and carrying value for the Penn Hills School District's cash and cash equivalents at June 30, 2018:

|                   | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Value</b> |
|-------------------|-------------------------|---------------------------|
| General Fund      | \$ 1,133,512            | \$ -                      |
| Debt Service Fund | 309,912                 | 309,912                   |
| Enterprise Fund   | 17,771                  | 17,451                    |
| Agency Fund       | 161,293                 | 157,702                   |
| <b>Totals</b>     | <b>\$ 1,622,488</b>     | <b>\$ 485,065</b>         |

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit and outstanding checks, and petty cash. As of June 30, 2018, the General Fund cash overdraft balance of \$1,544,877 is shown as part of current liabilities on the governmental funds balance sheet (Exhibit C). The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**PENN HILLS SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2 - CASH DEPOSITS (Continued)**

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to invest funds consistent with sound business practices evaluating each investment opportunity in terms of risk, yield, liquidity, and legal restrictions as allowable by law or regulations. As of June 30, 2018, \$1,061,272 of the District's bank balance total with PNC Bank is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the District's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

The above bank balance totals include \$309,912 held with the Bank of New York Mellon in a short-term cash reserve account for the District's Debt Service Fund, and \$1,304 held with the Pennsylvania School District Liquid Asset Fund (PSDLAF) as part of the District's General Fund. The purpose of the Pennsylvania School District Liquid Asset Fund (PSDLAF) is to enable their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. The funds operate in a manner consistent with the SEC'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. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares.

**NOTE 3 - PROPERTY TAXES**

The Penn Hills School District levies property taxes July 1st of each fiscal year. The tax millage assessment for the 2017-2018 fiscal year was 27.557 mills, which represents \$27.557 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid prior to August 31st. Collections beginning November 1st are assessed a 10% penalty. Unpaid taxes are submitted to the Municipal Revenue Service for collection. Tax collectors are required under Act 169 of the Commonwealth of Pennsylvania to submit a reconciliation of their tax duplicate to the District by January 15<sup>th</sup> of the year following levy.

The final tax collector reconciliations reflected \$3,710,945 in unpaid 2018 property taxes, which represents 9.0% of the total assessed property taxes (\$41,296,331) for the current fiscal year (See Note 16 – Sale of Tax Claims).

**NOTE 4 – TAXES RECEIVABLE**

Taxes receivable are comprised of the following at June 30, 2018:

|                              |            |
|------------------------------|------------|
| Earned Income Taxes          | \$ 49,560  |
| Delinquent Real Estate Taxes | 42,984     |
| Deed Transfer Taxes          | 59,724     |
| Local Service Taxes          | 254        |
|                              | <hr/>      |
|                              | \$ 152,522 |

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2018

**NOTE 5 – DUE FROM OTHER GOVERNMENTS**

The amount of ‘due from other governments’, as reflected on the government-wide statement of net position (Exhibit A), the governmental funds balance sheet (Exhibit C), and the proprietary fund statement of net position (Exhibit H), is comprised of the following:

|                               | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> |
|-------------------------------|------------------------------------|-------------------------------------|
| Allegheny Intermediate Unit   | \$ 222,961                         | \$ -                                |
| Commonwealth of Pennsylvania: |                                    |                                     |
| State Subsidies               | 2,915,003                          | 11,754                              |
| Federal Pass-Through Grants   | 147,396                            | 246,573                             |
|                               | <b>\$ 3,285,360</b>                | <b>\$ 258,327</b>                   |

**NOTE 6 – OTHER RECEIVABLES**

The amount of ‘other receivables’, as reflected on the government-wide statement of net position (Exhibit A), represents 1) \$170,731 due the District’s General Fund for miscellaneous billings to third-party vendors for services rendered by the District on or prior to June 30, 2018, and 2) \$109,642 in special function billings due the District’s Food Service Fund for services rendered on or prior to June 30, 2018.

**NOTE 7 – INTER-FUND RECEIVABLES/PAYABLES/TRANSFERS**

Inter-fund receivables and payables as reflected on the governmental funds balance sheet (Exhibit C) and the proprietary fund statement of net position (Exhibit H) are as follows:

|                   | <b>RECEIVABLE</b> | <b>PAYABLE</b>    |
|-------------------|-------------------|-------------------|
| General Fund      | \$ 295,258        | \$ -              |
| Debt Service Fund | -                 | 290,850           |
| Food Service Fund | -                 | 4,408             |
|                   | <b>\$ 295,258</b> | <b>\$ 295,258</b> |

The amount due from the Debt Service Fund to the General Fund represents excess interest paid on the District’s refunded Series of 2014 general obligation bond issue. The amount due from the Food Service Fund to the General Fund is for general operating costs. All interfund payables are expected to be paid during the 2018-2019 fiscal year.

**NOTE 8 – UNEARNED REVENUES**

Unearned revenue totaling \$123,025, as reflected on the statement of net position (Exhibit A), is comprised of 1) unearned federal grant funds (Title I, II, IV) totaling \$97,060 of the District’s General Fund, and 2) \$1,408 in student advance meal payments and \$24,557 in unearned donated commodity inventory of the District’s Food Service Fund.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2018

**NOTE 9 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2017-2018 fiscal year was as follows:

|                                                     | <b>Balance<br/>7/1/2017</b> | <b>Additions</b>      | <b>Deductions</b>     | <b>Balance<br/>6/30/2018</b> |
|-----------------------------------------------------|-----------------------------|-----------------------|-----------------------|------------------------------|
| <b>Governmental Activities</b>                      |                             |                       |                       |                              |
| Land                                                | \$ 1,135,703                | \$ -                  | \$ (331,982)          | \$ 803,721                   |
| Land Improvements                                   | 11,315,182                  | -                     | (439,958)             | 10,875,224                   |
| Buildings and Improvements                          | 167,770,233                 | -                     | (2,209,681)           | 165,560,552                  |
| Furniture and Fixtures                              | 7,944,877                   | 169,710               | (1,103,412)           | 7,011,175                    |
| Vehicles                                            | 728,875                     | 43,000                | (289,311)             | 482,564                      |
| Library Books and Textbooks                         | 931,175                     | -                     | (356,614)             | 574,561                      |
| Construction in Progress                            | -                           | -                     | -                     | -                            |
|                                                     | <u>\$ 189,826,045</u>       | <u>\$ 212,710</u>     | <u>\$ (4,730,958)</u> | <u>\$ 185,307,797</u>        |
| <b>Less: Accumulated depreciation</b>               |                             |                       |                       |                              |
| Land Improvements                                   | \$ (5,886,238)              | \$ (611,222)          | \$ 425,525            | \$ (6,071,935)               |
| Buildings and Improvements                          | (23,603,885)                | (3,173,447)           | 1,909,839             | (24,867,493)                 |
| Furniture and Fixtures                              | (6,789,282)                 | (377,067)             | 1,084,685             | (6,081,664)                  |
| Vehicles                                            | (696,595)                   | (8,491)               | 273,359               | (431,727)                    |
| Library Books and Textbooks                         | (931,175)                   | -                     | 356,614               | (574,561)                    |
|                                                     | <u>\$ (37,907,175)</u>      | <u>\$ (4,170,227)</u> | <u>\$ 4,050,022</u>   | <u>\$ (38,027,380)</u>       |
| <b>Governmental Activities Capital Assets, Net</b>  |                             |                       |                       |                              |
|                                                     | <b>\$ 151,918,870</b>       | <b>\$ (3,957,517)</b> | <b>\$ (680,936)</b>   | <b>\$ 147,280,417</b>        |
| <b>Business-Type Activities</b>                     |                             |                       |                       |                              |
| Furniture and Equipment                             | \$ 972,429                  | \$ -                  | \$ -                  | \$ 972,429                   |
| Less: Accumulated Depreciation                      | (572,158)                   | (64,548)              | -                     | (636,706)                    |
| <b>Business-Type Activities Capital Assets, Net</b> |                             |                       |                       |                              |
|                                                     | <b>\$ 400,271</b>           | <b>\$ (64,548)</b>    | <b>\$ -</b>           | <b>\$ 335,723</b>            |

Refer to Note 19 for information in regards to the prior period adjustment to capital assets and accumulated depreciation as of July 1, 2017. Depreciation expense was charged to governmental functions as follows:

|                                               |                            |
|-----------------------------------------------|----------------------------|
| Instruction                                   | \$ 2,888,143               |
| Instructional Student Support                 | 477,104                    |
| Administrative and Financial Support Services | 299,196                    |
| Operation and Maintenance of Plant Services   | 435,433                    |
| Transportation                                | 578                        |
| Student Activities                            | 69,325                     |
| Community Services                            | 448                        |
|                                               | <u><u>\$ 4,170,227</u></u> |

**PENN HILLS SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS – SERIES B OF 2009**

On October 1, 2009, the Penn Hills School District issued General Obligation Bonds, Series B of 2009 in the amount of \$104,760,000 for the purpose of **1)** providing funds for various capital projects throughout the School District, and **2)** paying the costs of issuing the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on October 1 and April 1 each year through maturity. Interest rates range between 6.1% and 6.2% with the bonds maturing on October 1, 2039. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION NOTES - SERIES B OF 2012**

On September 5, 2012, the Penn Hills School District issued General Obligation Notes, Series B of 2012 in the amount of \$1,030,000 for the purpose of **1)** advance refunding a portion of the School District's outstanding General Obligation Bonds, Series C of 2009, and **2)** paying the costs of issuing the Notes. The notes were issued in denominations of \$5,000 with interest payable on October 1 and April 1 each year through maturity. Interest rates range between 4.2% and 4.75 with the notes maturing on October 1, 2030. The notes provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION BONDS - SERIES C OF 2012**

On September 5, 2012, the Penn Hills School District issued General Obligation Bonds, Series C of 2012 in the amount of \$22,355,000 for the purpose of **1)** providing funds for the completion of the construction and equipping of the new elementary center, new high school, and new athletic facilities, **2)** funding capitalized interest on the debt related to the new elementary center, and **3)** paying the costs of issuing the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on October 1 and April 1 each year through maturity. The interest rate is 4.0% with the bonds maturing on October 1, 2042. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION NOTES - SERIES OF 2013**

On September 18, 2013, the Penn Hills School District issued General Obligation Notes, Series of 2013 in the amount of \$2,570,000 for the purpose of **1)** currently refunding a portion of the School District's outstanding General Obligation Bonds, Series A of 2009, **2)** currently refunding all of the School District's outstanding General Obligation Bonds, Series C of 2009, and **3)** paying the costs of issuing the Notes. The notes were issued in denominations of \$5,000 with interest payable on October 1 and April 1 each year through maturity. Interest rates range between 2.0% and 4.0% with the notes maturing on October 1, 2028. The notes provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2018

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS – SERIES OF 2015**

On September 10, 2015, the Penn Hills School District issued General Obligation Bonds, Series 2015 in the amount of \$18,000,000 for the purpose of **1)** paying the current General Fund expenses of the School District as permitted by the Final Order of the Court dated August 17, 2015, pursuant to Sections 8129 and 8130 of the Act, the same constituting an incurrence of unfunded debt under the aforementioned provisions of the Act; and **2)** costs and expenses incurred by the School District in connection with the issuance and sale of the 2015 Bonds. The bonds were issued in denominations of \$5,000 with interest payable on November 15 and May 15 each year through maturity. Interest rates range between 3.0% and 5.0% with the bonds maturing November 15, 2024. The bonds are not subject to optional redemption prior to their stated dates of maturity.

**GENERAL OBLIGATION NOTES – SERIES A OF 2015**

On September 10, 2015, the Penn Hills School District issued General Obligation Notes, Series A of 2015 in the amount of \$1,965,000 for the purpose of **1)** partially refunding the School District's General Obligation Bonds, Series of 2014 and **2)** to pay all costs and expenses incurred by the School District in connection with the issuance and sale of the Notes. The notes were issued in denominations of \$5,000 with interest payable on November 15 and May 15 each year through maturity. Interest rates range between 2.25% and 4.0% with the notes maturing November 15, 2028. The notes provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION NOTES – SERIES OF 2017**

On August 30, 2017, the Penn Hills School District issued General Obligation Notes, Series of 2017 in the amount of \$21,395,000 for the purpose of **1)** the advance refunding of the School District's General Obligation Bonds, Series of 2014 and **2)** to pay all costs and expenses incurred by the School District in connection with the issuance and sale of the Notes. The notes were issued in denominations of \$5,000 with interest payable on March 15 and September 15 each year through maturity. Interest rates range between 4.641% and 5.372% with the notes maturing September 19, 2039. The notes provide for early redemption options for the School District as more fully described in the detailed Official Statement.

A summary of the Penn Hills School District's general obligation bonds and notes outstanding at June 30, 2018 is as follows:

| <b>Year End<br/>June 30,</b> | <b>2009B<br/>Principal</b> | <b>2012B<br/>Principal</b> | <b>2012C<br/>Principal</b> | <b>2013<br/>Principal</b> | <b>2015<br/>Principal</b> |
|------------------------------|----------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| 2019                         | \$ -                       | \$ 50,000                  | \$ -                       | \$ 170,000                | \$ 2,200,000              |
| 2020                         | -                          | 50,000                     | -                          | 170,000                   | 2,315,000                 |
| 2021                         | -                          | 55,000                     | -                          | 175,000                   | 2,435,000                 |
| 2022                         | -                          | 55,000                     | -                          | 180,000                   | 2,555,000                 |
| 2023                         | 3,645,000                  | 60,000                     | -                          | 190,000                   | 2,690,000                 |
| 2024-2028                    | 23,260,000                 | 340,000                    | -                          | 1,035,000                 | 5,795,000                 |
| 2029-2033                    | 28,370,000                 | 245,000                    | 195,000                    | 10,000                    | -                         |
| 2034-2038                    | 34,685,000                 | -                          | 580,000                    | -                         | -                         |
| 2039-2043                    | 14,800,000                 | -                          | 21,580,000                 | -                         | -                         |
|                              | <b>\$ 104,760,000</b>      | <b>\$ 855,000</b>          | <b>\$ 22,355,000</b>       | <b>\$ 1,930,000</b>       | <b>\$ 17,990,000</b>      |

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2018

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

| Year End<br>June 30, | 2015 A<br>Principal | 2017<br>Principal    | Total<br>Interest     | BAB<br>Subsidy         | Total                 |
|----------------------|---------------------|----------------------|-----------------------|------------------------|-----------------------|
| 2019                 | \$ 5,000            | \$ 5,000             | \$ 9,493,504          | \$ (2,260,141)         | \$ 9,663,363          |
| 2020                 | 5,000               | 5,000                | 9,374,252             | (2,260,141)            | 9,659,111             |
| 2021                 | 5,000               | 5,000                | 9,248,424             | (2,260,141)            | 9,663,283             |
| 2022                 | 5,000               | 5,000                | 9,115,915             | (2,260,141)            | 9,655,774             |
| 2023                 | 5,000               | 5,000                | 8,865,085             | (2,221,230)            | 13,238,855            |
| 2024-2028            | 1,165,000           | 1,525,000            | 38,506,634            | (9,709,488)            | 61,917,146            |
| 2029-2033            | 765,000             | 6,120,000            | 28,937,555            | (6,953,791)            | 57,688,764            |
| 2034-2038            | -                   | 9,170,000            | 17,026,540            | (3,547,896)            | 57,913,644            |
| 2039-2043            | -                   | 4,555,000            | 3,903,327             | (312,155)              | 44,526,173            |
|                      | <b>\$ 1,955,000</b> | <b>\$ 21,395,000</b> | <b>\$ 134,471,236</b> | <b>\$ (31,785,124)</b> | <b>\$ 273,926,113</b> |

The District has defeased various bond issues by entering into irrevocable trust agreements with The Bank of New York Mellon to purchase U.S. Government Securities in amounts sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the total amount of defeased debt outstanding is removed as a liability from the District's statement of net position as of June 30, 2018.

The difference between the District's defeased debt and the reacquisition prices (amounts deposited with escrow agent for refunding purposes) totaling \$1,894,235, is considered 'deferred interest' and is being amortized over the life of the new bond issues. The remaining amount of deferred interest on refunding totaling \$1,568,355 is reflected as a component of 'deferred outflows of resources' in the governmental activities column on the government-wide statement of net position. Total amortization for the 2017-2018 fiscal year was \$73,588 and was charged to the 'interest on long-term debt' expense category in the statement of activities.

In connection with the School District's various general obligation bond issues, the District paid bond discount costs which are being amortized on a straight-line basis over the life of the various bond issues. The unamortized amount of bond discount totaling \$908,275 is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)' in the governmental activities column on the government-wide statement of net position. Amortization expense for the year ended June 30, 2018 was \$274,982. This amount was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

The School District's various general obligation bond issues were issued at premiums which are being accreted as a component of interest expense on a straight-line basis over the life of the bond issues. The un-accreted amount of bond premiums totaling \$2,598,810 is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)', in the governmental activities column on the government-wide statement of net position. Premium accretion for the year ended June 30, 2018 was \$395,457. This amount was credited to the 'Interest on Long-Term Debt' expense category in the statement of activities.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2018

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

**LEASE PURCHASE AGREEMENT**

On June 13, 2018, the Penn Hills School District entered into a lease purchase agreement with KS StateBank in the amount of \$169,710 for the purchase of laptops for educational use. The terms of the lease call for an initial payment of \$13,536 at the lease inception and 13 additional payments of \$13,536 made on a quarterly basis. The lease is scheduled to mature on September 13, 2021.

A summary of the Penn Hills School District's lease purchase agreement outstanding at June 30, 2018 is as follows:

| <b>YEAR END</b> |                   | <b>PRINCIPAL</b> | <b>INTEREST</b>   | <b>TOTAL</b> |
|-----------------|-------------------|------------------|-------------------|--------------|
| <b>JUNE 30,</b> |                   |                  |                   |              |
| 2019            | \$ 57,895         | \$ 9,785         | \$ 67,680         |              |
| 2020            | 47,547            | 6,597            | 54,144            |              |
| 2021            | 50,965            | 3,180            | 54,145            |              |
| 2022            | 13,303            | 233              | 13,536            |              |
|                 | <b>\$ 169,710</b> | <b>\$ 19,795</b> | <b>\$ 189,505</b> |              |

The following represents the changes in the District's long-term liabilities during the 2017-2018 fiscal year:

|                           | <b>Balance</b>        | <b>Additions</b>     | <b>Reductions</b>    | <b>Balance</b>        | <b>Due Within</b>   |
|---------------------------|-----------------------|----------------------|----------------------|-----------------------|---------------------|
|                           | <b>6/30/2017</b>      |                      |                      | <b>6/30/2018</b>      | <b>One Year</b>     |
| General Obligation Bonds  | \$ 163,960,000        | \$ 21,395,000        | \$ 18,855,000        | \$ 166,500,000        | \$ 2,205,000        |
| General Obligation Notes  | 4,955,000             | -                    | 215,000              | 4,740,000             | 225,000             |
| Lease Purchase Obligation | -                     | 169,710              | -                    | 169,710               | 57,895              |
| Net Pension Liability     | 111,057,000           | -                    | 6,403,000            | 104,654,000           | -                   |
| Compensated Absences      | 2,972,692             | -                    | 63,847               | 2,908,845             | -                   |
| Net OPEB Liability        | 16,971,887            | 64,243               | -                    | 17,036,130            | -                   |
|                           | <b>\$ 299,916,579</b> | <b>\$ 21,628,953</b> | <b>\$ 25,536,847</b> | <b>\$ 296,008,685</b> | <b>\$ 2,487,895</b> |

**NOTE 11 - PENSION PLAN**

**PSERS**

The Penn Hills School District participates in the Public School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description**

PSERS is a governmental cost-sharing multiple-employer defined-benefit plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - PENSION PLAN (Continued)**

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F).

To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than ninety-two with a minimum of thirty-five years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

**Contribution Rates**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a 'shared risk' provision in Act 120 of 2010 that in future years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - PENSION PLAN (Continued)**

**Contribution Rates (Continued)**

**Employer Contributions** – Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2018, the rate of employer's contribution was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per the PSERS Retirement Code, the Commonwealth is required to contribute 50% of the above stated contribution rate directly to PSERS on behalf of the employer. Contributions to the pension plan from the employer were \$9,073,881 for the year ended June 30, 2018.

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

At June 30, 2017, the School District reported a liability of \$104,654,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School District's proportion was .2119%, which was a decrease of .0122% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$9,221,718. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                 | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|-----------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience               | \$ 1,092,000                              | \$ 632,000                               |
| Changes in assumptions                                          | 2,843,000                                 | -                                        |
| Net difference between projected and actual investment earnings | 2,425,000                                 | -                                        |
| Changes in proportions                                          | 210,000                                   | 7,169,000                                |
| Contributions subsequent to the measurement date                | <u>9,073,881</u>                          | <u>-</u>                                 |
|                                                                 | <u>\$ 15,643,881</u>                      | <u>\$ 7,801,000</u>                      |

The \$9,073,881 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

| <b>Measurement<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Reporting<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Amount</b> |
|---------------------------------------------------------|-------------------------------------------------------|---------------|
| 2018                                                    | 2019                                                  | \$ (756,000)  |
| 2019                                                    | 2020                                                  | 588,000       |
| 2020                                                    | 2021                                                  | 383,000       |
| 2021                                                    | 2022                                                  | (1,446,000)   |

**Changes in Actuarial Assumptions**

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

**Investment Asset Allocation**

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

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

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2018

**NOTE 11 - PENSION PLAN (Continued)**

**Investment Asset Allocation (Continued)**

| <u>Asset Class</u>      | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|-----------------------------------------------|
| Global public equity    | 20.0%                    | 5.10%                                         |
| Fixed Income            | 36.0%                    | 2.60%                                         |
| Commodities             | 8.0%                     | 3.00%                                         |
| Absolute return         | 10.0%                    | 3.40%                                         |
| Risk parity             | 10.0%                    | 3.80%                                         |
| Infrastructure/MLP's    | 8.0%                     | 4.80%                                         |
| Real estate             | 10.0%                    | 3.60%                                         |
| Alternative investments | 15.0%                    | 6.20%                                         |
| Cash                    | 3.0%                     | 0.60%                                         |
| Financing (LIBOR)       | -20.0%                   | 1.10%                                         |
|                         | 100%                     |                                               |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

|                                                                       | Current        |                |               |
|-----------------------------------------------------------------------|----------------|----------------|---------------|
|                                                                       | 1%             | Discount       | 1%            |
|                                                                       | Decrease       | Rate           | Increase      |
| School District's proportionate share of<br>the net pension liability | 6.25%          | 7.25%          | 8.25%         |
|                                                                       | \$ 128,820,000 | \$ 104,654,000 | \$ 84,251,000 |

**PENN HILLS SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 - PENSION PLAN (Continued)**

**Pension plan fiduciary net position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS**

**FORBES ROAD CAREER & TECHNOLOGY CENTER**

The Penn Hills School District, in conjunction with nine other School Districts, funds the operating and capital budget of the Forbes Road Career & Technology Center. The Technology Center is designed to teach students trade related professions. Each district's share of tuition is based on the percentage of the district's enrollment to the total enrollment at the Forbes Road Career & Technology Center. A representative from each district's school board sits on the board of the Technology Center. The Penn Hills School District paid \$905,145 in operating subsidy during the 2017-2018 fiscal year. The Forbes Road Career & Technology Center issues separate financial statements annually which can be obtained by contacting the Technology Center directly.

**ALLEGHENY INTERMEDIATE UNIT**

The Penn Hills School District participates with 42 other School Districts and 5 Vocational-Technical schools located in Allegheny County in the Allegheny Intermediate Unit #3 (AIU3). The AIU3 was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for 42 school districts, as well as nonpublic schools and other institutions, located within Allegheny County. The AIU3 provides services relative to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight. The Allegheny Intermediate Unit is governed by a thirteen (13) member board appointed by the 42 participating school districts on a rotating basis. The School District contributed \$60,911 to AIU3 for operating expenses, transportation recovery, and institutionalized children, through state subsidy withholdings, for the year-ended June 30, 2018. The Allegheny Intermediate Unit issues separate financial statements annually which can be obtained by contacting the AIU directly.

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM**

**General Information about the Health Insurance Premium Assistance Program**

PSERS provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. This Premium Assistance program became effective January 1, 2002 under the provisions of Act 9 of 2001.

**PENN HILLS SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Premium Assistance Eligibility Criteria**

Retirees of the System (PSERS) can participate in the Premium Assistance program if they satisfy the following criteria:

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

**Plan Description**

Penn Hills School District employees participate in the PSERS – Health Insurance Premium Assistance program, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. The members eligible to participate in the System include all full-time public-school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance eligible retirees must obtain their health insurance coverage through either their school employer or PSER's Health Option Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

**Contributions**

The District's contractually required contribution for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance any unfunded accrued liability. During the 2017-2018 fiscal year, the Penn Hills School District contributed \$237,282 to the premium assistance program.

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the District reported a liability of \$4,317,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School District's proportion was .2119%, which was a decrease of .0122% from its proportion measured as of June 30, 2016.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2018

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

For the year ended June 30, 2018, Penn Hills School District recognized OPEB expense of \$155,474. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                             | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|-------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between projected and actual investment earnings | \$ 5,000                                  | \$ -                                     |
| Changes in proportions                                      | -                                         | 225,000                                  |
| Contributions subsequent to the measurement date            | 237,282                                   | -                                        |
| Changes in assumptions                                      | -                                         | 201,000                                  |
|                                                             | <hr/> <u>\$ 242,282</u>                   | <hr/> <u>\$ 426,000</u>                  |

The \$237,282 reported as deferred outflows of resources related to OPEB resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement year ended June 30, 2018.

Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Measurement<br/>Date</b>    | <b>Reporting<br/>Date</b>      | <b>Amortization<br/>Amount</b> |
|--------------------------------|--------------------------------|--------------------------------|
| <b>Year ended<br/>June 30,</b> | <b>Year ended<br/>June 30,</b> | <b>Amount</b>                  |
| 2018                           | 2019                           | \$ (70,000)                    |
| 2019                           | 2020                           | (70,000)                       |
| 2020                           | 2021                           | (70,000)                       |
| 2021                           | 2022                           | (70,000)                       |
| 2022                           | 2023                           | (70,000)                       |
| Thereafter                     | Thereafter                     | (71,000)                       |

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Actuarial assumptions**

The Total OPEB liability as of June 30, 2017, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal – level % of pay
- Investment Return – 3.13% based on the S&P 20 Year Municipal Bond Rate.
- Salary Increases – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Participation rate – Eligible retirees will elect to participate Pre-age 65 at 50% and Post Age 65 at 70%
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset Valuation method: Market Value
- Participate Rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

**Investment Asset Allocation**

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

**PENN HILLS SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Investment Asset Allocation (Continued)**

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|-----------------------------------------------|
| Cash               | 76.4%                    | 0.60%                                         |
| Fixed Income       | 23.6%                    | 1.50%                                         |
|                    | <u>100%</u>              |                                               |

For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 0.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017

**Discount Rate**

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

**Sensitivity of the Net OPEB liability to changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

|                    | 1%                  | Current Discount    | 1%                  |
|--------------------|---------------------|---------------------|---------------------|
|                    | Decrease            | Rate                | Increase            |
|                    | <b>2.13%</b>        | <b>3.13%</b>        | <b>4.13%</b>        |
| Net OPEB Liability | <u>\$ 4,908,000</u> | <u>\$ 4,317,000</u> | <u>\$ 3,827,000</u> |

**PENN HILLS SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Sensitivity of the Net OPEB liability to changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

|                    | Current        |                |                |
|--------------------|----------------|----------------|----------------|
|                    | 1%<br>Decrease | Trend<br>Rates | 1%<br>Increase |
| Net OPEB Liability | \$ 4,316,000   | \$ 4,317,000   | \$ 4,318,000   |

**OPEB plan fiduciary net position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN**

**Plan Description**

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides healthcare, prescription drug, dental, vision, and/or life for the life of the member, until the member is eligible for Medicare, or up to four or ten years or until age 65, whichever comes first, for eligible retirees, their spouses and/or their dependents through the District's health insurance plan. A Medicare supplement is also provided to grandfathered employees until death. The member is covered until death for life insurance. The Retiree Health Plan covers both active and retired members. Benefit provisions are established through negotiation with the District and the union representing the District's employees.

The Retiree Health Plan does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Funding Policy**

The contribution requirements of plan members and the School District are negotiated between the District and the union representatives as part of the collective bargaining agreements. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid monthly to fund the health care benefits provided to current retirees.

A description of the coverages provided to retirees is as follows:

- **Teachers who retired prior to June 30, 1996** – District pays full premium for life insurance of \$5,000 for member only. The District also paid for the full premium for medical and prescription drug and a portion of dental and vision coverage for up to 10 years or until the member reached age 65. Members were responsible for premium costs increases in excess of a yearly maximum. If the 10-year period expires before the member reaches age 65, the member could continue coverage for an additional 5 years by paying the full premium. Once the member reaches Medicare age, the District pays the full premium for the Medicare supplement plan if elected.
- **Administrators who retired prior to July 12, 2001 and teachers who retired on or after October 14, 1996 and before June 30, 2001** – District pays full premium for life insurance of \$5,000 for member only. The District also paid for the full premium for medical and prescription drug and a portion of dental and vision coverage for up to 10 years or until the member reached age 65. Members were responsible for premium costs increases in excess of a yearly maximum. If the 10-year period expires before the member reaches age 65, the member could continue coverage for an additional 5 years by paying the full premium. For grandfathered administrative retirees prior to July 12, 2001, the District pays the full premium for the Medicare supplement plan until the member's death if elected.
- **Administrators who retired on or after July 12, 2001 and on or before June 30, 2007, and teachers who retired on or after July 12, 2001 and on or before June 30, 2007** – District pays full premium for life insurance of \$5,000 for member only. The District also paid for the full premium for medical and prescription drug and a portion of dental and vision coverage for up to 10 years or until the member reached age 65. The member's spouse is covered until the later of 10 years past retirement or member age 65. Members were responsible for premium costs increases in excess of a yearly maximum. If the 10-year period expires before the member reaches age 65, the member and spouse could continue coverage for an additional 5 years by paying the full premium. If the member or spouse reach age 65 before the 10-year period, they switch to a Medicare supplement plan with costs in excess of a predetermined cap to be covered by the member.
- **Administrators who retired on or after July 1, 2008 and on or before June 30, 2009, and either superannuation whereas the member is age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service of Act 110/43 is met** – District pays full premium for life insurance of \$10,000 for member only. The District pays the premium at the time of retirement for medical, prescription drug, dental, and vision for 1 year for every 4 years of PSERS service for the member and spouse. The District pays premium increases of up to 5% per year. After the District subsidy ends, if the member is under age 65, then the member may continue coverage by paying the full premium.

**PENN HILLS SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Funding Policy (Continued)**

- **Administrators who retired on or after July 1, 2009 if the requirements of Act 110/43 are met**  
– District pays full premium for life insurance of \$10,000 for member only. The member may obtain medical, prescription drug, dental, and vision coverage by paying the full premium.
- **Teachers who retired on or after July 1, 2007 if the requirements of Act 110/43 are met** – District pays full premium for life insurance of \$5,000 for member only. The member and spouse may obtain medical, prescription drug, dental, and vision coverage by paying the full premium.
- **Food service staff if the requirements of Act 110/43 are met** – District pays full premium for life insurance of \$3,000 for member only. The member and spouse may obtain medical, prescription drug, dental, and vision coverage by paying the full premium.
- **Plant employees if the requirements of Act 110/43 are met** – District pays full premium for life insurance of \$3,000 for member only. The member and spouse may obtain medical, prescription drug, dental, and vision coverage by paying the full premium. Additional life insurance costs and provisions are included in the plan. If the member is age 62 or older, the District pays the premium for tier of coverage held at the time of retirement for medical and prescription drugs until age 65. For grandfathered retirees, the District pays the full premium for a Medicare supplement plan until the member's death, if elected.
- **Secretarial staff and aides, if either attained the age of 61 with 10 years of service and are eligible for PSERS retirement, or Act 110/43 are met** – District pays full premium for life insurance of \$5,000 for member only. The member and spouse may obtain medical, prescription drug, dental, and vision coverage by paying the full premium. Additional life insurance costs and provisions are included in the plan. If the member is age 61 or older, the District pays the premium for tier of coverage held at the time of retirement for medical and prescription drugs until age 65. For grandfathered retirees, the District also pays the full premium for a Medicare supplement plan until the member's death, if elected.

During the 2017-2018 fiscal year, the Penn Hills School District paid \$1,425,087 for retiree health insurance coverage for 136 participants.

**Participant Data**

Employees covered by benefit terms as of the June 30, 2018 actuarial valuation were as follows:

| <b>PARTICIPANT<br/>DATA</b> |                   |
|-----------------------------|-------------------|
| Actives                     | 481               |
| Inactives                   | 80                |
| Total                       | <u><u>561</u></u> |

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2018

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The District's total OPEB liability of \$12,719,130 was measured as of June 30, 2018 and was determined by an actuarial valuation performed as of June 30, 2018. As the District's OPEB Plan is unfunded, the total OPEB liability is equal to the net OPEB liability. The June 30, 2018 valuation reflected the following change in total OPEB liability:

|                                                    |                             |
|----------------------------------------------------|-----------------------------|
| Balance at July 1, 2017                            | \$ 12,853,148               |
| Changes for the year:                              |                             |
| Service cost                                       | 213,494                     |
| Interest                                           | 578,392                     |
| Changes of benefit terms                           |                             |
| Differences between expected and actual experience |                             |
| actual experience                                  | 500,289                     |
| Changes in assumptions or other inputs *           | 419,716                     |
| Benefit payments                                   | (1,845,909)                 |
| Net Changes                                        | (134,018)                   |
| Balance at June 30, 2018                           | <b><u>\$ 12,719,130</u></b> |

For the year ended June 30, 2018, Penn Hills School District recognized OPEB expense of \$450,431. At June 30, 2018, the District report deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                    | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|----------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience | \$ 456,663                                | \$ -                                     |
| Changes of assumptions or other inputs             | <u>383,975</u>                            | <u>-</u>                                 |
|                                                    | <b><u>\$ 840,638</u></b>                  | <b><u>\$ -</u></b>                       |

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Measurement<br>Date<br>Year ended<br>June 30, | Reporting<br>Date<br>Year ended<br>June 30, | Amortization<br>Amount |
|-----------------------------------------------|---------------------------------------------|------------------------|
| 2018                                          | 2019                                        | \$ 79,367              |
| 2019                                          | 2020                                        | 79,367                 |
| 2020                                          | 2021                                        | 79,367                 |
| 2021                                          | 2022                                        | 79,367                 |
| 2022                                          | 2023                                        | 79,367                 |
| Thereafter                                    | Thereafter                                  | 443,803                |

**Actuarial Assumptions and Other Inputs to Calculate the Total OPEB Liability**

- Cost Method – Entry Age Normal as a Level Percentage of Pay
- Mortality – RPH-2014 Total Dataset Mortality Table projected using Scale MP-2017
- Discount rate – 3.87% based on the Bond Buyers 20-Bond Index
- Inflation Rate – 3.00%
- Investment Return – Investment return was not utilized in this valuation since there are no assets
- Salary Increases – 2.50%
- Health Care Cost Trend Rate – 18-19 as outlined in plan document, 7.00% in 19-20, 6.75% in 20-21, 6.50% in 21-22, 6.25% in 22-23, 6.00% in 23-24, 5.50% in 24-25, 5.00% in 25-26, and 4.50% in 2026-2027 and later
- Percent Married – Actual spousal information was utilized for current retirees. For the active population, it was assumed that 55% of retirees will elect to cover a spouse at retirement. Females are assumed to be three years younger than males
- Participation – It is assumed that 100% of eligible Administrators, 75% of eligible Teachers and 100% of eligible Plan members will participate in the retiree medical program
- Aging Factors – Aging factors used for developing costs are from “Health Care Costs – From Birth to Death,” by Dale H. Yamamoto (Chart 5 – Unisex)
- Withdrawal Rates – Rates vary by attained age
- Retirement Rates – Rates vary by retirement age
- Disability – None assumed

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Sensitivity of the total OPEB liability to changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 3.58%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

|                      | Current              |                      |                      |
|----------------------|----------------------|----------------------|----------------------|
|                      | 1%                   | Discount             | 1%                   |
|                      | Decrease             | Rate                 | Increase             |
| Total OPEB Liability | <b>2.87%</b>         | <b>3.87%</b>         | <b>4.87%</b>         |
|                      | <b>\$ 13,080,295</b> | <b>\$ 12,719,130</b> | <b>\$ 12,058,914</b> |

**Sensitivity of the total OPEB liability to changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

|                      | Current              |                      |                      |
|----------------------|----------------------|----------------------|----------------------|
|                      | 1%                   | Trend                | 1%                   |
|                      | Decrease             | Rates                | Increase             |
| Total OPEB Liability | <b>\$ 12,071,449</b> | <b>\$ 12,719,130</b> | <b>\$ 13,426,962</b> |

The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**NOTE 14 – OPERATING LEASE**

In April of 2016, the Penn Hills School District entered into an operating lease agreement with Hewlett-Packard Financial Services for teacher laptops. The terms of the lease agreement call for quarterly payments of \$6,586.26 over a period of 36 months. During the 2017-2018 fiscal year, the School District's lease expense on this equipment totaled \$26,345.92.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 15 - RISK MANAGEMENT**

**GENERAL INSURANCE**

The Penn Hills School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**HEALTH INSURANCE**

The Penn Hills School District is one of forty-seven members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The school district is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions by the District, as reported by the Consortium, totaled \$7,056,761 for the year ended June 30, 2018.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium's net position, as determined on the fiscal year-end date after withdrawal. As of June 30, 2017, the net assets available for benefits of the Consortium were \$47,685,965 of which \$1,504,301 is attributable to the Penn Hills School District.

**NOTE 16 – CONTINGENCIES**

**STATE AND FEDERAL SUBSIDIES**

The Penn Hills School District state and federally funded programs are subject to audit by various governmental agencies. The District is potentially liable for any expenditure disallowed by the results of these audits. In May of 2016, the Commonwealth of Pennsylvania Department of the Auditor General issued the results of its 'Performance Audit' of the Penn Hills School District covering the period July 1, 2012 through June 30, 2015. The performance audit highlighted eight (8) findings in total addressing the areas of District finance and the District's compliance with applicable laws and regulations. The School District responded to each of these findings with a correction action plan either implementing or in the process of implementing policies and procedures to address each of the findings.

**SALE OF TAX CLAIMS**

The Penn Hills School District sold its outstanding delinquent real estate tax claims for the tax years 2014-2018 to the Northwest Pennsylvania Incubator Association (NPIA). NPIA borrowed the necessary funds from Firstrust Savings Bank. Section 3.02 of the agreement of sale between the District and NPIA provides for a mandatory repurchase clause by the District in the event of default by NPIA on its loan obligation to Firstrust Savings Bank. In the event of default, the District would be responsible for the outstanding balance due Firstrust Savings Bank by NPIA. On June 27, 2016, the Penn Hills School District approved a resolution to sell its 2019 tax claims in addition to the 2018 tax claims sold during the current fiscal year.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 16 – CONTINGENCIES**

**LEGAL MATTERS**

The Penn Hills School District, in the normal course of operations, is party to various legal matters normally associated with school districts such as real estate tax assessment appeals, personnel wage and benefits, and other legal matters. A grand jury report was released by the Allegheny County District Attorney's Office on February 5, 2019 with regard to the operations of the Penn Hills School District. The report reiterated concerns as expressed in the aforementioned Commonwealth of Pennsylvania Department of the Auditor General 'Performance Audit' in May of 2016 and provided a series of recommendations. The ultimate disposition of the matters as addressed in the Grand Jury Report are still in process and it is not feasible as of the date of this report to determine the extent of any adverse sanctions or other matters that may affect the financial position of the School District.

**NOTE 17 - FINANCIAL RECOVERY STATUS**

On June 5, 2017, the Penn Hills School District was notified by PDE that the School District was designated in 'Financial Watch Status' pursuant to Section 611-A of the Public School Code of 1949. Pursuant to Act 141 of 2012, the Pennsylvania Department of Education (PDE) was required to develop and implement an 'Early Warning System' in order to identify and offer technical assistance to school districts experiencing financial difficulties. The Early Warning System identifies a number of indicators of financial difficulty that PDE evaluates to determine whether a school district should be designated in financial watch status. Pursuant to the Early Warning System, PDE conducts an initial analysis of the financial results of the school district. PDE conducted this analysis of the Penn Hills School District and determined the factors existed to support the School District's initial designation in 'Financial Watch Status'. Some, but not all of the factors supporting the School District's designation include a negative fund balance, a requested and received advance of \$2,000,000 in basic subsidy funding (March 30, 2017), issuance of unfunded debt in 2015, and the results of the Auditor General's Performance Audit (see Note 16).

On January 16, 2019, based on updated financial information reviewed by PDE, the Penn Hills School District was declared by PDE to be in 'Financial Recovery Status' as defined in Section 621-A of the Public School Code, and Section 18.5 of the Pennsylvania Code, 24 P.S., and is subject to the provisions of Article VI-A that apply to Moderate Financial Recovery School Districts as defined in Section 651-A, 24 P.S. A recovery officer was appointed the first week in February 2019 and has been preparing a financial recovery plan to be voted on by the Board on April 29, 2019.

**NOTE 18 – RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2018 the District implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*. The implementation of Statement No. 75 resulted in the reporting of a deferred post-employment outflow of resources, post-employment liability and deferred post-employment inflow of resources related to the District's other post-employment benefit plans.

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2018

**NOTE 18 – RESTATEMENT OF NET POSITION (Continued)**

Accordingly, the School District's net position as of July 1, 2017 was restated as follows:

|                                                                                   | GOVERNMENTAL ACTIVITIES |             | BUSINESS-TYPE<br>ACTIVITIES |                       |
|-----------------------------------------------------------------------------------|-------------------------|-------------|-----------------------------|-----------------------|
|                                                                                   | DISTRICT OPEB           | PSERS OPEB  | TOTAL                       |                       |
| <b>NET POSITION AS PREVIOUSLY REPORT - 06/30/2017</b>                             |                         |             | <b>\$ (145,270,232)</b>     | <b>\$ (2,431,592)</b> |
| Net OPEB Liability Adjustment                                                     | (12,513,225)            | (4,682,190) | (17,195,415)                | (144,810)             |
| DEFERRED OUTFLOWS - DISTRICT'S CONTRIBUTIONS<br>MADE DURING FISCAL YEAR 2016-2017 |                         | -           | 223,528                     | 6,913                 |
| Total Adjustment                                                                  |                         |             | <u>\$ (16,971,887)</u>      | <u>\$ (137,897)</u>   |
| <b>NET POSITION AS RESTATED - 07/1/2017</b>                                       |                         |             | <b>\$ (162,242,119)</b>     | <b>\$ (2,569,489)</b> |

**NOTE 19 – PRIOR PERIOD ADJUSTMENT**

The prior period adjustment of \$17,083,585 to the July 1, 2017 net position of the District (Exhibit B) represents the effects on the District's net capital assets resulting from updated information contained in the District's most recent fixed asset appraisal conducted for the 2017-2018 fiscal year.

**NOTE 20 – SUBSEQUENT EVENTS**

The Penn Hills School District evaluated its June 30, 2018 financial statements for subsequent events through the March 22, 2019 date of the 'Independent Auditor's Report, which is the date the financial statements were available to be issued. Other than the results of the Allegheny County Grand Jury Report (Note 16), management has determined that there are no events subsequent to June 30, 2018 through the date of the financial statements that require additional disclosure.

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**OTHER  
SUPPLEMENTARY  
INFORMATION**

**SCHEDULE 1**

**PENN HILLS SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL FUND REVENUES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                            | FINAL<br>BUDGET      | ACTUAL               | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|--------------------------------------------|----------------------|----------------------|---------------------------------------------------------|
| <b><u>LOCAL SOURCES</u></b>                |                      |                      |                                                         |
| Real Estate                                | \$ 37,462,017        | \$ 37,173,135        | \$ (288,882)                                            |
| Public Utility Tax                         | 45,000               | 43,350               | (1,650)                                                 |
| Payments in lieu of Taxes                  | 16,000               | 16,685               | 685                                                     |
| Local Service Tax                          | 34,000               | 37,957               | 3,957                                                   |
| Real Estate Transfer Tax                   | 320,000              | 586,181              | 266,181                                                 |
| Business Privilege Taxes                   | 250,000              | 276,141              | 26,141                                                  |
| Mercantile Taxes                           | 380,000              | 350,426              | (29,574)                                                |
| Real Estate Tax - Delinquent               | 2,851,425            | 3,177,209            | 325,784                                                 |
| Wage Taxes (Current and Delinquent)        | 4,345,000            | 4,241,806            | (103,194)                                               |
| Interest                                   | 2,500                | 69,659               | 67,159                                                  |
| Admissions                                 | 29,000               | 32,555               | 3,555                                                   |
| Revenue From Other Student Activities      | -                    | 1,500                | 1,500                                                   |
| Federal Revenue Pass Thru Funds            | 3,142                | 89,189               | 86,047                                                  |
| Federal IDEA Revenue from IU               | 909,499              | 914,725              | 5,226                                                   |
| Rentals/Gas Well Royalty Revenue           | 200,000              | 523,855              | 323,855                                                 |
| Contributions from Private Sources         | 10,000               | 52,108               | 42,108                                                  |
| Tuition                                    | 15,000               | -                    | (15,000)                                                |
| Miscellaneous                              | 467,500              | 197,865              | (269,635)                                               |
| <b>TOTAL REVENUES FROM LOCAL SOURCES</b>   | <b>\$ 47,340,083</b> | <b>\$ 47,784,346</b> | <b>\$ 444,263</b>                                       |
| <b><u>STATE SOURCES</u></b>                |                      |                      |                                                         |
| Basic Subsidy                              | \$ 16,499,853        | \$ 16,499,430        | \$ (423)                                                |
| Tuition for children (Section 1305/1306)   | 25,000               | 4,473                | (20,527)                                                |
| Educational Empowerment/ School            | -                    | 2,000,000            | 2,000,000                                               |
| Special Education                          | 3,324,513            | 3,319,969            | (4,544)                                                 |
| Act 30 PRRI                                | -                    | 57                   | 57                                                      |
| Transportation                             | 2,600,000            | 2,461,291            | (138,709)                                               |
| Rental Payments                            | 704,725              | 736,009              | 31,284                                                  |
| Medical Dental                             | 65,000               | 73,587               | 8,587                                                   |
| Property Relief Payment                    | 2,359,927            | 2,359,927            | -                                                       |
| Safe School Grant                          | -                    | 11,980               | 11,980                                                  |
| Ready to Learn Grant                       | 850,686              | 850,686              | -                                                       |
| Social Security                            | 1,021,996            | 1,299,280            | 277,284                                                 |
| Retirement                                 | 4,347,838            | 6,489,895            | 2,142,057                                               |
| <b>TOTAL REVENUES FROM STATE SOURCES</b>   | <b>\$ 31,799,538</b> | <b>\$ 36,106,584</b> | <b>\$ 4,307,046</b>                                     |
| <b><u>FEDERAL SOURCES</u></b>              |                      |                      |                                                         |
| ROTC                                       | \$ -                 | \$ 29,517            | \$ 29,517                                               |
| Esea, Title I                              | 1,627,815            | 1,979,949            | 352,134                                                 |
| Title II. Improving Teacher Quality        | 184,996              | 244,884              | 59,888                                                  |
| 21st Century CLC Cohort Grant              | 300,000              | 392,388              | 92,388                                                  |
| ARRA - Build America Bonds                 | 2,104,191            | 2,107,581            | 3,390                                                   |
| Medical Assistance                         | 1,025,000            | -                    | (1,025,000)                                             |
| Medical Assistance Reimbursement for Admin | 25,000               | 25,313               | 313                                                     |
| <b>TOTAL REVENUES FROM FEDERAL SOURCES</b> | <b>\$ 5,267,002</b>  | <b>\$ 4,779,632</b>  | <b>\$ (487,370)</b>                                     |
| <b><u>OTHER FINANCING SOURCES</u></b>      |                      |                      |                                                         |
| Interfund Transfer                         | \$ -                 | \$ 41,708            | \$ 41,708                                               |
| Sale of Fixed Assets                       | -                    | 205,090              | 205,090                                                 |
| <b>TOTAL OTHER FINANCING SOURCES</b>       | <b>\$ -</b>          | <b>\$ 246,798</b>    | <b>\$ 246,798</b>                                       |
| <b>TOTAL REVENUES</b>                      | <b>\$ 84,406,623</b> | <b>\$ 88,917,360</b> | <b>\$ 4,510,737</b>                                     |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**PENN HILLS SCHOOL DISTRICT**  
**STATEMENT OF GENERAL FUND EXPENDITURES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                            | FINAL<br>BUDGET      | ACTUAL               | VARIANCE WITH<br>FINAL BUDGET |            |  |  |
|--------------------------------------------|----------------------|----------------------|-------------------------------|------------|--|--|
|                                            |                      |                      | POSITIVE                      | (NEGATIVE) |  |  |
| <b><u>INSTRUCTION</u></b>                  |                      |                      |                               |            |  |  |
| <b>Regular Programs</b>                    |                      |                      |                               |            |  |  |
| Personnel Services - Salaries              | \$ 14,594,480        | \$ 16,132,795        | \$ (1,538,315)                |            |  |  |
| Personnel Services - Employee Benefits     | 11,018,510           | 11,176,433           | (157,923)                     |            |  |  |
| Purchased Professional/Tech Services       | 308,680              | 610,487              | (301,807)                     |            |  |  |
| Purchased Property Services                | 7,622                | 1,806                | 5,816                         |            |  |  |
| Other Purchased Services                   | 7,072,453            | 9,453,288            | (2,380,835)                   |            |  |  |
| Supplies                                   | 813,787              | 520,116              | 293,671                       |            |  |  |
| Property                                   | 582,870              | 190,428              | 392,442                       |            |  |  |
| Other Objects                              | 23,500               | 21,000               | 2,500                         |            |  |  |
| <b>Total Regular Programs</b>              | <b>\$ 34,421,902</b> | <b>\$ 38,106,353</b> | <b>\$ (3,684,451)</b>         |            |  |  |
| <b>Special Programs:</b>                   |                      |                      |                               |            |  |  |
| Personnel Services - Salaries              | \$ 3,645,008         | \$ 3,459,355         | \$ 185,653                    |            |  |  |
| Personnel Services - Employee Benefits     | 1,932,067            | 2,059,344            | (127,277)                     |            |  |  |
| Purchased Professional/Tech Services       | 543,840              | 624,627              | (80,787)                      |            |  |  |
| Other Purchased Services                   | 5,035,195            | 7,378,472            | (2,343,277)                   |            |  |  |
| Supplies                                   | 5,505                | 11,612               | (6,107)                       |            |  |  |
| Property                                   | 17,531               | 17,070               | 461                           |            |  |  |
| <b>Total Special Programs</b>              | <b>\$ 11,179,146</b> | <b>\$ 13,550,480</b> | <b>\$ (2,371,334)</b>         |            |  |  |
| <b>Vocational Education Programs</b>       |                      |                      |                               |            |  |  |
| Personal Services-Salaries                 | \$ 457,274           | \$ 366,903           | \$ 90,371                     |            |  |  |
| Personal Services- Employee Benefits       | 250,001              | 191,942              | 58,059                        |            |  |  |
| Purchased Property Services                | 515                  | -                    | 515                           |            |  |  |
| Other Purchased Services                   | 905,145              | 905,145              | -                             |            |  |  |
| Supplies                                   | 23,800               | 18,045               | 5,755                         |            |  |  |
| Property                                   | 6,400                | 5,413                | 987                           |            |  |  |
| <b>Total Vocational Education Programs</b> | <b>\$ 1,643,135</b>  | <b>\$ 1,487,448</b>  | <b>\$ 155,687</b>             |            |  |  |
| <b>Other Instructional Programs</b>        |                      |                      |                               |            |  |  |
| Personal Services - Salaries               | \$ 69,464            | \$ 216,349           | \$ (146,885)                  |            |  |  |
| Personal Services - Employee Benefits      | -                    | 115,392              | (115,392)                     |            |  |  |
| Purchased Professional/ Technical Services | 257,500              | 248,930              | 8,570                         |            |  |  |
| Other Purchased Services                   | 32,960               | 53,765               | (20,805)                      |            |  |  |
| <b>Total Other Instructional Programs</b>  | <b>\$ 359,924</b>    | <b>\$ 634,436</b>    | <b>\$ (274,512)</b>           |            |  |  |
| <b>Non-Public School Programs</b>          |                      |                      |                               |            |  |  |
| Purchased Professional Services            | \$ 41,200            | \$ 114,417           | \$ (73,217)                   |            |  |  |
| <b>Total Non-Public School Programs</b>    | <b>\$ 41,200</b>     | <b>\$ 114,417</b>    | <b>\$ (73,217)</b>            |            |  |  |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**PENN HILLS SCHOOL DISTRICT**  
**STATEMENT OF GENERAL FUND EXPENDITURES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

| INSTRUCTION (Continued)                   | FINAL<br>BUDGET      | ACTUAL               | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|-------------------------------------------|----------------------|----------------------|---------------------------------------------------------|
|                                           |                      |                      |                                                         |
| <b>Pre-School</b>                         |                      |                      |                                                         |
| Personal Services- Salaries               | \$ 165,546           | \$ 218,991           | \$ (53,445)                                             |
| Personal Services-Employee Benefits       | 98,842               | 120,662              | (21,820)                                                |
| Supplies                                  | 4,000                | 3,807                | 193                                                     |
| <b>Total Pre-School</b>                   | <b>\$ 268,388</b>    | <b>\$ 343,460</b>    | <b>\$ (75,072)</b>                                      |
| <b>TOTAL INSTRUCTION</b>                  | <b>\$ 47,913,695</b> | <b>\$ 54,236,594</b> | <b>\$ (6,322,899)</b>                                   |
| <b>SUPPORT SERVICES</b>                   |                      |                      |                                                         |
| <b>Pupil Personnel</b>                    |                      |                      |                                                         |
| Personal Services - Salaries              | \$ 1,496,125         | \$ 1,594,638         | \$ (98,513)                                             |
| Personal Services - Employee Benefits     | 954,743              | 927,907              | 26,836                                                  |
| Purchased Professional/Technical Services | 72,050               | 95,873               | (23,823)                                                |
| Other Purchased Services                  | 6,591                | 7,683                | (1,092)                                                 |
| Supplies                                  | 16,818               | 23,694               | (6,876)                                                 |
| Property                                  | -                    | 8,705                | (8,705)                                                 |
| Other Objects                             | -                    | 59                   | (59)                                                    |
| <b>Total Pupil Personnel</b>              | <b>\$ 2,546,327</b>  | <b>\$ 2,658,559</b>  | <b>\$ (112,232)</b>                                     |
| <b>Instructional Staff</b>                |                      |                      |                                                         |
| Personal Services - Salaries              | \$ 1,288,566         | \$ 1,327,569         | \$ (39,003)                                             |
| Personal Services - Employee Benefits     | 839,872              | 828,658              | 11,214                                                  |
| Purchased Professional/Technical Services | 304,260              | 224,206              | 80,054                                                  |
| Purchased Property Services               | 4,532                | 1,074                | 3,458                                                   |
| Other Purchased Services                  | 12,532               | 6,938                | 5,594                                                   |
| Supplies                                  | 473,124              | 133,644              | 339,480                                                 |
| Property                                  | 9,000                | 8,915                | 85                                                      |
| <b>Total Instructional Staff</b>          | <b>\$ 2,931,886</b>  | <b>\$ 2,531,004</b>  | <b>\$ 400,882</b>                                       |
| <b>Administration</b>                     |                      |                      |                                                         |
| Personnel Services - Salaries             | \$ 1,588,910         | \$ 1,639,537         | \$ (50,627)                                             |
| Personnel Services - Employee Benefits    | 956,869              | 926,285              | 30,584                                                  |
| Purchased Professional/Tech Services      | 502,745              | 360,210              | 142,535                                                 |
| Other Purchased Services                  | 96,490               | 53,919               | 42,571                                                  |
| Supplies                                  | 5,027                | 10,475               | (5,448)                                                 |
| Other Objects                             | 21,300               | 104,137              | (82,837)                                                |
| <b>Total Administration</b>               | <b>\$ 3,171,341</b>  | <b>\$ 3,094,563</b>  | <b>\$ 76,778</b>                                        |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**PENN HILLS SCHOOL DISTRICT**  
**STATEMENT OF GENERAL FUND EXPENDITURES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                   | FINAL<br>BUDGET     | ACTUAL              | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|---------------------------------------------------|---------------------|---------------------|---------------------------------------------------------|
| <b>SUPPORT SERVICES (Continued)</b>               |                     |                     |                                                         |
| <b>Pupil Health</b>                               |                     |                     |                                                         |
| Personal Services - Salaries                      | \$ 201,467          | \$ 446,829          | \$ (245,362)                                            |
| Personal Services - Employee Benefits             | 159,627             | 259,478             | (99,851)                                                |
| Purchased Professional/Technical Services         | 10,300              | -                   | 10,300                                                  |
| Supplies                                          | 5,500               | 4,813               | 687                                                     |
| <b>Total Pupil Health</b>                         | <b>\$ 376,894</b>   | <b>\$ 711,120</b>   | <b>\$ (334,226)</b>                                     |
| <b>Business</b>                                   |                     |                     |                                                         |
| Personnel Services - Salaries                     | \$ 294,889          | \$ 243,398          | \$ 51,491                                               |
| Personnel Services - Employee Benefits            | 147,511             | 158,206             | (10,695)                                                |
| Purchased Professional/Technical Services         | 85,339              | 139,892             | (54,553)                                                |
| Purchased Property Services                       | 368,599             | 354,166             | 14,433                                                  |
| Other Purchased Services                          | 2,560               | 4,060               | (1,500)                                                 |
| Supplies                                          | 45,931              | 59,080              | (13,149)                                                |
| Other Objects                                     | 1,766               | 63,280              | (61,514)                                                |
| <b>Total Business</b>                             | <b>\$ 946,595</b>   | <b>\$ 1,022,082</b> | <b>\$ (75,487)</b>                                      |
| <b>Operation &amp; Maintenance of Plant</b>       |                     |                     |                                                         |
| Personal Services - Salaries                      | \$ 3,252,494        | \$ 3,074,775        | \$ 177,719                                              |
| Personal Services - Employee Benefits             | 2,117,031           | 1,953,364           | 163,667                                                 |
| Purchased Professional/Technical Services         | 772,500             | 726,368             | 46,132                                                  |
| Purchased Property Services                       | 368,920             | 339,129             | 29,791                                                  |
| Other Purchased Services                          | 128,647             | 202,228             | (73,581)                                                |
| Supplies                                          | 1,514,484           | 1,489,839           | 24,645                                                  |
| Property                                          | 45,935              | 43,319              | 2,616                                                   |
| Other Objects                                     | 1,000               | 195                 | 805                                                     |
| <b>Total Operation &amp; Maintenance of Plant</b> | <b>\$ 8,201,011</b> | <b>\$ 7,829,217</b> | <b>\$ 371,794</b>                                       |
| <b>Student Transportation</b>                     |                     |                     |                                                         |
| Personnel Services - Salaries                     | \$ 27,401           | \$ 4,082            | \$ 23,319                                               |
| Personnel Services - Employee Benefits            | 34,645              | 5,056               | 29,589                                                  |
| Purchased Professional/Technical Services         | -                   | 44,213              | (44,213)                                                |
| Purchased Property Services                       | -                   | 216                 | (216)                                                   |
| Other Purchased Services                          | 6,700,731           | 6,709,386           | (8,655)                                                 |
| Supplies                                          | 275,000             | 322,263             | (47,263)                                                |
| <b>Total Student Transportation</b>               | <b>\$ 7,037,777</b> | <b>\$ 7,085,216</b> | <b>\$ (47,439)</b>                                      |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**PENN HILLS SCHOOL DISTRICT**  
**STATEMENT OF GENERAL FUND EXPENDITURES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                     | FINAL<br>BUDGET      | ACTUAL               | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|-----------------------------------------------------|----------------------|----------------------|---------------------------------------------------------|
| <b>SUPPORT SERVICES (Continued)</b>                 |                      |                      |                                                         |
| <b>Support Services - Central</b>                   |                      |                      |                                                         |
| Personnel Services - Salaries                       | \$ 229,048           | \$ 229,811           | \$ (763)                                                |
| Personnel Services - Employee Benefits              | 154,062              | 149,238              | 4,824                                                   |
| Purchased Professional/Technical Services           | 21,622               | 21,300               | 322                                                     |
| Purchased Property Services                         | 20,600               | 14,588               | 6,012                                                   |
| Other Purchased Services                            | 34,866               | 41,413               | (6,547)                                                 |
| Supplies                                            | 36,705               | 36,223               | 482                                                     |
| Property                                            | 50,000               | 34,055               | 15,945                                                  |
| <b>Total Support Services - Central</b>             | <b>\$ 546,903</b>    | <b>\$ 526,628</b>    | <b>\$ 20,275</b>                                        |
| <b>Other Support Services</b>                       |                      |                      |                                                         |
| Other Purchased Services                            | \$ 42,583            | \$ 48,021            | \$ (5,438)                                              |
| Other Objects                                       | -                    | 1,738                | (1,738)                                                 |
| <b>Total Other Support Services</b>                 | <b>\$ 42,583</b>     | <b>\$ 49,759</b>     | <b>\$ (7,176)</b>                                       |
| <b>TOTAL SUPPORT SERVICES</b>                       | <b>\$ 25,801,317</b> | <b>\$ 25,508,148</b> | <b>\$ 293,169</b>                                       |
| <b>OPERATION OF NON-INSTUCTIONAL SERVICES</b>       |                      |                      |                                                         |
| <b>Student Activities</b>                           |                      |                      |                                                         |
| Personal Services - Salaries                        | \$ 618,825           | \$ 489,534           | \$ 129,291                                              |
| Personal Services - Employee Benefits               | 274,013              | 171,595              | 102,418                                                 |
| Purchased Professional/Technical Services           | 186,855              | 175,019              | 11,836                                                  |
| Other Purchased Services                            | 40,406               | 19,452               | 20,954                                                  |
| Supplies                                            | 90,965               | 65,750               | 25,215                                                  |
| Property                                            | 8,500                | 1,980                | 6,520                                                   |
| Other Objects                                       | -                    | 2,701                | (2,701)                                                 |
| <b>Total Student Activities</b>                     | <b>\$ 1,219,564</b>  | <b>\$ 926,031</b>    | <b>\$ 293,533</b>                                       |
| <b>Community Services</b>                           |                      |                      |                                                         |
| Personal Services - Salaries                        | \$ -                 | \$ 3,164             | \$ (3,164)                                              |
| Personal Services - Employee Benefits               | -                    | 1,322                | (1,322)                                                 |
| Purchased Professional/Technical Services           | 123,600              | 111,049              | 12,551                                                  |
| Supplies                                            | 45,000               | 4,967                | 40,033                                                  |
| <b>Total Community Services</b>                     | <b>\$ 168,600</b>    | <b>\$ 120,502</b>    | <b>\$ 48,098</b>                                        |
| <b>TOTAL OPERATION OF NON-INSTUCTIONAL SERVICES</b> | <b>\$ 1,388,164</b>  | <b>\$ 1,046,533</b>  | <b>\$ 341,631</b>                                       |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**PENN HILLS SCHOOL DISTRICT**  
**STATEMENT OF GENERAL FUND EXPENDITURES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                      | FINAL<br>BUDGET      | ACTUAL               | VARIANCE WITH<br>FINAL BUDGET |
|--------------------------------------|----------------------|----------------------|-------------------------------|
|                                      |                      |                      | POSITIVE<br>(NEGATIVE)        |
| <b><u>OTHER FINANCING USES</u></b>   |                      |                      |                               |
| <b>Debt Service</b>                  |                      |                      |                               |
| Other Objects - Debt Interest        | \$ 9,079,313         | \$ 8,955,983         | \$ 123,330                    |
| Other Uses of Funds - Debt Principal | 220,000              | 220,000              | -                             |
| Refund of Prior year (Revenues)      | -                    | 33,052               | (33,052)                      |
| <b>Total Debt Service</b>            | <b>\$ 9,299,313</b>  | <b>\$ 9,209,035</b>  | <b>\$ 90,278</b>              |
| <b>TOTAL EXPENDITURES</b>            | <b>\$ 84,402,489</b> | <b>\$ 90,000,310</b> | <b>\$ (5,597,821)</b>         |

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**PENN HILLS SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED CONTRIBUTIONS**  
**DEFINED BENEFIT PENSION PLAN**  
JUNE 30,

|                                                                     | <b>2018</b>        | <b>2017</b>        | <b>2016</b>        | <b>2015</b>        | <b>2014</b>        | <b>2013</b>        |
|---------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions                                | \$ 8,107,075       | \$ 8,337,516       | \$ 7,136,635       | \$ 6,114,177       | \$ 5,187,370       | \$ 3,366,841       |
| Contribution in relation to the contractually required contribution | <u>(8,107,075)</u> | <u>(8,337,516)</u> | <u>(7,136,635)</u> | <u>(6,114,177)</u> | <u>(5,187,370)</u> | <u>(3,366,841)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>        |
| District's covered payroll                                          | 28,892,829         | 28,212,146         | 29,027,925         | 29,427,421         | 30,356,988         | 30,239,967         |
| Contributions as a percentage of covered-employee payroll           | 28.06%             | 29.55%             | 24.59%             | 20.78%             | 17.09%             | 11.13%             |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

Note: Beginning in 2018 with the implementation of GASB 75, contributions as reported above reflect the pension portion of the contribution only. The premium assistance (OPEB) portion of the contribution is reflected on a separate RSI schedule. Prior year contributions reflect both the pension and premium assistance amounts combined.

**PENN HILLS SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DEFINED BENEFIT PENSION PLAN**  
JUNE 30,

| <b>As of the measurement date of June 30,</b>                                                                  | <b>2017</b>    | <b>2016</b>    | <b>2015</b>   | <b>2014</b>   | <b>2013</b>   |
|----------------------------------------------------------------------------------------------------------------|----------------|----------------|---------------|---------------|---------------|
| District's proportion of the net pension liability                                                             | 0.2119%        | 0.2241%        | 0.2284%       | 0.2379%       | 0.2356%       |
| District's proportionate share of the net pension liability                                                    | \$ 104,654,000 | \$ 111,057,000 | \$ 98,932,000 | \$ 94,162,000 | \$ 96,445,000 |
| District's covered-employee payroll                                                                            | 28,212,146     | 29,027,925     | \$ 29,427,421 | \$ 30,356,988 | \$ 30,239,967 |
| District's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 370.95%        | 382.59%        | 336.19%       | 310.18%       | 318.93%       |
| Plan fiduciary net position as a percentage of<br>the total pension liability                                  | 51.84%         | 50.14%         | 54.36%        | 57.24%        | 54.49%        |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**PENN HILLS SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED OPEB CONTRIBUTIONS**  
**PSERS PLAN**  
**JUNE 30, 2018**

|                                                                     | <b>2018</b> | <b>2017</b> |
|---------------------------------------------------------------------|-------------|-------------|
| Contractually Required Contributions                                | \$ 237,282  | \$ 223,528  |
| Contribution in relation to the contractually required contribution | (237,282)   | (223,528)   |
| Contribution deficiency (excess)                                    | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll                                          | 28,892,829  | 28,212,146  |
| Contributions as a percentage of covered-employee payroll           | 0.82%       | 0.79%       |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**PENN HILLS SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**PSERS PLAN**  
**JUNE 30, 2018**

| <b>As of the measurement date of June 30,</b>                                                               | <b><u>2017</u></b> |
|-------------------------------------------------------------------------------------------------------------|--------------------|
| District's proportion of the net OPEB liability                                                             | 0.2119%            |
| District's proportionate share of the net OPEB liability                                                    | \$ 4,317,000       |
| District's covered-employee payroll                                                                         | 28,212,146         |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered-employee payroll | 15.30%             |
| Plan fiduciary net position as a percentage of<br>the total OPEB liability                                  | 5.73%              |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**PENN HILLS SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**DISTRICT POST-RETIREMENT HEALTHCARE PLAN**  
**JUNE 30, 2018**

|                                                                     |                      |
|---------------------------------------------------------------------|----------------------|
| Service cost                                                        | \$ 213,494           |
| Interest                                                            | 578,392              |
| Changes of benefit terms                                            | -                    |
| Differences between expected and actual                             | 500,289              |
| Changes of assumptions or other inputs                              | 419,716              |
| Benefit payments                                                    | (1,845,909)          |
| <b>Net change in total OPEB liability</b>                           | <b>(134,018)</b>     |
| <b>Total OPEB liability - beginning of year</b>                     | <b>12,853,148</b>    |
| <b>Total OPEB liability - end of year</b>                           | <b>\$ 12,719,130</b> |
|                                                                     |                      |
| Covered-employee payroll                                            | \$ 26,724,477        |
| Total OPEB liability as a percentage of<br>covered employee payroll | 47.59%               |

**Notes to Schedule:**

- GASB 75 was implemented beginning with the fiscal year ended June 30, 2018.
- Assumption Changes:
  - Discount rate used for fiscal year ending:  
2018              3.87%
  - June 30, 2018 – Changes were made to the aging factors, the mortality table, withdrawal rates, retirement rates, and trend rates

# **PENN HILLS SCHOOL DISTRICT**

***INFORMATION  
AS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE***

**Mark C. Turnley**

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Certified Public Accountant

# **Mark C. Turnley**

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Certified Public Accountant

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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**

**To the Management and Board of Education  
Penn Hills School District**

I 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 Standard* 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 Penn Hills School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Penn Hills School District's basic financial statements, and have issued my report thereon dated March 22, 2019.

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

In planning and performing my audit of the financial statements, I considered Penn Hills School 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Penn Hills School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Penn Hills School 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 Penn Hills School 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies (2018-001).

**To the Board of Education  
Penn Hills School District**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Penn Hills School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Penn Hills School District's Response to Findings**

Penn Hills School District's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. Penn Hills School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

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



Mark C. Turnley  
Certified Public Accountant

March 22, 2019  
New Brighton, Pennsylvania

# **Mark C. Turnley**

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Certified Public Accountant

1000 3<sup>rd</sup> Avenue  
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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
Penn Hills School District

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

I have audited the Penn Hills School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Penn Hills School District's major federal programs for the year ended June 30, 2018. The Penn Hills School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Penn Hills School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Penn Hills School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Penn Hills School District's compliance.

#### **Opinion on Each Major Federal Program**

In my opinion, Penn Hills School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

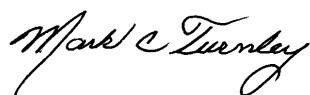
## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of Penn Hills School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Penn Hills School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Penn Hills School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

March 22, 2019  
New Brighton, Pennsylvania

**PENN HILLS SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

| FEDERAL GRANTOR /                                                   | PROJECT TITLE | FUNDING SOURCE | FEDERAL CFDA NUMBER | PASS-THROUGH GRANTOR NUMBER | GRANT PERIOD BEGINNING / ENDING DATE | PROGRAM AWARD AMOUNT | 2017-2018 PASSED THROUGH TO SUBRECIPIENTS | TOTAL RECEIVED THIS PERIOD | ACCRUED (DEFERRED) REVENUE JULY 1 | REVENUE RECOGNIZED | EXPENDITURES | ACCRUED (DEFERRED) REVENUE JUNE 30 |
|---------------------------------------------------------------------|---------------|----------------|---------------------|-----------------------------|--------------------------------------|----------------------|-------------------------------------------|----------------------------|-----------------------------------|--------------------|--------------|------------------------------------|
| <b>U.S. Department of Education:</b>                                |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Passed through Pa. Dept. of Education:                              |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Title I                                                             |               | Indirect       | 84.010              | 13-180323                   | 7/31/17-9/30/18                      | \$ 1,488,840         | \$ -                                      | \$ 1,457,973               | \$ -                              | \$ 1,399,137       | \$ 1,399,137 | (1) \$ (58,836)                    |
| Title I                                                             |               | Indirect       | 84.010              | 13-170323                   | 7/31/16-9/30/17                      | 1,567,077            | \$ -                                      | \$ 103,460                 | (477,352)                         | 580,812            | 580,812      | (1) -                              |
| Title I                                                             |               | Indirect       | 84.010              | 13-160323                   | 7/31/15-9/30/16                      | 1,345,258            | \$ -                                      | \$ 184,673                 | 184,673                           | -                  | -            | (1) -                              |
| Title II - Improving Teacher Quality                                |               | Indirect       | 84.367              | 20-180323                   | 7/31/17-9/30/18                      | 230,127              | \$ -                                      | \$ 225,870                 | -                                 | 198,784            | 198,784      | (27,086)                           |
| Title II - Improving Teacher Quality                                |               | Indirect       | 84.367              | 20-170323                   | 7/31/16-9/30/17                      | 180,057              | \$ -                                      | \$ 11,979                  | (34,121)                          | 46,100             | 46,100       | -                                  |
| Title II - Improving Teacher Quality                                |               | Indirect       | 84.367              | 20-160323                   | 7/1/15-9/30/16                       | 184,653              | \$ -                                      | \$ 24,552                  | 24,552                            | -                  | -            | -                                  |
| Title IV - Student Support and Academic Enrichment                  |               | Indirect       | 84.424              | 144-1803233                 | 7/31/17-9/30/18                      | 33,379               | \$ -                                      | \$ 33,379                  | -                                 | 22,241             | 22,241       | (11,138)                           |
|                                                                     |               |                |                     |                             |                                      |                      | \$ -                                      | \$ 2,041,886               | \$ (302,248)                      | \$ 2,247,074       | \$ 2,247,074 | \$ (97,060)                        |
| Passed through Bureau of Curriculum, Assessment & Instruction:      |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| 21st Century Community Learning                                     |               | Indirect       | 84.287c             | 4100068083                  | 10/1/17-9/30/18                      | \$ 300,000           | \$ -                                      | \$ 136,954                 | \$ -                              | \$ 284,350         | \$ 284,350   | \$ 147,396                         |
| 21st Century Community Learning                                     |               | Indirect       | 84.287c             | 4100068083                  | 10/1/16-9/30/17                      | 300,000              | \$ -                                      | \$ 141,245                 | 55,448                            | 85,797             | 85,797       | -                                  |
|                                                                     |               |                |                     |                             |                                      |                      | \$ -                                      | \$ 278,199                 | \$ 55,448                         | \$ 370,147         | \$ 370,147   | \$ 147,396                         |
| TOTAL PASSED THROUGH BUREAU OF CURRICULUM, ASSESSMENT & INSTRUCTION |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Passed through Allegheny Intermediate Unit:                         |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| IDEA                                                                |               | Indirect       | 84.027              | 062-18-0-003                | 7/1/17-6/30/18                       | \$ 910,117           | \$ -                                      | \$ 687,156                 | \$ -                              | \$ 910,117         | \$ 910,117   | (1) \$ 222,961                     |
| IDEA                                                                |               | Indirect       | 84.027              | 062-17-0-003                | 7/1/16-6/30/17                       | 872,618              | \$ -                                      | \$ 872,618                 | 872,618                           | -                  | -            | (1) -                              |
| IDEA Section 619                                                    |               | Indirect       | 84.173              | 131-17-0-003                | 7/1/17-6/30/18                       | 4,608                | \$ -                                      | \$ 4,608                   | -                                 | 4,608              | 4,608        | (1) -                              |
|                                                                     |               |                |                     |                             |                                      |                      | \$ -                                      | \$ 1,564,382               | \$ 872,618                        | \$ 914,725         | \$ 914,725   | \$ 222,961                         |
|                                                                     |               |                |                     |                             |                                      |                      |                                           | \$ 3,884,467               | \$ 625,818                        | \$ 3,531,946       | \$ 3,531,946 | \$ 273,297                         |
| TOTAL SPECIAL EDUCATION CLUSTER (IDEA)                              |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| TOTAL DEPARTMENT OF EDUCATION                                       |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| <b>U.S. Department of Health and Human Services:</b>                |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Passed through Pa. Dept. of Public Welfare:                         |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Title 19                                                            |               | Indirect       | 93.778              | N/A                         | 7/1/17-6/30/18                       | N/A                  | \$ -                                      | \$ 25,313                  | \$ -                              | \$ 25,313          | \$ 25,313    | \$ -                               |
| Title 19                                                            |               | Indirect       | 93.778              | N/A                         | 7/1/16-6/30/17                       | N/A                  | \$ -                                      | \$ 17,423                  | 17,423                            | \$ 25,313          | \$ 25,313    | \$ -                               |
|                                                                     |               |                |                     |                             |                                      |                      | \$ -                                      | \$ 42,736                  | \$ 17,423                         | \$ 25,313          | \$ 25,313    | \$ -                               |
|                                                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES                       |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| <b>U.S. Department of Agriculture:</b>                              |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Passed through Pa. Dept. of Education:                              |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| National School Lunch Program                                       |               | Indirect       | 10.555              | N/A                         | 7/1/17-6/30/18                       | N/A                  | \$ -                                      | \$ 975,620                 | \$ -                              | \$ 1,136,773       | \$ 1,136,773 | \$ 161,153                         |
| Lunch Program                                                       |               | Indirect       | 10.555              | N/A                         | 7/1/16-6/30/17                       | N/A                  | \$ -                                      | \$ 124,253                 | 124,253                           | -                  | -            | -                                  |
| Breakfast Program                                                   |               | Indirect       | 10.553              | N/A                         | 7/1/17-6/30/18                       | N/A                  | \$ -                                      | \$ 398,078                 | -                                 | 470,053            | 470,053      | 71,975                             |
| Breakfast Program                                                   |               | Indirect       | 10.553              | N/A                         | 7/1/16-6/30/17                       | N/A                  | \$ -                                      | \$ 46,681                  | 46,681                            | -                  | -            | -                                  |
| Summer Food                                                         |               | Indirect       | 10.559              | N/A                         | 7/1/17-6/30/18                       | N/A                  | \$ -                                      | \$ 37,295                  | -                                 | 43,437             | 43,437       | 6,142                              |
| Summer Food                                                         |               | Indirect       | 10.559              | N/A                         | 7/1/16-6/30/17                       | N/A                  | \$ -                                      | \$ 7,333                   | 7,333                             | -                  | -            | -                                  |
|                                                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
|                                                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Passed through Pa. Dept. of Agriculture:                            |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| National School Lunch Program                                       |               | Indirect       | 10.555              | N/A                         | 7/1/16-6/30/17                       | N/A                  | \$ -                                      | \$ 135,391                 | * (14,837)                        | ** 101,729         | 101,729      | (48,499) ***                       |
|                                                                     |               |                |                     |                             |                                      |                      | \$ -                                      | \$ 1,724,651               | \$ 163,430                        | \$ 1,751,992       | \$ 1,751,992 | \$ 190,771                         |
|                                                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| TOTAL CHILD NUTRITION CLUSTER                                       |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Passed through Pa. Dept. of Education:                              |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Child Care                                                          |               | Indirect       | 10.558              | N/A                         | 7/1/17-6/30/18                       | N/A                  | \$ -                                      | \$ 65,163                  | -                                 | 72,467             | 72,467       | 7,304                              |
| Child Care                                                          |               | Indirect       | 10.558              | N/A                         | 7/1/16-6/30/17                       | N/A                  | \$ -                                      | \$ 9,498                   | 9,498                             | -                  | -            | -                                  |
| Fresh Fruit/Vegetable Program                                       |               | Indirect       | 10.582              | N/A                         | 7/1/17-6/30/18                       | N/A                  | \$ -                                      | \$ 65,876                  | -                                 | 65,876             | 65,876       | -                                  |
| Fresh Fruit/Vegetable Program                                       |               | Indirect       | 10.582              | N/A                         | 7/1/16-6/30/17                       | N/A                  | \$ -                                      | \$ 11,017                  | 11,017                            | -                  | -            | -                                  |
|                                                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
|                                                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| TOTAL DEPARTMENT OF AGRICULTURE                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
|                                                                     |               |                |                     |                             |                                      |                      |                                           | \$ 1,876,205               | \$ 183,945                        | \$ 1,890,335       | \$ 1,890,335 | \$ 198,075                         |
|                                                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| <b>U.S. Department of Defense:</b>                                  |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Department of Army ROTC                                             |               | Direct         | N/A                 | N/A                         | 7/1/17-6/30/18                       | N/A                  | \$ -                                      | \$ 29,517                  | \$ -                              | \$ 29,517          | \$ 29,517    | \$ -                               |
| Department of Army ROTC                                             |               | Direct         | N/A                 | N/A                         | 7/1/16-6/30/17                       | N/A                  | \$ -                                      | \$ 705                     | 705                               | \$ 29,517          | \$ 29,517    | \$ -                               |
|                                                                     |               |                |                     |                             |                                      |                      | \$ -                                      | \$ 30,222                  | \$ 705                            | \$ 29,517          | \$ 29,517    | \$ -                               |
|                                                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| TOTAL DEPARTMENT OF DEFENSE                                         |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
|                                                                     |               |                |                     |                             |                                      |                      |                                           | \$ 5,833,630               | # \$ 827,891                      | \$ 5,477,111       | \$ 5,477,111 | \$ 471,372                         |
|                                                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| TOTAL FEDERAL ASSISTANCE                                            |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
|                                                                     |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| # Reconciliation with federal subsidy confirmation:                 |               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Per above                                                           |               |                |                     |                             |                                      |                      |                                           | \$ 5,833,630               |                                   |                    |              |                                    |
| School Lunch/Breakfast matching subsidy                             |               |                |                     |                             |                                      |                      |                                           | \$ 78,728                  |                                   |                    |              |                                    |
| 21st Century Community Learning                                     |               |                |                     |                             |                                      |                      |                                           | (278,199)                  |                                   |                    |              |                                    |
| Allegheny Intermediate Unit                                         |               |                |                     |                             |                                      |                      |                                           | (1,564,382)                |                                   |                    |              |                                    |
| Title 19                                                            |               |                |                     |                             |                                      |                      |                                           | (42,736)                   |                                   |                    |              |                                    |
| Donated commodities                                                 |               |                |                     |                             |                                      |                      |                                           | (135,391)                  |                                   |                    |              |                                    |
| Department of ARMY ROTC                                             |               |                |                     |                             |                                      |                      |                                           | (30,222)                   |                                   |                    |              |                                    |
| Per confirmation                                                    |               |                |                     |                             |                                      |                      |                                           | \$ 3,861,428               |                                   |                    |              |                                    |

\* Total USDA Commodity Received

\*\* Represents beginning inventory - 7/1/17

\*\*\* Represents ending inventory - 6/30/18

(1) Denotes Major Program

**PENN HILLS SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity administered by the Penn Hills School District for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance – UGG)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the Penn Hills School District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable are included as part of 'due from other governments' in Exhibit A and Exhibit C as referenced in Note 5 to the Financial Statements. Unearned federal grant revenue is included as part of 'unearned revenue' in Exhibit A and Exhibit C, and is referenced in Note 8 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The Penn Hills School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2017-2018 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**PENN HILLS SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

## **Section I – Summary of Auditor’s Results**

## **Financial Statements**

Type of auditor's report issued Unmodified

## Internal control over financial reporting:

- Material weakness(es) identified?
  - Significant deficiency(ies) identified?

yes  no  
 yes  no

Noncompliance material to financial statements noted?

yes   X   no

## **Federal Awards**

## Internal control over major programs:

- Material weakness(es) identified?
  - Significant deficiency(ies) identified?

yes          X       no  
        yes                   X no

Type of auditor's report issued on compliance for major programs

### Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X yes no

### Identification of major programs:

### CFDA number(s)

### Name of Federal Program or Cluster

84.010

Title I

84.027

Special Education Cluster - IDEA Section 611

84.173

Special Education Cluster – IDEA Section 619

The dollar threshold for distinguishing type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  X no

**PENN HILLS SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

• **FINDING 2018-001: BUDGETING PROCESS**

**CONDITION:** During my preliminary and final review of the District's financial statements, in particular the General Fund actual expenditures compared to the approved budget submitted to the Department of Education, it was noted that there were functional categories of actual expenditures that were significantly over and under budget. Although not all inclusive, two functional areas of note that were over budget were 1) regular program instruction of \$3,684,452, and 2) special program instruction of \$2,371,334. In total, General Fund actual expenditures exceeded the approved budget (as adjusted) by approximately \$5,597,821 (6.6%). A complete listing of the budget versus actual variances is reported on page 7 (Exhibit G), and as other supplementary information on pages 49-53 of the audit report.

**CRITERIA:** Internal controls should be in place during the budget preparation process to ensure that budgetary amounts are reasonable, realistic, and supported by underlying documents, facts, and circumstances that justify the appropriateness of the amounts budgeted.

**CAUSE:** From a review of the detail budgetary line-items included within the category of regular program instruction, it appears that the District did not include all personnel positions when developing the budget for the Board's approval. In addition, other purchased services for costs such as cyber/charter school instruction were not budgeted for conservatively and therefore ended the fiscal year significantly over budget.

**EFFECT:** The District expended funds in excess of the approved appropriated budget for the 2017-2018 fiscal year which contributed to a \$1,082,950 decrease in General Fund balance.

**RECOMMENDATION:** As mentioned in the prior fiscal year, in light of the School District's significant deficit General Fund balance, it is mandatory that the District closely monitor all functional areas of spending so as to minimize the significant individual functional variances as mentioned above. It is noted as part of this recommendation that the District has been designated to a 'Financial Recovery Status' by the Pennsylvania Department of Education (PDE), and that a Technical Advisor and Chief Recovery Officer have been assigned to the District from PDE in order to better manage the budget process. It is further noted that the District's employment of a new Business Manager late in the prior fiscal year, with a thorough understanding of the budget process, will also enable the District to prepare and manage the budget in a prudent manner going forward as a means of protecting the District from further financial losses.

**VIEW OF RESPONSIBLE OFFICIALS (CORRECTIVE ACTION PLAN):** See Corrective Action Plan (pages 67-68)

**Section III – Federal Award Findings and Questioned Costs**

None



## PENN HILLS SCHOOL DISTRICT

ADMINISTRATIVE OFFICES

260 Aster Street

Pittsburgh, Pennsylvania 15235

412-793-7000 – Telephone

412-793-1787 – Fax

[www.phsd.k12.pa.us](http://www.phsd.k12.pa.us)

### Board of Directors

#### Staff

**Dr. Nancy J. Hines**  
*Superintendent*

**Janet M. Langford**  
*Board/Superintendent Secretary*

**Bruce E. Dice & Associates, P.C.**  
*Solicitor*

Mrs. Erin L. Vecchio, *President*  
Mr. George Sens, *Vice President*  
Mrs. Denise Graham-Shealey  
Mrs. Evelyn Herbert  
Mrs. Catherine Mowry  
Dr. Robert Marra  
Mr. Michael Tauro  
Mr. Yusef Thompson, Sr.  
Mr. Kristopher Wiegand

## PENN HILLS SCHOOL DISTRICT MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDING JUNE 30, 2018

#### INDEPENDENT AUDIT FIRM:

MARK C. TURNLEY CPA  
1000 3<sup>RD</sup> AVENUE  
NEW BRIGHTON, PA. 15066

The following represents the management of the Penn Hills School District's corrective action plan related to financial statement findings noted in the schedule of findings and questioned costs:

- **FINDING 2018-001: BUDGETING PROCESS**

**CONDITION:** During my preliminary and final review of the District's financial statements, in particular the General Fund actual expenditures compared to the approved budget submitted to the Department of Education, it was noted that there were functional categories of actual expenditures that were significantly over and under budget. Although not all inclusive, two functional areas of note that were over budget were 1) regular program instruction of \$3,684,452, and 2) special program instruction of \$2,371,334. In total, General Fund actual expenditures exceeded the approved budget (as adjusted) by approximately \$5,597,821 (6.6%). A complete listing of the budget versus actual variances is reported on page 7 (Exhibit G), and as other supplementary information on pages 49-53 of the audit report.

**RECOMMENDATION:** As mentioned in the prior fiscal year, in light of the School District's significant deficit General Fund balance, it is mandatory that the District closely monitor all functional areas of spending so as to minimize the significant individual functional variances as mentioned above. It is noted as part of this recommendation that the District has been designated to a 'Financial Recovery Status' by the Pennsylvania Department of Education (PDE), and that a Technical Advisor and Chief Recovery Officer have been assigned to the District from PDE in order to better manage the budget process. It is further noted that the District's employment of a new Business Manager late in the prior fiscal year, with a thorough understanding of the budget process, will also enable the District to prepare and manage the budget in a prudent manner going forward as a means of protecting the District from further financial losses.

**PENN HILLS SCHOOL DISTRICT**  
**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDING JUNE 30, 2018**  
**(Continued)**

- **FINDING 2018-001: BUDGETING PROCESS**

**CORRECTIVE ACTION PLAN (Continued)**

In accordance with Act 141, Dr. Matsook is leading development of a multi-year Financial Recovery Plan that will be presented to the Penn Hills Board of School Directors and Pennsylvania Department of Education April 2019. That plan will include and commit the District to specific strategies aimed at eliminating our negative fund balance.

**District Officials Responsible for Correction Action Plan:** District Superintendent and District Business Manager

**PENN HILLS SCHOOL DISTRICT  
STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDING JUNE 30, 2018**

The following represents the current status of the audit findings reported in the audit report of the Penn Hills School District for the year ended June 30, 2017, dated March 21, 2018:

• **FINDING 2017-001: BUDGETING PROCESS**

**CONDITION:** During my preliminary and final review of the District's financial statements, in particular the General Fund actual expenditures compared to the approved budget submitted to the Department of Education, it was noted that there were functional categories of actual expenditures that were significantly over and under budget. Although not all inclusive, two functional areas of note that were over budget were 1) regular program instruction of \$2,794,203, and 2) student transportation services of \$3,036,326. In total, General Fund actual expenditures exceeded the approved budget (as adjusted) by approximately \$5,663,798 (6.9%). A complete listing of the budget versus actual variances is reported on page 7 (Exhibit G), and as other supplementary information on pages 41-46 of the audit report.

**RECOMMENDATION:** In light of the School District's deficit General Fund balance, I would strongly encourage the District to closely monitor all functional areas of spending so as to minimize the significant individual functional variances as mentioned above. I would also recommend that department heads and building principals, in conjunction with business office officials, review any purchase orders which will cause actual expenditures to exceed the detail line-item budgetary amounts as approved by the Board of Education. Any such excesses should be brought to the attention of the District Superintendent and Board of Education with proper justification prior to expenditure of District monies. The District's deficit fund balance mandates that these procedures be followed strictly going forward as a means of protecting the District from further financial losses.

**CURRENT STATUS:** See Finding 2018-001 (Page 66).

• **FINDING 2017-002: FUND ACCOUNT RECONCILIATION**

**CONDITION:** I noted during my audit of the General and Food Service Funds of the School District, that a significant number of journal entry adjustments were necessary during the audit process to ensure that the financial statements were presented as materially correct in conformity with generally accepted accounting principles (GAAP). A number of balance sheet, and revenue and expenditure accounts had not been properly reconciled throughout the fiscal year to the underlying supporting documentation on hand at the School District. Accordingly, prior to these year-end adjustments, the financial statements did not properly present the financial activity of the School District in conformity with GAAP as required under the Pa. Public School Code.

**RECOMMENDATION:** In light of the School District's current financial position, it is imperative that all balance sheet, revenue and expenditure account balances contained on the books of the District's General and Food Service Funds be reconciled on a monthly basis. This procedure will enable the business office to generate meaningful up-to-date financial information for use by all department heads, but most importantly, for the Superintendent and Board of Education, so that financial management decisions regarding the District's operations can be detected and corrected in a timely manner.

**PENN HILLS SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2018**

- **FINDING 2017-002: FUND ACCOUNT RECONCILIATION (Continued)**

**CURRENT STATUS:** During the last fiscal quarter of the 2017-2018 fiscal year, the School District employed a new Business Manager with the requisite skills necessary to make the above referenced adjustments throughout the fiscal year in order to accurately assess the financial position of the School District on a timely basis going forward. During the 2017-2018 fiscal year, all revenue and expenditure transactions were recorded throughout the year in a timely manner, and the majority of the District's balance sheet accounts were reconciled to the supporting documentation on hand at the District prior to the final audit adjustments.

- **FINDING 2017-003: FEDERAL FINANCIAL REPORTS**

**CONDITION:** During my review of District's compliance with the laws and regulations related to its participation in the Title I and Title II grant programs, I noted that the School District did not complete and submit the required 'final expenditure report' (FER) for these grant programs for three prior fiscal years as listed on the Pennsylvania Department of Education (PDE) website.

**RECOMMENDATION:** I recommend that the District file the required Title I and Title II 'final expenditure reports' for the fiscal years in question, based on available financial information obtained from the District's business office, in order to comply with PDE reporting requirements for the Title I and Title II Programs, and to avoid any sanctions from PDE as a result of not filing these reports in a timely manner.

**CURRENT STATUS:** During the last fiscal quarter of the 2017-2018 fiscal year, the School District employed a new Business Manager with the requisite skills necessary to oversee, reconcile, and prepare all required financial reports related to PDE federal grant programs in a timely manner. The Business Manager is continuing to make improvements to the District's system of coding federal expenditures in a manner that will significantly enhance the efficiency of gathering federal financial report information from the District's accounting software system.

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## **APPENDIX C**

### **DEBT SERVICE SCHEDULE**

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|                                                                                                                             |  |  |  |  |  |                         |                  |
|-----------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|-------------------------|------------------|
| <b>PENN HILLS SCHOOL DISTRICT</b><br><b>SERIES OF 2020</b><br><b>REFUNDS THE SERIES B OF 2009 (BABs) AND SERIES OF 2013</b> |  |  |  |  |  | <b>Settle<br/>Dated</b> | <b>2/13/2020</b> |
|                                                                                                                             |  |  |  |  |  |                         | <b>2/13/2020</b> |

| 1           | 2         | 3      | 4        | 5            | 6                           | 7                           |
|-------------|-----------|--------|----------|--------------|-----------------------------|-----------------------------|
| Date        | Principal | Coupon | Yield    | Interest     | Semi-Annual<br>Debt Service | Fiscal Year<br>Debt Service |
| 4/1/2020    |           |        |          | 478,486.67   | 478,486.67                  | 478,486.67                  |
| 10/1/2020   | 5,000     | 2.000  | 1.130    | 1,794,325.00 | 1,799,325.00                |                             |
| 4/1/2021    |           |        |          | 1,794,275.00 | 1,794,275.00                | 3,593,600.00                |
| 10/1/2021   | 5,000     | 2.000  | 1.140    | 1,794,275.00 | 1,799,275.00                |                             |
| 4/1/2022    |           |        |          | 1,794,225.00 | 1,794,225.00                | 3,593,500.00                |
| 10/1/2022   | 1,725,000 | 3.000  | 1.150    | 1,794,225.00 | 3,519,225.00                |                             |
| 4/1/2023    |           |        |          | 1,768,350.00 | 1,768,350.00                | 5,287,575.00                |
| 10/1/2023   | 1,790,000 | 4.000  | 1.180    | 1,768,350.00 | 3,558,350.00                |                             |
| 4/1/2024    |           |        |          | 1,732,550.00 | 1,732,550.00                | 5,290,900.00                |
| 10/1/2024   | 1,855,000 | 4.000  | 1.230    | 1,732,550.00 | 3,587,550.00                |                             |
| 4/1/2025    |           |        |          | 1,695,450.00 | 1,695,450.00                | 5,283,000.00                |
| 10/1/2025   | 4,615,000 | 5.000  | 1.280    | 1,695,450.00 | 6,310,450.00                |                             |
| 4/1/2026    |           |        |          | 1,580,075.00 | 1,580,075.00                | 7,890,525.00                |
| 10/1/2026   | 4,845,000 | 5.000  | 1.380    | 1,580,075.00 | 6,425,075.00                |                             |
| 4/1/2027    |           |        |          | 1,458,950.00 | 1,458,950.00                | 7,884,025.00                |
| 10/1/2027   | 5,085,000 | 5.000  | 1.470    | 1,458,950.00 | 6,543,950.00                |                             |
| 4/1/2028    |           |        |          | 1,331,825.00 | 1,331,825.00                | 7,875,775.00                |
| 10/1/2028   | 5,085,000 | 5.000  | 1.550    | 1,331,825.00 | 6,416,825.00                |                             |
| 4/1/2029    |           |        |          | 1,204,700.00 | 1,204,700.00                | 7,621,525.00                |
| * 10/1/2029 | 5,315,000 | 5.000  | 1.650    | 1,204,700.00 | 6,519,700.00                |                             |
| 4/1/2030    |           |        |          | 1,071,825.00 | 1,071,825.00                | 7,591,525.00                |
| 10/1/2030   | 5,530,000 | 3.000  | 2.130 ** | 1,071,825.00 | 6,601,825.00                |                             |
| 4/1/2031    |           |        |          | 988,875.00   | 988,875.00                  | 7,590,700.00                |
| 10/1/2031   | 5,680,000 | 3.000  | 2.230 ** | 988,875.00   | 6,668,875.00                |                             |
| 4/1/2032    |           |        |          | 903,675.00   | 903,675.00                  | 7,572,550.00                |
| 10/1/2032   | 5,845,000 | 3.000  | 2.330 ** | 903,675.00   | 6,748,675.00                |                             |
| 4/1/2033    |           |        |          | 816,000.00   | 816,000.00                  | 7,564,675.00                |
| 10/1/2033   | 6,015,000 | 3.000  | 2.380 ** | 816,000.00   | 6,831,000.00                |                             |
| 4/1/2034    |           |        |          | 725,775.00   | 725,775.00                  | 7,556,775.00                |
| 10/1/2034   | 6,190,000 | 3.000  | 2.450 ** | 725,775.00   | 6,915,775.00                |                             |
| 4/1/2035    |           |        |          | 632,925.00   | 632,925.00                  | 7,548,700.00                |
| 10/1/2035   | 6,365,000 | 3.000  | 2.540 ** | 632,925.00   | 6,997,925.00                |                             |
| 4/1/2036    |           |        |          | 537,450.00   | 537,450.00                  | 7,535,375.00                |
| 10/1/2036   | 6,550,000 | 3.000  | 2.630 ** | 537,450.00   | 7,087,450.00                |                             |
| 4/1/2037    |           |        |          | 439,200.00   | 439,200.00                  | 7,526,650.00                |
| 10/1/2037   | 6,735,000 | 3.000  | 2.630 ** | 439,200.00   | 7,174,200.00                |                             |
| 4/1/2038    |           |        |          | 338,175.00   | 338,175.00                  | 7,512,375.00                |
| 10/1/2038   | 6,930,000 | 3.000  | 2.780 ** | 338,175.00   | 7,268,175.00                |                             |
| 4/1/2039    |           |        |          | 234,225.00   | 234,225.00                  | 7,502,400.00                |
| 10/1/2039   | 5,940,000 | 3.000  | 2.780 ** | 234,225.00   | 6,174,225.00                |                             |
| 4/1/2040    |           |        |          | 145,125.00   | 145,125.00                  | 6,319,350.00                |
| 10/1/2040   | 1,610,000 | 3.000  | 2.780 ** | 145,125.00   | 1,755,125.00                |                             |
| 4/1/2041    |           |        |          | 120,975.00   | 120,975.00                  | 1,876,100.00                |
| 10/1/2041   | 1,660,000 | 3.000  | 2.860 ** | 120,975.00   | 1,780,975.00                |                             |
| 4/1/2042    |           |        |          | 96,075.00    | 96,075.00                   | 1,877,050.00                |
| 10/1/2042   | 6,405,000 | 3.000  | 2.860 ** | 96,075.00    | 6,501,075.00                |                             |
| 4/1/2043    |           |        |          |              |                             | 6,501,075.00                |

**TOTALS      101,780,000**

**45,094,211.93    146,874,211.67    146,874,211.67**

\* Optional redemption date of October 1, 2029

\*\* Yield to optional redemption date

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## **APPENDIX D**

### **RECOVERY PLAN**

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# **FINANCIAL RECOVERY PLAN**

## **PENN HILLS SCHOOL DISTRICT**

### **ALLEGHENY COUNTY, PENNSYLVANIA**

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Prepared for the  
Penn Hills School District  
By  
Chief Recovery Officer  
Dr. Daniel J. Matsook  
  
With the assistance of  
Michael V. Lamb, CPA, CGFM  
PDE Technical Consultant

**Submitted: May 20, 2019**

**Approved by the Penn Hills School Board:**

**June 29, 2019**

## TABLE OF CONTENTS

|                                                       |            |
|-------------------------------------------------------|------------|
| <b>Part I – Introduction.....</b>                     | <b>3</b>   |
| <b>Part II – Status of the District.....</b>          | <b>6</b>   |
| <b>Demographics .....</b>                             | <b>7</b>   |
| <b>Enrollment.....</b>                                | <b>9</b>   |
| <b>Finances (History).....</b>                        | <b>12</b>  |
| <b>Finances (Current) .....</b>                       | <b>15</b>  |
| <b>Finances (Projections).....</b>                    | <b>23</b>  |
| <b>Academics (Highlights) .....</b>                   | <b>28</b>  |
| <b>Academics (Achievement).....</b>                   | <b>33</b>  |
| <b>Part III – Strategies, Goals, Initiatives.....</b> | <b>38</b>  |
| <b>Act 141 of 2012 .....</b>                          | <b>39</b>  |
| <b>Recent Progress.....</b>                           | <b>40</b>  |
| <b>Employee HR Assistance (1) .....</b>               | <b>42</b>  |
| <b>Academic Initiatives (13) .....</b>                | <b>44</b>  |
| <b>Operations (Workforce) (3) .....</b>               | <b>63</b>  |
| <b>Operations (Efficiencies) (13) .....</b>           | <b>66</b>  |
| <b>Operations (Assessments) (7) .....</b>             | <b>75</b>  |
| <b>Negotiations (Contracted Services) (8) .....</b>   | <b>77</b>  |
| <b>Negotiations (CBA's) (8) .....</b>                 | <b>80</b>  |
| <b>Finances (1) .....</b>                             | <b>85</b>  |
| <b>Revenues (19) .....</b>                            | <b>86</b>  |
| <b>Part IV – Exit Criteria .....</b>                  | <b>104</b> |
| <b>Part V – Appendices .....</b>                      | <b>107</b> |

# **PART I**

---

## **INTRODUCTION**

## **Financial Recovery Plan**

### **I. Introduction/Context**

It has been a decade of financial crisis for the Penn Hills School District (PHSD or the District). At the end of the 2008-2009 school year, the District was operating with a surplus of nearly two million dollars which represented the total fund balance. In February 2019, it faced an (\$8.1) million-dollar budget shortfall for 2019-2020, a negative fund balance of 12 million dollars, and a cash flow crisis putting payments for creditors, vendors, and salaried employees at risk.

In June 2017, the PHSD received notice from the Pennsylvania Department of Education (PDE) that it has been placed on the State's financial watch list. The list identifies school districts that are heading towards financial recovery status unless the districts address negative financial trends impacting their overall financial health. Along with identifying PHSD as a district on the watch list, PDE provides technical assistance to address minor issues with the business operation of the District.

Nearly eighteen months later on February 1, 2019, PHSD received notice that it was being downgraded from watch list status to moderate financial recovery status. The notification cites the reasons for the downgrade and reflects the State's lack of confidence in the PHSD to make the necessary decisions to reverse the negative trend. There was no clear long-range plan to change its narrative. This designation led to the appointment of a Chief Recovery Officer (CRO), Dr. Daniel J. Matsook on February 5, 2019. CRO Matsook was charged with developing a Financial Recovery Plan for the District. **His goal is to return the District to financial solvency while preserving the integrity of the Penn Hills School District academic program.**

Some back story: In May of 2016, the PA Auditor General's report cited egregious flaws in the business operations of the District. One month later a grand jury investigation was launched by the Allegheny County District Attorney into the business and board-level practices of the PHSD. The report was released in February of 2019. Despite the District's action to address its issues through a corrective action plan, the efforts were not rapid or far-reaching enough to stop its overall financial downward spiral. Over-burdening debt, coupled with a declining trend of student enrollment has pushed the District toward State Receivership. Requests for short-term loans to pay bills and State subsidy advancements to relieve the pressure from cash flow problems became common strategies over the past five years. These practices only resulted in short-term fixes plunging the District into deeper financial ruin. Even with two consecutive years (2017-2018 and 2018-2019) of additional state assistance (two million dollars each year), the cycle of using future monies to pay for past bills continued.

The Penn Hills School District's financial troubles were initiated by tremendous debt service from two capital projects – a new state-of-the-art high school and an elementary center housing grades PK-4. Zero tax increases during five years of planning and construction, minimal cost savings from building consolidation, overspending, overruns, administrative turnover, and poor decision-making resulted in 172 million-dollar debt. The District's annual debt service of 12 million dollars will spike to 15 million in 2022-2023. The District finds itself in a cash-strapped catastrophe. Past attempts to re-finance and/or re-structure the long-term debt provided immediate relief, only to kick the financial crisis further down the road. The problem is two-fold: 1) reigning in annual operational costs to replenish the depleted fund balance, and 2) establishing financial stability by restructuring long-term debt. Locally, the PA Auditor General's report, exacerbated by the release of the Allegheny County District Attorney's investigation, has heightened the District's negative public relations image.

The purpose of this plan is to provide a map to financial solvency. It is not intended to investigate any findings from either the PA Auditor General or Allegheny County District Attorney reports unless they are directly relevant to correcting practices that may hinder the District from operating efficiently. The plan will be developed with three premises in mind:

1. The Penn Hills School Board is responsible for providing the students with a college-and-career-ready educational experience in a safe and secure learning environment. The administration and staff are responsible for delivering that experience. The Superintendent is responsible for holding everyone accountable in the academic arena.
2. The District's revenues will dictate the level of expenditures to support the educational program. The PHSD must be cost-efficient and fiscally responsible in its duty to provide a quality academic program for its students.
3. The success of the recovery plan is contingent upon the good will of the employees and residents of the Penn Hills School District. A fair-minded approach to resolving the District's issues is essential. It is no one particular person's fault that the District is struggling, but it is everyone's civic and moral responsibility to fix it.

The Penn Hills School District must change how it does business, how it compensates its workforce, how it educates its children, and how it charges its taxpayers to do so. The District must adjust what it spends to match its current and potential revenue. Academically, the District must build upon the things it does well in order to improve student achievement across the board. The Penn Hills School District must change the narrative that feeds a negative public perception about the school district. This recovery plan and narrative are not about the past, but about the Penn Hills School District's move into a positive future. It will not be easy; there will be very difficult and unpopular decisions made along the way to recovery. However, the Penn Hills School District will emerge stronger, better, and more efficient in the end.

# **PART II**

---

## **STATUS OF THE DISTRICT**

## II. The Facts: Status of the District

### DEMOGRAPHICS

#### A. Demographic Background: Penn Hill School District (U.S. Census Bureau website)

The Penn Hills School District is located in Allegheny County, ten miles east of the City of Pittsburgh. The geographic size of the District is 19.4 square miles. It is the largest suburb in the Pittsburgh metropolitan area. The cultural, socioeconomic, racial, religious, and educational differences that exist in the PHSD make it a unique, diverse community. It is mostly residential with commercial businesses scattered throughout its sprawling hills.

Population: 42,329 (2010)  
 Population: 41,291 (2017)      Change: -2.5%

| Race/Ethnicity (2017) |       |
|-----------------------|-------|
| Caucasian             | 55.5% |
| African American      | 37.8% |
| Two or More Races     | 4.1%  |
| Hispanic/Latino       | 1.9%  |
| Asian                 | .4%   |
| Native American       | .2%   |
| Pacific Island        | .1%   |

| Age            |       |
|----------------|-------|
| Under 18 Years | 19.4% |
| Over 65 Years  | 19.6% |

| Residents Income (U.S. Census Bureau)  | Residents Education (U.S. Census) |
|----------------------------------------|-----------------------------------|
| Per Capita Income: \$29,031 (\$35,280) | HS Graduates: 94.5% (94.1%)       |
| Household Income: \$52,099 (\$56,333)  | Bachelor's Degree+: 31.2% (40%)   |
| Poverty Level: 10.3% (11.2%)           |                                   |

\*Allegheny County in Parenthesis.

#### Home Values: (Keystones Collections Group)

| Assessed Home Value  |             |
|----------------------|-------------|
| \$0 - \$50,000       | 4,737 Homes |
| \$50,001 - \$75,000  | 7,967 Homes |
| \$75,001 - \$100,000 | 5,134 Homes |
| \$100,000+           | 2,930 Homes |

\*Median Assessed Value - \$74,000

## B. Student Demographics (PA Future Ready Index)

District enrollment for 2018-19 is 3,360.

| Race/Ethnicity    |       | Additional Demographics    |       |
|-------------------|-------|----------------------------|-------|
| African American  | 62.5% | Economically Disadvantaged | 65.2% |
| Caucasian         | 28.9% | English Language Learner   | 0.6%  |
| Two or More Races | 5.2%  | Special Education          | 20.0% |
| Hispanic/Latino   | 2.4%  | Graduation Rate (4 Yr)     | 81.0% |
| Asian             | .9%   | Graduation Rate (5 Yr)     | 88.7% |
| Pacific Island    | .1%   | Attendance (SY 17-18)      | 92.5% |

Comparing community demographics with school demographics, the data show that the African American and Caucasian racial groups have exchanged percentages. With a growing trend towards more diversity, it is essential that the PHSD adjust its approach to pedagogy to be more inclusive of multicultural materials and instructional strategies that facilitate learning within racial and socioeconomic populations. The research clearly reflects that a culturally responsive delivery of services influences basic principles of learning. Priming student motivation and tapping into prior knowledge are just two underlying principles for how people learn that cannot be ignored. Instructional practices and student support services must align with these principles. The initiatives in Part III of this plan will address this issue in more detail.

## ENROLLMENT

### C. District Enrollment (Taken from PIMS submission on Oct. 1 of each school year)

**The Ten-Year Historical Enrollment: In-House Enrollment**

| YEAR     | 2008-2009 | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 |
|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| STUDENTS | 4,972     | 4,577     | 4,284     | 3,987     | 3,903     | 3,908     | 3,986     | 3,851     | 3,603     | 3,422     | 3,360     |
| CHANGE   |           | (395)     | (293)     | (297)     | (84)      | 5         | 78        | (135)     | (248)     | (181)     | (62)      |

The chart clearly shows a decline in enrollment through the years. From 2008-2009 school year until the current school year, enrollment dropped by 1612 students. In more recent years from 2014-2015 school year until the current school year, enrollment decreased by 626 students. Three years, from 2012-2013 through 2014-2015, enrollment flattened. The High School construction was completed in January of 2012, and the Elementary School construction was completed in August of 2014. Expectations were that the students would return from charter and parochial schools once the construction was completed. That didn't happen.

### In-House Enrollment by Grade Level

**2018-2019 School Year**

| GRADE    | Pre-K | K   | 1   | 2   | 3   | 4   | 5     | 6   | 7   | 8   | 9   | 10  | 11          | 12    |
|----------|-------|-----|-----|-----|-----|-----|-------|-----|-----|-----|-----|-----|-------------|-------|
| STUDENTS | 32    | 213 | 214 | 241 | 250 | 228 | 255   | 238 | 258 | 246 | 253 | 302 | 314         | 316   |
|          |       |     |     |     |     | ES  | 1,178 |     |     | MS  | 997 |     | HS          | 1,185 |
|          |       |     |     |     |     |     |       |     |     |     |     |     | Grand Total | 3,360 |

This chart reflects grade-level enrollment numbers for the current school year. The numbers below the chart represent the student enrollment for the three District school buildings – the elementary school, the middle school, and the high school. Close inspection reveals that the top three grades in the high school have the highest student enrollment; the following grades show significant decreases at each grade level. Please note that these numbers were taken from enrollment reports on October 1. They do not reflect the transiency enrollment that occurs each school year which can fluctuate 1-2% during the school year.

### Ten-Year Historical Enrollment: Special Education Enrollment

| YEAR       | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 |
|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| STUDENTS   | 876       | 822       | 722       | 762       | 760       | 727       | 747       | 802       | 765       | *873      |
| Percentage | 17.6%     | 18.9%     | 16.6%     | 19.3%     | 19.4%     | 18.2%     | 19.3%     | 22.2%     | 22.5%     | 26%       |
| State Avg. | 15.1%     | 15.2%     | 15.1%     | 15.3%     | 15.4%     | 15.6%     | 15.9%     | 16.5%     | 16.9%     | N/A       |

\*April 1, 2019

The State average percentage for special education population slightly increased over the past three years. The District's percentage of special education students has increased significantly over the past three years. Through the past three years, the District's number of special education students increases while simultaneously the overall District student enrollment decreases. These two opposite trends negatively impact the growing special education percentage number. Sixty additional special education students have enrolled in the PHSD since October 1, 2018.

### 2018-2019 School Year: In-House Special Education Enrollment by Grade Level

| GRADE      | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10 | 11 | 12 | TOTAL |
|------------|----|----|----|----|----|----|----|----|----|----|----|----|-------|
| In-House   | 53 | 63 | 66 | 52 | 64 | 58 | 67 | 52 | 69 | 75 | 64 | 65 | *748  |
| Out-Placed | 3  | 3  | 8  | 5  | 8  | 2  | 3  | 5  | 6  | 3  | 5  | 14 | *65   |
| Gifted     | 4  | 3  | 3  | 8  | 6  | 4  | 11 | 7  | 8  | 12 | 13 | 13 | 92    |
| 504's      | 3  | 8  | 7  | 7  | 8  | 5  | 11 | 10 | 10 | 7  | 10 | 15 | 101   |

\*Oct 1, 2018

The chart above reflects the current school year's composition of special education students and gifted students by grade level, and it separates the students into four categories: in-house special education students, outplaced special education students, gifted students, and students with section 504 plans. Students with 504 plans do not qualify for special education services; however, they qualify for adaptations and/or accommodations to assist with their learning due to a diagnosed physical, psychological, or learning challenge. Meeting the needs of the special education population can exponentially increase educational costs.

**CHART A: Ten-Year Historical Enrollment: Charter Schools**

| YEAR          | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Charter       | 479       | 483       | 513       | 627       | 561       | 623       | 590       | 653       | 715       | 670       |
| Cyber Charter | N/A       | N/A       | 183       | 181       | 176       | 190       | 145       | 126       | 101       | 163       |
| Total         | 479       | 483       | 696       | 808       | 737       | 813       | 735       | 779       | 816       | 833       |

**CHART B: 2018-2019 School Year: ALL Charter School Enrollment by Grade Level**

| GRADE       | K  | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10 | 11 | 12 | Total |
|-------------|----|----|----|----|----|----|----|----|----|----|----|----|----|-------|
| Regular Ed. | 60 | 56 | 60 | 61 | 64 | 54 | 58 | 68 | 48 | 41 | 38 | 38 | 24 | 670   |
| Special Ed. | 3  | 5  | 8  | 8  | 10 | 16 | 25 | 22 | 11 | 24 | 12 | 11 | 7  | 163   |
| TOTAL       | 63 | 61 | 68 | 69 | 74 | 70 | 83 | 90 | 59 | 65 | 50 | 49 | 31 | 833   |

**CHART C: 2018-2019 School Year: Cyber Charter School Enrollment by Grade Level**

\*These enrollment numbers are included in the chart above.

| GRADE       | K | 1 | 2 | 3 | 4 | 5 | 6  | 7  | 8  | 9  | 10 | 11 | 12 | Total |
|-------------|---|---|---|---|---|---|----|----|----|----|----|----|----|-------|
| Regular Ed. | 2 | 7 | 5 | 1 | 5 | 3 | 8  | 12 | 8  | 15 | 14 | 16 | 5  | 101   |
| Special Ed. | 0 | 0 | 1 | 0 | 1 | 4 | 4  | 6  | 6  | 9  | 2  | 5  | 1  | 39    |
| TOTAL       | 2 | 7 | 6 | 1 | 6 | 7 | 12 | 18 | 14 | 24 | 16 | 21 | 6  | 140   |

The ten-year historical data in Chart A reflects a somewhat steady increase in charter school enrollment. The five years in the middle of the historical chart fluctuate to some degree. Some variation may be due to turnover in the business office or a lack of reconciliation for tuition invoices submitted by charter schools.

Enrollment by grade level in Chart B reflects decreasing total enrollment numbers moving from the elementary grades through the secondary grades. The middle school enrollment (grades 5-8) reflects the highest grade-level average of 75 total students. The elementary school is slightly lower, and the high school reflects the lowest grade-level average of total students.

Chart C reflects that student enrollment trends for cyber charter schools shows the opposite. Numbers increase as students pass through the system. Sixty-seven (67) high school level students attend cyber charters, and fifty-one (51) middle school students attend cyber charter schools.

Generally speaking, census data reflect an aging community with declining numbers of school-age students. That limited pool of school-age students is impacted by the competition from charter schools to enroll Penn Hills School District students. The District must develop strategies to draw back these students.

## FINANCES

### **Financial History**

The table below provides a high-level summary of the District's total revenue, total expenditures, surplus/(deficit) and fund balance over the last 10 years. Not only does the District need to focus on achieving a balanced budget for the current operating year, but it also needs to find a way to overcome the deficit fund balance position of (\$12.1) million at the end of 2017-2018.

**10 Year Financial Summary (in \$ millions)**

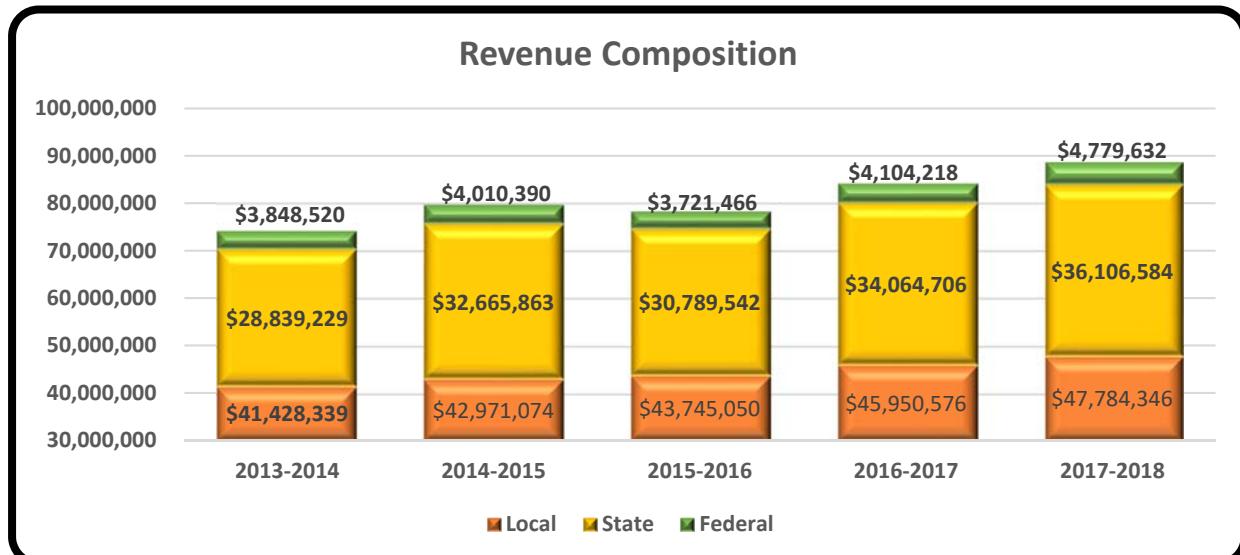
|                                | <b>2008-<br/>2009</b> | <b>2009-<br/>2010</b> | <b>2010-<br/>2011</b> | <b>2011-<br/>2012</b> | <b>2012-<br/>2013</b> | <b>2013-<br/>2014</b> | <b>2014-<br/>2015</b> | <b>2015-<br/>2016</b> | <b>2016-<br/>2017</b> | <b>2017-<br/>2018</b> |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Rev</b>                     | \$79.5                | \$71.3                | \$75.9                | \$71.8                | \$74.1                | \$76.6                | \$ 79.7               | \$100.5               | \$ 84.1               | \$ 88.9               |
| <b>Exp</b>                     | 77.6                  | 72.8                  | 74.7                  | 72.7                  | 77.7                  | 85.6                  | 90.2                  | 88.5                  | 88.3                  | 90.0                  |
| <b>Sur/(Def)</b>               | 1.9                   | (1.5)                 | 1.2                   | (0.9)                 | (3.6)                 | (9.0)                 | (10.5)                | 12.0                  | (4.2)                 | (1.1)                 |
| <b>Prior Period Adjustment</b> | ---                   | 3.0                   | ---                   | ---                   | ---                   | ---                   | 0.6                   | ---                   | ---                   | ---                   |
| <b>Fund Bal</b>                | \$ 1.9                | \$ 3.4                | \$ 4.6                | \$ 3.7                | \$ 0.1                | \$ (8.9)              | \$ (18.8)             | \$ (6.8)              | \$ (11.0)             | \$ (12.1)             |

*Source: Annual Financial Report data submitted to PDE*

In 2015-2016, the District issued two separate General Obligation Bonds Series in 2015 totaling \$19,965,000 of which \$18,000,000 was issued specifically for the purpose of paying current General Fund operating expenses of the District. This debt issuance helped improve the District's immediate cash position for the short term, but only compounded the District's long -term financial position by increasing its debt service payments which is discussed further in subsequent sections.

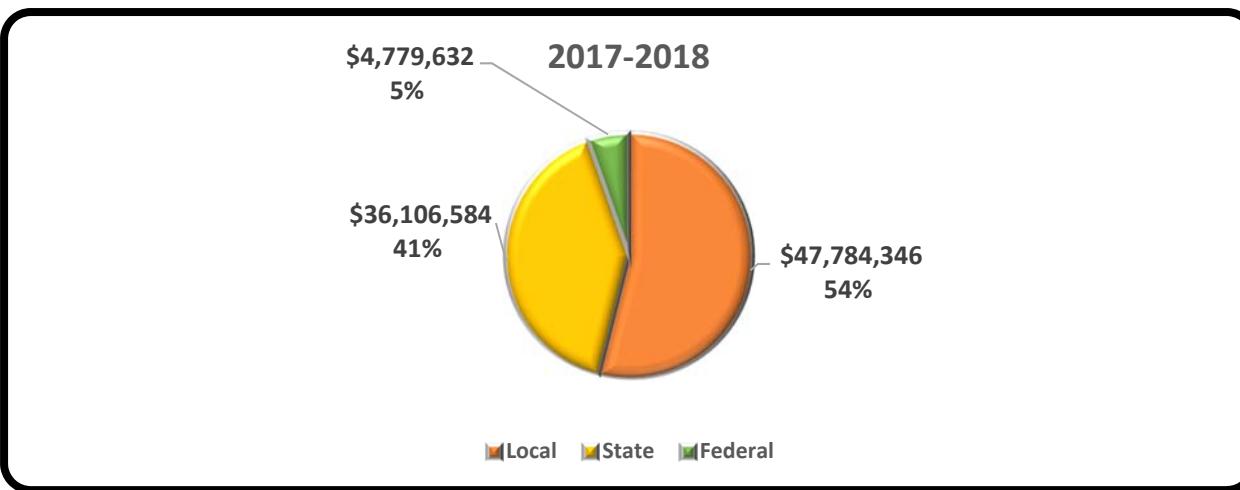
The District's annual revenue has increased from \$74 million in 2012-2013 to \$88 million in 2017-2018 which is a 20% increase over a five year period. During this time, federal revenue has remained relatively stable while the portion attributed to state and local revenue has grown.

## Revenue Composition



Source: Annual AFR Data

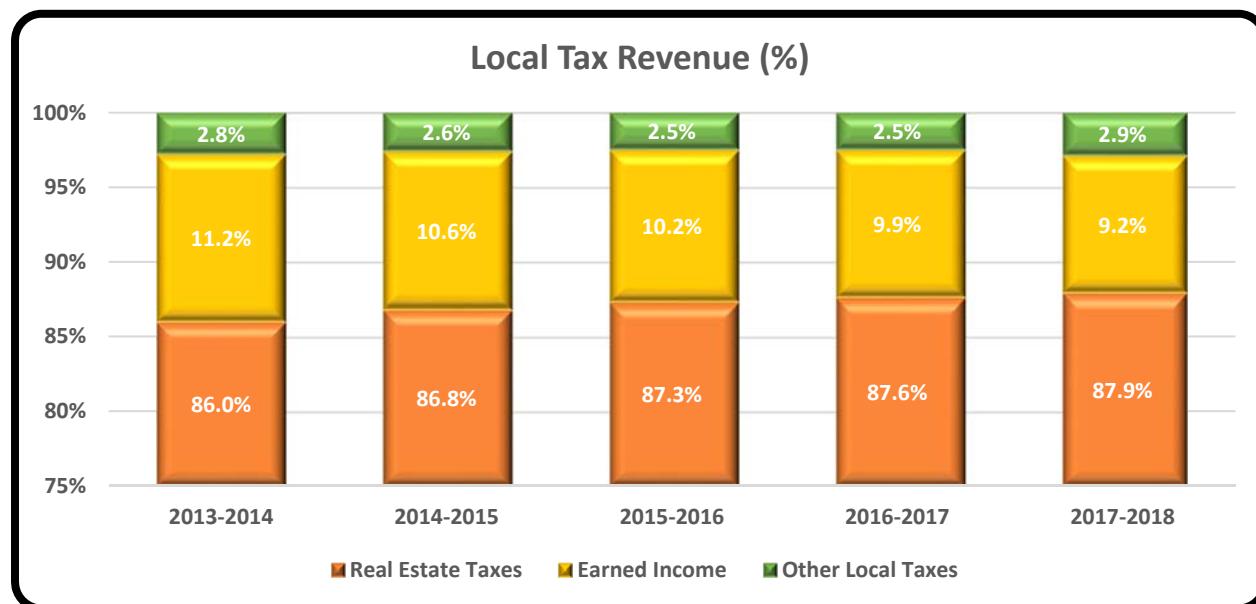
The District's revenue is broken into three (3) categories: Federal, State and Local. The federal funding received by the District represents five percent (5%) while the state subsidies represent forty-one percent (41%). The majority of federal and state revenue provides resources to subsidize the District's educational programs. The remaining fifty-four percent (54%) is the District's local revenue.



Source: Annual AFR Data

## Local Tax Revenue

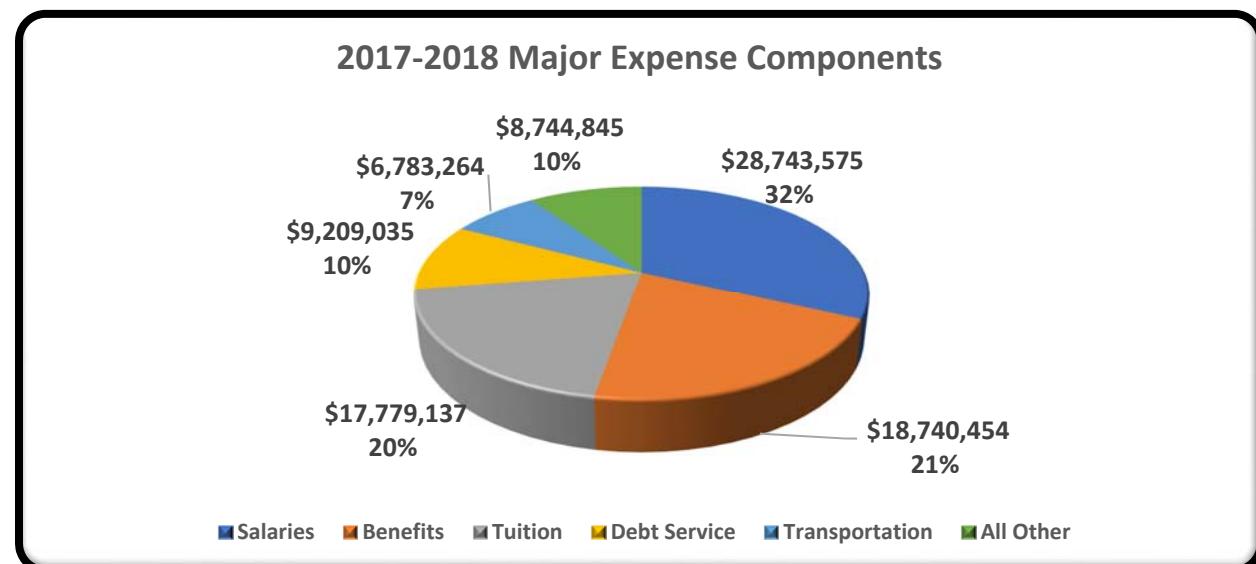
The District's local tax revenue is primarily comprised of real estate taxes and earned income taxes that are shared with other local municipalities. The graph below shows that over the last five (5) years, the District's real estate has ticked upwards due to the millage increases reducing the overall percentage received from earned income taxes and other local taxes.



Source: Annual AFR Data

## Annual Operating Expenses

The District's annual operating expenses have hovered between \$88 million and \$90 million over the last four fiscal years. The largest cost drivers for the Penn Hills School District are: Salaries, Benefits, Tuition, Debt Service and Transportation. These five (5) components represent 89% of the District's expenses and leaves 11% to fund all of the other District's operations (Professional Services, Information Technology, Supplies, Capital Improvements, etc.).



Source: Appendix B.1

### Current Financial Picture

#### **History of TAN's**

| Date of TAN | Amount       | Payback Date |
|-------------|--------------|--------------|
| July 2014   | \$ 3,000,000 | 6/30/15      |
| July 2017   | \$ 9,000,000 | 12/31/17     |
| July 2018   | \$ 9,900,000 | 9/30/18      |

*Source: District Business Office*

A Tax Anticipation Note (TAN) is a short-term loan that school districts use to meet payroll and other obligations over the summer months before real estate tax collections are received. Under normal circumstances, financial institutions require a TAN to be repaid on or before June 30 of the following year. In the PHSD, the TAN proceeds are used primarily to pay for obligations from the previous year and payroll through the summer. As noted in the above chart, in recent years, PHSD must pay back its TAN loan sooner than other districts due to its high risk of default. The TAN is secured by anticipated real estate tax revenue that comes into the district in August and September. Unfortunately, the creditor gets first priority of the 2019-2020 budgeted real estate taxes to pay for 2018-2019 bills. Consequently, the District will feel the TAN's negative effect on cash flow again in the spring.

The District did not require a TAN in July of 2015 or July of 2016 due to the influx of cash received from the District's General Obligation Bonds Series in 2015.

#### **History of Subsidy Advancements**

Subsidy advancements are requested by Districts having cash flow issues. The District may formally request an advancement from a future Basic Education Funding (BEF) subsidy deposit in consultation with PDE. The advancement provides the necessary cash flow relief in the short term. However, in a subsequent month, the advanced amount is automatically deducted to repay PDE. As shown below, the District has relied on subsidy advances in 4 of the last 5 years.

| 2014-2015    | 2015-2016 | 2016-2017    | 2017-2018    | 2018-2019    |
|--------------|-----------|--------------|--------------|--------------|
| Jan. & Mar.  |           | March        | March        | March        |
| \$ 4,800,000 | \$ ---    | \$ 2,000,000 | \$ 2,500,000 | \$ 1,500,000 |

*Source: District Business Office and PDE Financial Accounting Information (FAI) system*

## Debt Service Assistance

In addition to utilizing tax anticipation notes and subsidy advancements to assist with cash flow shortages, the District has relied on assistance from the Commonwealth to ensure debt service payments were made timely. Under section 633 of the Pennsylvania Public School Code (School Code), 24 P.S. subsection 6-633, the Secretary of Education is authorized to “*...withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depositary for such bond issue.*” As shown below, the Commonwealth has made principal and interest payments on behalf of the District, and then the Commonwealth withholds these payments out of a future subsidy.

| 2014-2015    | 2015-2016    | 2016-2017    | 2017-2018    | 2018-2019    |
|--------------|--------------|--------------|--------------|--------------|
| \$ 3,124,585 | \$ 3,071,369 | \$ 3,020,079 | \$ 2,173,287 | \$ 2,615,866 |

Source: *District Business Office and PDE Financial Accounting Information (FAI) system*

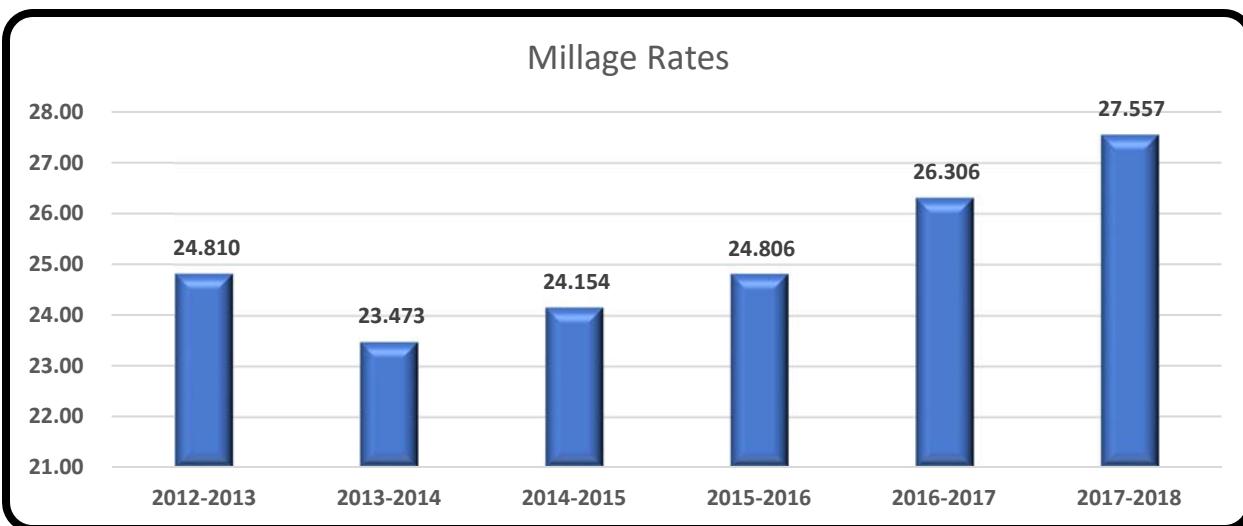
## History of Tax Increases

As noted previously in this plan, the District began feasibility studies on the construction of a new elementary building and a new high school building in 2009. In anticipation of these buildings becoming operational, it would seem reasonable that gradual tax increases would be necessary. As shown below, no tax increase occurred until both buildings were fully operational and the District was feeling the overbearing stress of the increased debt service payments.

|            | 2008 - 2009 | 2009- 2010 | 2010- 2011 | 2011- 2012 | 2012- 2013 | 2013- 2014 | 2014- 2015 | 2015- 2016 | 2016- 2017 | 2017- 2018 |
|------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Sur/(Def)* | 1.9         | (1.5)      | 1.2        | (0.9)      | (3.6)      | (9.0)      | (10.5)     | 12.0       | (4.2)      | (1.1)      |
| Fund Bal*  | 1.9         | 3.4        | 4.6        | 3.7        | 0.1        | (8.9)      | (18.8)     | (6.8)      | (11.0)     | (12.1)     |
| Millage    | 24.81       | 24.81      | 24.81      | 24.81      | 24.81      | 23.47      | 24.15      | 24.81      | 26.31      | 27.56      |
| Change     | 0.00        | 0.00       | 0.00       | 0.00       | 0.00       | (1.34)     | 0.68       | 0.66       | 1.50       | 1.25       |

\*Amounts in (\$ millions)

Source: *Annual Financial Report and Audited Financial Statements*



**\*Note in 2013-2014, Allegheny County underwent a countywide tax reassessment. By law, upon the completion of the reassessment, millage rates must be adjusted to remain revenue neutral in the following fiscal year. Therefore, since the District's assessed values increased over the previous values, the millage rate was required to be reduced.**

Another measure that is used to evaluate the local tax base in comparison to statewide data is the Local Effort Capacity Index which is a combination of the Local Effort Index and the Local Capacity Index.

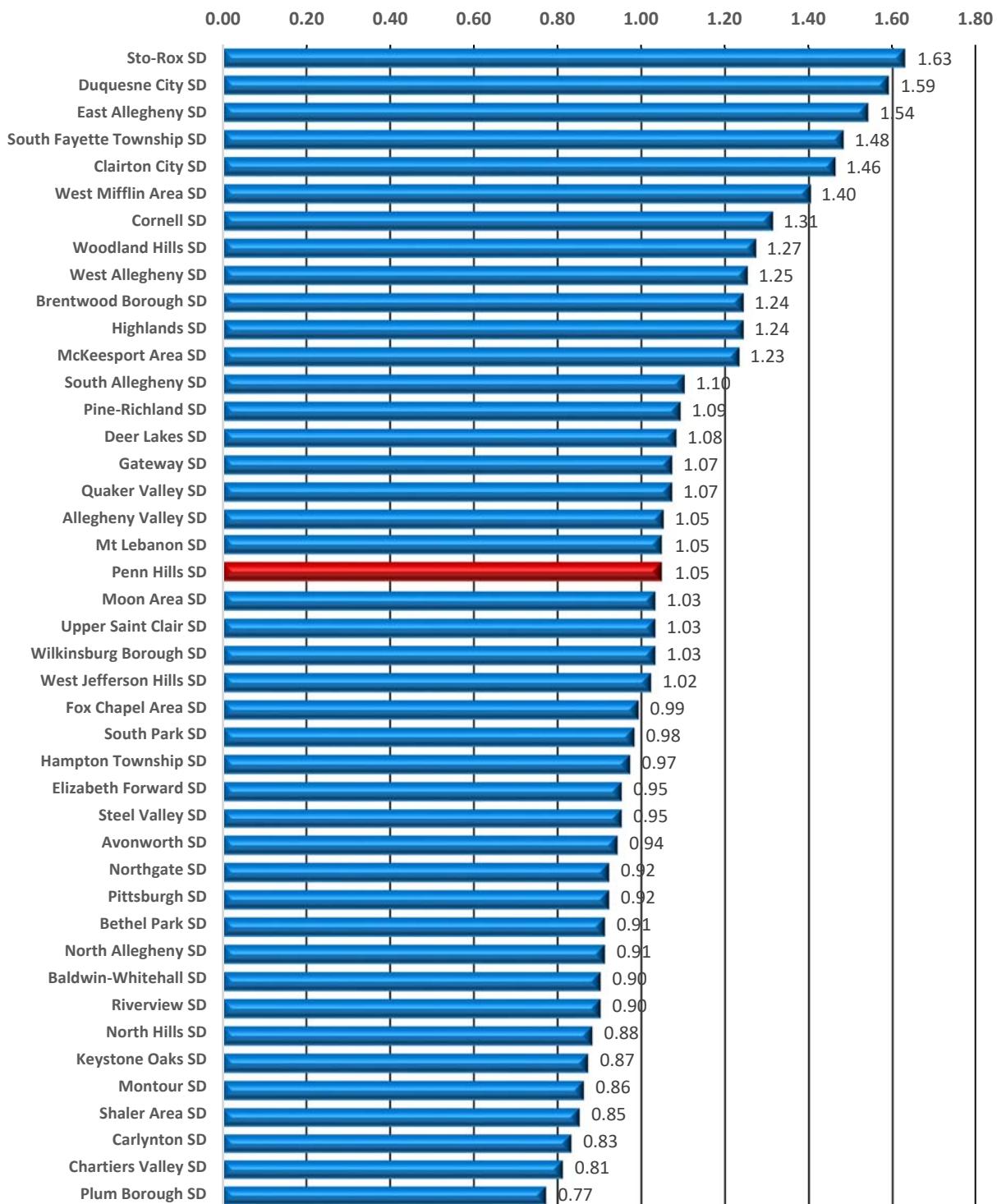
- The Local Effort Index looks at how much a district taxes its residents in comparison to the state median.
- The Local Capacity Index measures how much money a district could spend per student if it taxed its residents at the median statewide rate.

The end result produces the Local Effort Capacity Index which indicates whether or not the District's tax base is paying more than its proportionate ability to do so.

| Score  | Indicator                                                                   | Allegheny County School Districts (#) |
|--------|-----------------------------------------------------------------------------|---------------------------------------|
| < 1.00 | Tax base is paying <u>less</u> taxes in proportion to its ability to do so. | 19                                    |
| 1.00   | Tax base is paying taxes in proportion to its ability to do so.             |                                       |
| > 1.00 | Tax base is paying <u>more</u> taxes in proportion to its ability to do so. | 24 (Penn Hills SD)                    |

Using the 2017-2018 Annual Financial Report data for all Allegheny County School Districts, the median Local Effort Capacity Index was 1.00 and the average was 1.08. Penn Hills School District ranked twentieth (20<sup>th</sup>) out of the forty-three (43) school districts and their index (1.05) is below the Allegheny County average.

## Allegheny County School Districts Local Effort Capacity Index

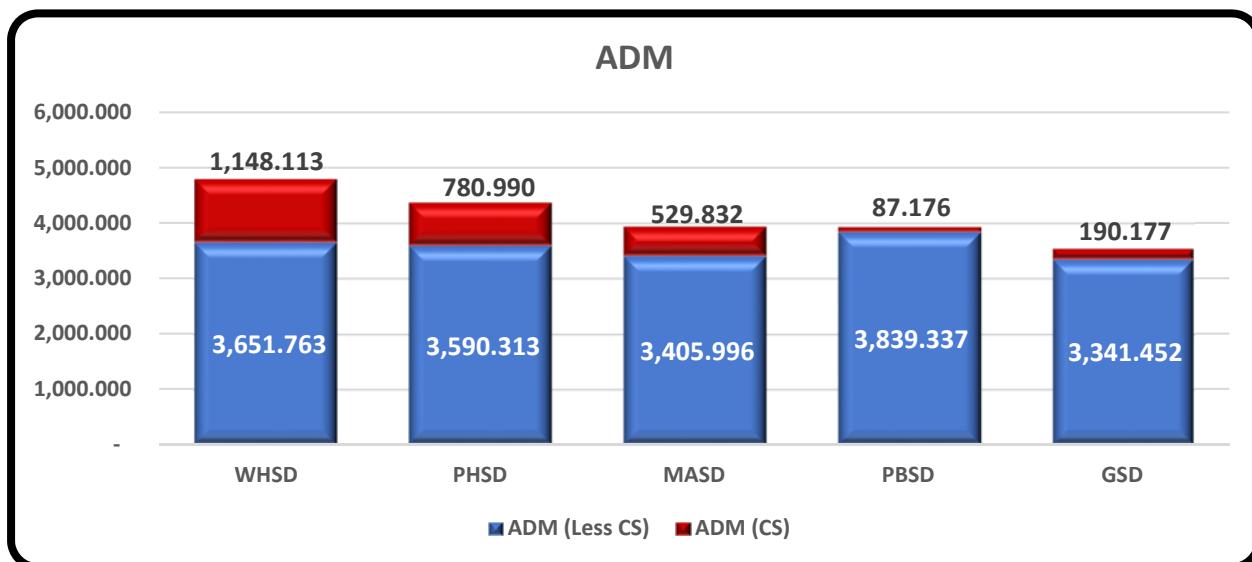


Source: 2017-2018 Local Effort Capacity Index

## Benchmarking

During the last two budget cycles, the District has identified other Allegheny County school districts that are faced with similar financial challenges as the Penn Hills School District in order to further evaluate areas where Penn Hills School District is spending more than the comparison districts. In determining the comparison districts, ADM data was utilized as a starting point. The District next obtained the number of charter school students (ADM) for the same period. The following Allegheny County school districts were identified for comparison: Woodland Hills SD, McKeesport Area SD, Plum Borough SD and Gateway SD.

The graph below illustrates the ADM and Charter School ADM for each school:



Source: ADM Data submitted to PDE (rounded to nearest whole number)

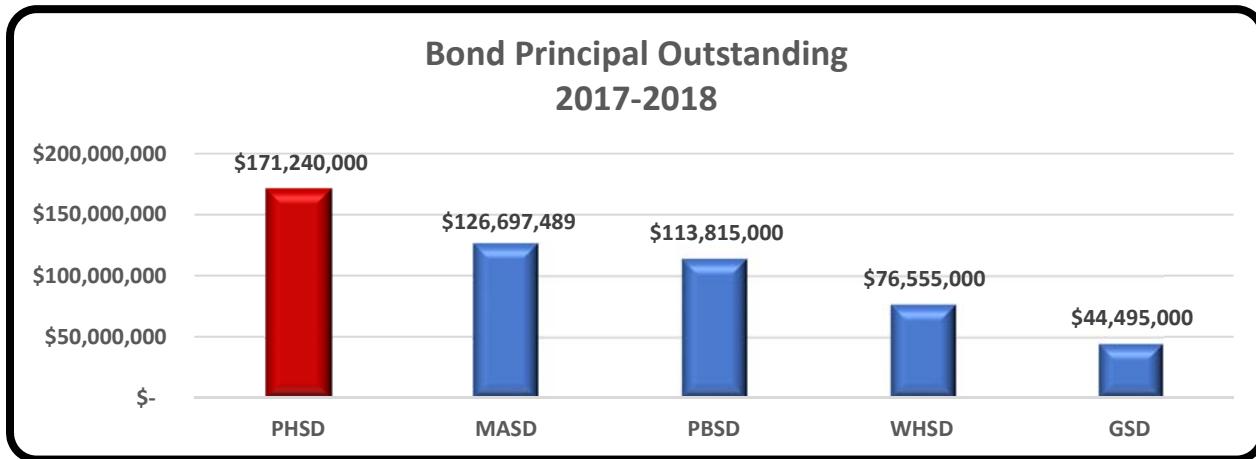
The three (3) school districts with the highest charter school ADM are Woodland Hills SD (24%), Penn Hills SD (18%) and McKeesport Area SD (13%). When comparing the total annual expenditures of these five (5) school districts based on 2017-2018 AFR data, Woodland Hills and Penn Hills rank one and two respectively.



Source: 2017-2018 AFR Data

## Debt Service

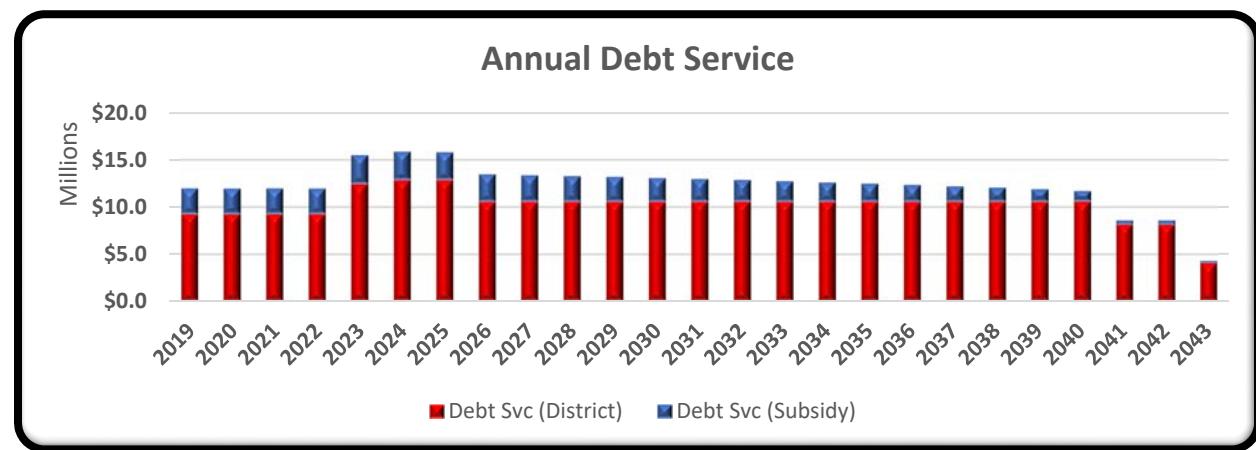
The District's total annual debt service represents 13% of the 2018-2019 budget. Overall, the District's total bonds outstanding as of June 30, 2018 amounted to \$171,240,000. The following chart shows how the District compares with other Allegheny County Districts (Woodland Hills SD, McKeesport Area SD, Plum Borough SD and Gateway SD) that share similarities with Penn Hills School District.



Source: 2017-2018 AFR Data

It is important to note the above chart only reflects the principal outstanding. In addition to the \$171 million of principal, the District owes an additional \$134 million in interest. This is important to note for cash flow purposes.

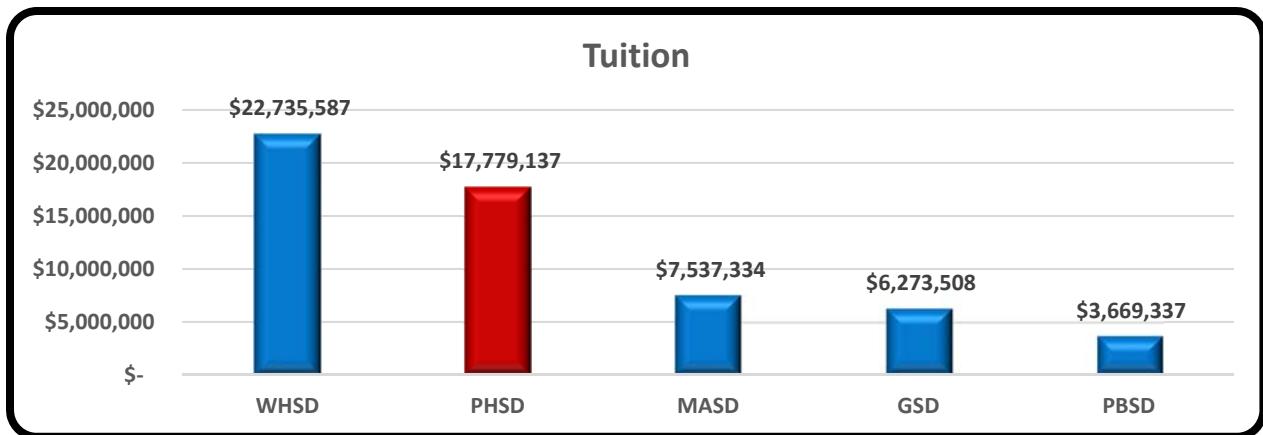
As shown below, even with receiving federal subsidies in excess of \$2 million dollars, the cost of the District's debt service is significant. The graph also reflects the impending spike in the cost to the District starting in 2022-2023 through 2024-2025. At that time, debt service will increase from just under \$12 million to \$15 million. As a part of this plan, the District will need to review all available alternatives for restructuring its debt service to smooth out these payments without extending the debt service beyond 2042-2043. Otherwise, the District risks losing any financial progress made as a result of the initiatives included in this plan.



Source: District's Bond Amortization Schedules

## Tuition

As noted in previous sections, the Penn Hills School District has been adversely affected by the increased presence of charter and cyber charter schools. At the time the School Board approved the construction plans for the new high school and elementary buildings, the hope was that the District would be able to bring back those students that had decided to leave.



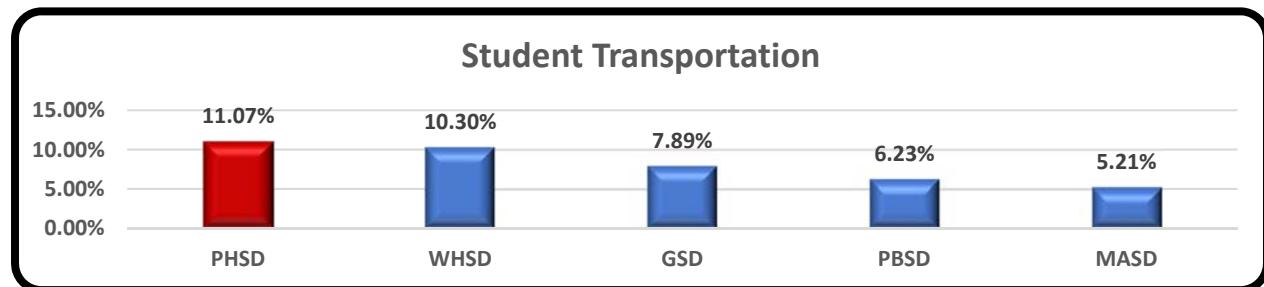
Source: 2017-2018 Annual Financial Report – Tuition Schedule (TUIT)

As illustrated above, the District pays a significant amount of tuition to Charter Schools, Cyber Charter Schools, other PA School Districts, Approved Private Schools and the Career Technical Center. The total outside tuition represents 20% of the District's operating budget compared to 24% for Woodland Hills SD, 11% for McKeesport Area SD, 9% for Gateway SD and 6% for Plum Borough SD.

The tuition rates calculated each year for charter schools and cyber charter schools are based on the District's prior year budgeted expenditures. As those expenditures increase each year, the charter school tuition rates and therefore, expenditures, could increase. The District will not begin to see a reduction in charter school expenditures until either expenditures are reduced or the District begins to actively re-recruit these students back to Penn Hills School District.

## Transportation

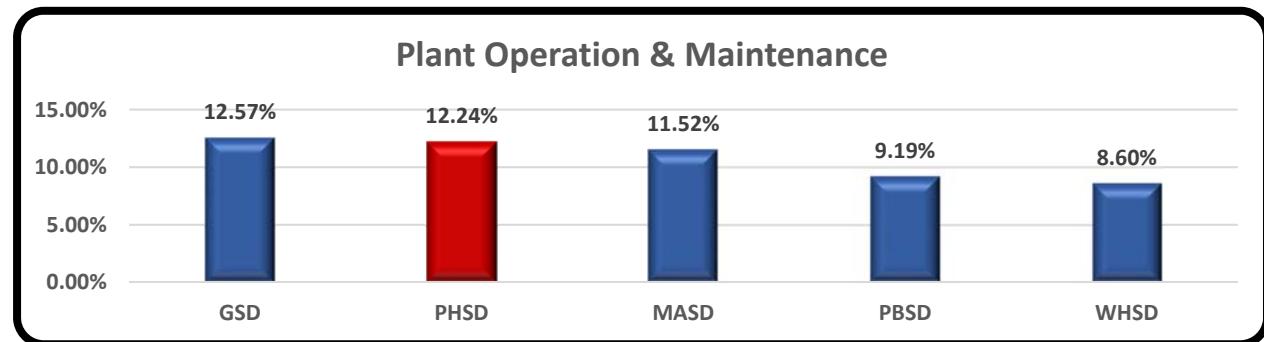
Transportation is a significant operational component to the District. Until 2010-2011, the District owned and operated its own buses to deliver transportation services to students. The District then utilized various contractors between 2011-2012 and 2014-2015. Since 2015-2016, the District began working with a new contractor. When benchmarking the individual districts, we subtracted tuition costs charged to the regular education function (1100) and special education function (1200). When comparing transportation expenditures to the total (less the tuition amounts) Penn Hills School District's transportation costs are higher than the benchmarked districts. Some variance is due to charter school and special education transportation costs.



Source: 2017-2018 AFR Data

## Plant Operation & Maintenance

Another area that the District performed benchmarking analysis related to the Plant Operation and Maintenance expenditures. Penn Hills School District ranked second of the five schools with similar student populations.



Source: 2017-2018 AFR Data

It is important to note that while these expenditures are significant, Penn Hills School District has two newly constructed buildings and has the least number of buildings compared to the other districts. As the District continues to evaluate areas where it can reduce operating expenditures and look for operating efficiencies, the Plant Operation and Maintenance function plays a significant role in the recovery process.

## District Comparisons: Number of Buildings

| Gateway | Woodland Hills | Plum | McKeesport | Penn Hills |
|---------|----------------|------|------------|------------|
| 7       | 6              | 5    | 4          | 3          |

## Looking Forward

Now that a baseline understanding of the District's current financial position is in place, the current financial projections for the District's General Fund from 2019-2020 through 2023-2024 will follow.

### 5 Year Financial Projection (in \$ millions)

|                       | 2019-<br>2020 | 2020-<br>2021 | 2021-<br>2022 | 2022-<br>2023 | 2023-<br>2024 |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Rev</b>            | \$ 89.8       | \$ 91.4       | \$ 93.3       | \$ 95.3       | \$ 97.0       |
| <b>Exp</b>            | 98.0          | 99.2          | 101.2         | 106.2         | 108.1         |
| <b>Sur/Def</b>        | (8.2)         | (7.8)         | (7.9)         | (10.9)        | (11.1)        |
| <b>Fund Bal (Beg)</b> | (14.1)        | (22.3)        | (30.1)        | (38.0)        | (48.9)        |
| <b>Fund Bal (End)</b> | \$ (22.3)     | \$ (30.1)     | \$ (38.0)     | \$ (48.9)     | \$ (60.0)     |

Source: Appendix B.1

The 2019-2020 amounts agree with the Preliminary Budget that was board approved in February of 2019. The subsequent years are projected based on various factors and assumptions and are further outlined in Appendix B.1.

**The current financial path of the District is alarming and illustrates the need for immediate action.**

### Enrollment Projections

| School Year | PDE<br>Projected | % Change from<br>Previous Year | Penn Hills | (Penn Hills<br>less PDE)<br>Variance |
|-------------|------------------|--------------------------------|------------|--------------------------------------|
| 2016-2017   | 3,603            | Actual                         | 3,603      | ---                                  |
| 2017-2018   | 3,422            | Actual                         | 3,422      | ---                                  |
| 2018-2019   | 3,588            |                                | 3,360      | (228)                                |
| 2019-2020   | 3,575            | -0.4%                          | 3,348      | (227)                                |
| 2021-2022   | 3,579            | 0.1%                           | 3,352      | (227)                                |
| 2022-2023   | 3,601            | 0.6%                           | 3,372      | (229)                                |
| 2023-2024   | 3,644            | 1.2%                           | 3,412      | (232)                                |

As shown above, there are inconsistencies between enrollment projections performed by PDE and the District's projections. The PDE projections are based on 2015-2016 October 1<sup>st</sup> enrollment data for 2018-2019 through 2023-2024. The District's enrollment for 2016-2017 through 2018-2019 is based on actual enrollment.

The District's projected enrollment reflects the projected anticipated change from the prior year which was calculated by the Department of Education. As shown above, the enrollment level increases 1.6% from 2018-2019 through 2023-2024.

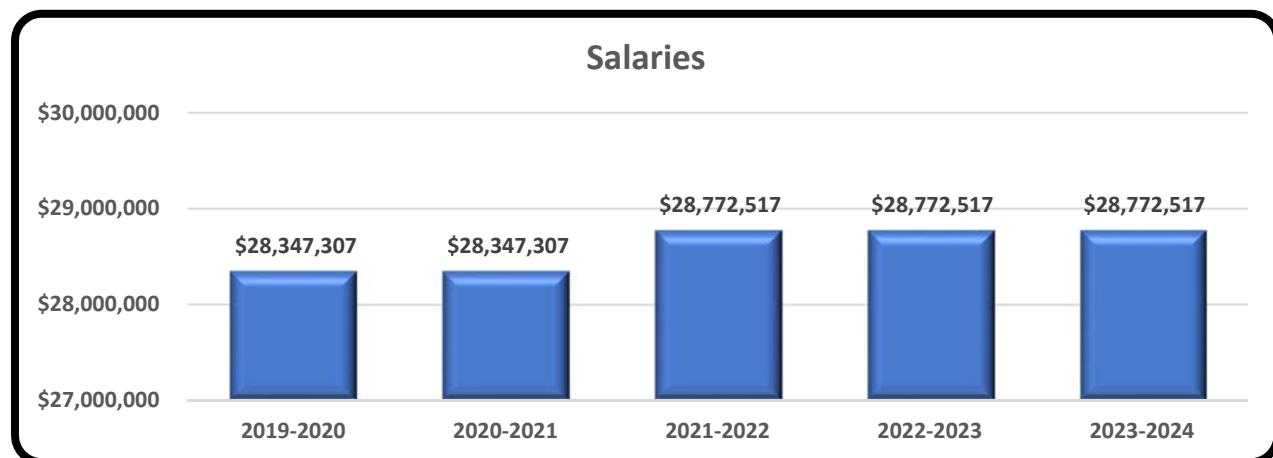
The subsequent pages will provide additional details on projected amounts for the following:

- Salaries
- Healthcare
- PSERS
- Tuition
- Transportation

The only item not discussed in subsequent pages is debt service which was previously covered and illustrated the future payments on the District's amortization schedules.

### Salaries

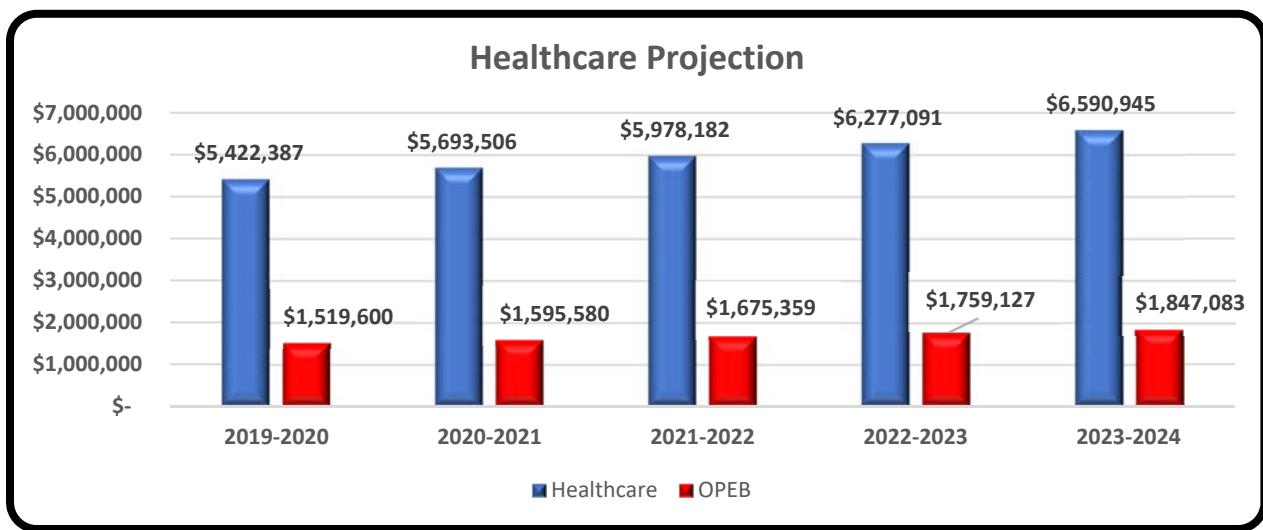
Based on the current staffing model and existing bargaining agreements, wage freezes are in place for most employees from 2018-2019 through 2020-2021. For projection purposes, it is assumed that there would be a 1.5% increase in 2021-2022. Future contracts for 2022-2023 and 2023-2024 have not been fully determined at this point in time and for projection purposes the salaries remained at this level.



Source: Appendix B.1

## Healthcare

The District participates in the Allegheny County Schools Health Insurance Consortium. This allows the District to pool its financial resources with fifty-nine (59) other members to provide medical, dental and vision benefits for employees. Overall, the consortium represents over 18,000 employees and retirees. In FY18, Penn Hills School District paid \$5.3 million for insurance benefits which represents twenty-eight percent (28%) of the total benefit costs that was previously discussed. For projection purposes, the District is anticipating at least a five (5%) increase each year for its healthcare and other post-employment benefits (OPEB - retiree health insurance).



Source: Appendix B.1

### PSERS increases

Every school district in Pennsylvania is statutorily required to participate in the Pennsylvania Public School Employees' Retirement System (PSERS). In 2010-2011, the PSERS employer contribution rate was 5.6% and as of the current fiscal year (2018-2019) is 33.43%. In 2017-2018, Penn Hills School District paid \$9.7 million for retirement benefits which represents fifty percent (50%) of the total benefit costs that was previously discussed.

| Fiscal Year | Employer Contribution % |
|-------------|-------------------------|
| 2010-2011   | 5.64%                   |
| 2011-2012   | 8.65%                   |
| 2012-2013   | 12.36%                  |
| 2013-2014   | 16.93%                  |
| 2014-2015   | 21.40%                  |
| 2015-2016   | 25.84%                  |
| 2016-2017   | 30.03%                  |
| 2017-2018   | 32.57%                  |
| 2018-2019   | 33.43%                  |

Source: <https://www.psers.pa.gov/About/PFR/Documents/20181207%20FY%202019-2020%20ECR%20fact%20sheet%20FINAL.pdf>

Future PSERS employer contribution rates are projected as follows:

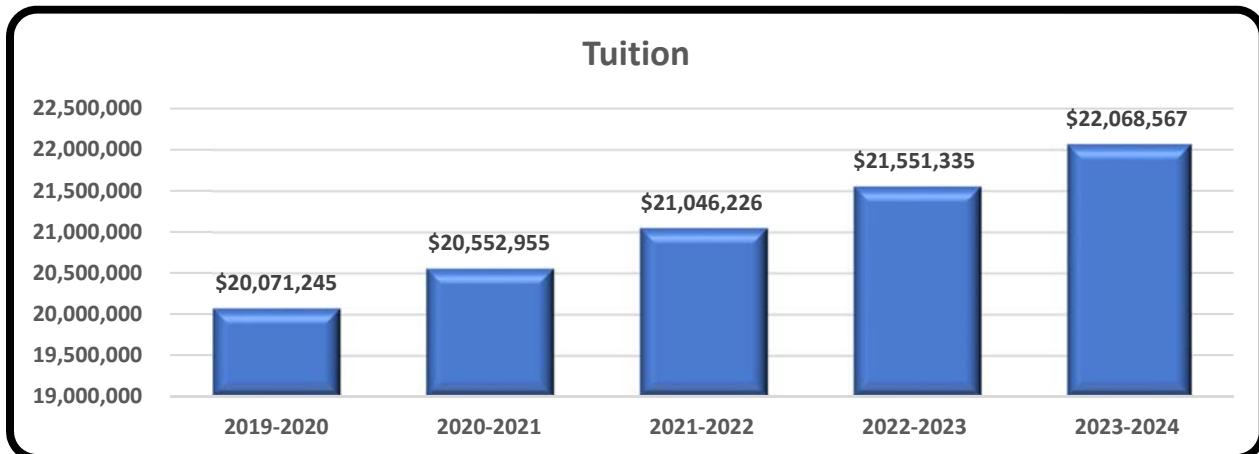
| 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 |
|-----------|-----------|-----------|-----------|-----------|
| 34.29%    | 34.77%    | 35.19%    | 35.84%    | 36.30%    |

Source: Same as table above

Even with District wages projected to remain relatively flat, the District will see an increased expense for retirement as long as the contribution percentage continues to climb.

### Tuition

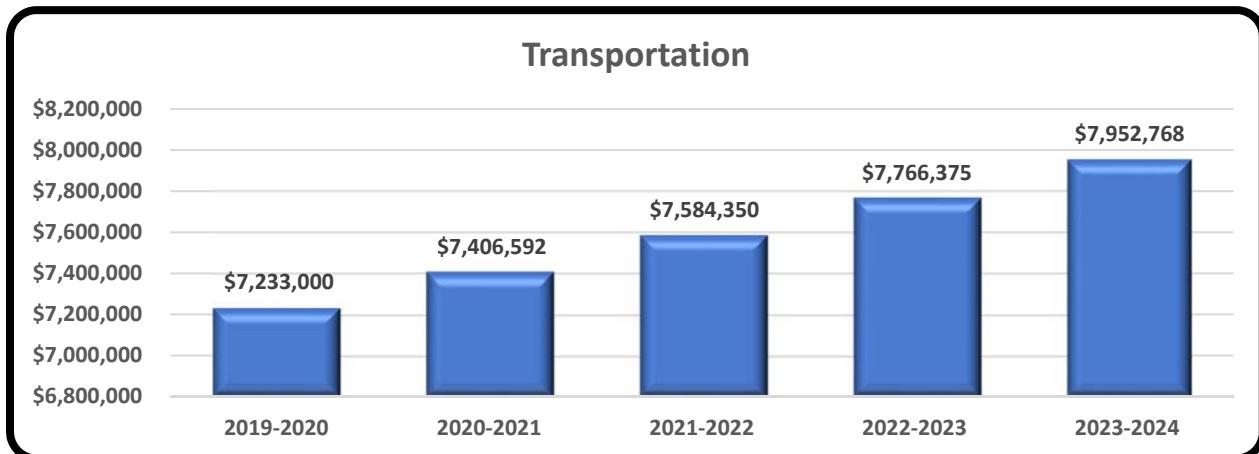
As was previously discussed, the District pays a significant amount of tuition to Charter Schools, Cyber Charter Schools, other PA School Districts, Approved Private Schools and the Career Technical Center. For projection purposes, the District assumed that charter enrollment will remain flat and tuition rates will reflect inflationary increases of 2.4% each year through 2023-2024.



Source: Appendix B.1

### Transportation

The District's current transportation contract expires in 2022-2023. The current contract provides for a base contract amount and supplemental variables for other services provided for field trips, extracurricular activities, etc. For projection purposes, the District assumed that annual expenditures will reflect inflationary increases of 2.4% each year through 2023-2024.



Source: Appendix B.1

## **ACADEMICS**

The educational program is directly impacted by the District's financial problems. Efforts and sacrifices for financial recovery must be validated by the hope, promise and implementation of a high-quality educational experience. The PHSD children deserve nothing less.

As stated in the District's comprehensive plan of 2016-2019, the state-of-the-art elementary school building opened in the Fall of 2014. The construction was the final phase of consolidation efforts to close several aging elementary buildings and house the elementary students in Grade PK-4 under one roof. In doing so, the District has been able to provide more consistency in programming and instructional delivery, as well as more efficiently utilize resources at that level. While entering the grand vestibule the initial feel of the building captures one's attention, a short walk into the corridors that house the "school within a school" concept quickly warms the senses. Small learning communities grab the attention of all our visitors as teachers and students engage in learning activities throughout the building.

The expansive Linton Middle School building houses students in Grades 5-8. Grade levels are separated into their own respective areas, and all students share common areas such as the cafeteria and the gymnasium. Research is vast on the unique needs of middle-school-age students, and appropriate programming is the key to educating students of this age. Special attention to this research is essential to a turnaround at Linton Middle School. The building can certainly function effectively with the proper mindset, services, and with programs that meet-the-kids-at-the-door approach.

The newly built high school opened in January of 2012. Another capital asset (even with its debt burden) adds to the visual attractiveness of the PHSD. It houses Grades 9-12 and offers a rich assortment of curricular and extra-curricular options.

Financially and academically, the potential for a transformation lies in the hands of the "human capital" that exists in all three buildings. This plan will provide a blueprint for success for that transformation. Let's start with the good:

In December of 2018, a curriculum consultant hired by PDE, performed an academic review of the PHSD educational services. The report noted the District's awareness of the challenge "to keep instructional costs at a minimum yet still provide a quality educational environment for its students." My observation acknowledges that the challenges that the PHSD face are similar to other districts with student populations of high economically disadvantaged and diversity levels. However, the untold, unheard story, reflects success in pockets. Time constraints limit my observations to the following:

### **1. Elementary Pennsylvania Value Added Assessment Scores (PVAAS)**

PVAAS chart colors help districts interpret value-added growth – did the student group maintain, gain, or fall behind in terms of its achievement? The following color categories explain the PVAAS charts on pages 33 - 34:

- \* DARK BLUE or LIGHT BLUE – the group of students gained ground
- \* GREEN – the group of students maintained its achievement level
- \* YELLOW or RED – the group of students fell behind (or "slipped")

The colors help districts know if their schools and academic programs are “adding value” to the students they teach. The PVAAS charts on pages 33 - 34 reflect dark blue, light blue, and green in fourth grade at the elementary school.

## **2. Penn Hills Cyber High-quality Interactive Education Fostering Success (C.H.I.E.F.S.)**

As cited in the PDE report, Penn Hills’ CHIEFS Academy was successfully launched four years ago and has evolved into a high-quality cyber program. Since its inception, it has grown to 104 students for 2018-2019 and has serviced hundreds of students over the past four years. The program offers a rare K-12 delivery with NCAA clearinghouse approval, delivering a quality educational experience to elementary, middle, and high school students. This experience provides Penn Hills School District students the opportunity to attend a fulltime, on-line setting or a blended model of learning. The CHIEFS Academy offers another dimension to the District’s depth of offerings for its diverse student population. It is also a model program for school districts looking to develop their own cyber school program.

The coursework is rigorous, expansive and has full-time highly qualified teachers dedicated to working with cyber students online, via phone and face to face. Drop-In Centers are flexible with evening hours available at each school building for students to meet with their teachers and to interact with other cyber students while doing their coursework. Families of full-time students are provided with equipment for cyber studies and are required to attend a full one-on-one orientation. Students have the option of working anywhere and anytime during the calendar/school day. Students may work extra on weekends. CHIEFS provides several options for those students whose needs are not met in a traditional school setting. CHIEFS Academy students also have the option to attend Forbes Road Career and Technology Center. Many cyber students continue to participate in school activities such as band, orchestra and athletics and are still a part of the PHSD learning community. CHIEFS Academy encourages students to continue to have social interactions through coordinated activities and trips. As with all students who attend Penn Hills School District schools daily, free breakfast and lunch programs are accessible. High school students will begin receiving free meals in the 2019-2020 school year. Lastly, students who graduate while participating in the CHIEFS Academy program receive a PHSD diploma and have the opportunity to participate in all commencement activities.

A continuous challenge for the District is to bring back students who have left for the cyber or charter school experience. The District administrators are hopeful the success of this program will draw back students into the PHSD. The following chart reflects the enrollment of CHIEFS Academy by grade level for the current school year.

| GRADE    | K/1 | 2  | 3  | 4  | 5 | 6  | 7  | 8  | 9 | 10 | 11 | 12 | TOTAL |
|----------|-----|----|----|----|---|----|----|----|---|----|----|----|-------|
| Fulltime | 2/4 | 2  | 2  | 3  | 3 | 11 | 9  | 12 | 6 | 13 | 16 | 12 | 95    |
| Blended  | --  | -- | -- | -- | 1 | -- | -- | -- | 2 | -- | 3  | 3  | 9     |

### **3. Penn Hills' Behavior, Emotional Student Training (B.E.S.T.) Program**

Another unique program offered by the District to support students requiring special education services is the B.E.S.T. Program. The program is distinctive in that it educates students with behavioral and social needs in the same building as their peers, which is the least restrictive environment. Students have access to regular education programs, if appropriate. This program enables the District to transition students with special needs or behavioral issues from outside entities or to transition students prior to placing them into an outside entity. Additionally, the program is used as an option to decrease out-of-school suspensions and address short-term behavioral needs of students. The B.E.S.T. program is operated by an outside agency that contracts with the District. There are two B.E.S.T. classrooms at the middle school (25 students) and high school (26 students) respectively. These classes are capped at 30 students in each building. The District will continue to assess the cost efficiency of all special education services including B.E.S.T. to ensure a cost-efficient and educationally effective delivery each year.

| <b>Grade 5</b> | <b>Grade 6</b> | <b>Grade 7</b> | <b>Grade 8</b> | <b>Grade 9</b> | <b>Grade 10</b> | <b>Grade 11</b> | <b>Grade 12</b> |
|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| 7              | 7              | 6              | 5              | 10             | 7               | 5               | 4               |

### **4. Advanced Placement (AP) Courses**

Penn Hills High School offers thirteen AP courses. The district utilizes Title IV monies under well-rounded education to fund AP exam fees for all students taking an AP course. This eliminates any barriers due to financial limitations as the PHSD is a high poverty area, giving all students the equal opportunity and access to a college-and-career-ready path. In the 2016-2017 school year, the District partnered with the National Math Science Institute (NMSI) on a three-year partnership to grow the AP enrollment and erase barriers for students. The NMSI research shows students earning a score of two (2) on AP exams actually perform the same in college as those scoring a three (3). Success in today's global economy requires a higher level of education than ever before, but our educational system has not kept pace with the workforce demands of the 21st century. NMSI's College Readiness Program is addressing this critical gap by partnering with schools to increase the number of students taking and earning qualifying scores on Advanced Placement® math, science and English exams, while expanding access to rigorous coursework to traditionally underrepresented students.

According to its website, NMS.org, AP® exam scores of three or higher (on a five-point scale) qualify students for credit at many colleges and universities and are a prime indicator of college preparedness and success. Students who master AP courses in high school are three-times more likely to graduate from college. African-American and Hispanic students who succeed in AP courses are four-times more likely to graduate from college.

From 2014 to 2018, Penn Hills High School has made a 305% (up to 424 students) increase in number of students taking the exam and 55% (up to 112 students) increase in students earning a 3 or better on AP exams. More impressive information regarding the AP exams can be found in Appendix C.

## **5. Average Class Size and Student-Teacher Ratios**

In Grades 1-6, the average class size is 24. Factoring in all professional staff and instructional aides into the calculation, the student: instructional staff ratio is 11:1. These numbers are very healthy and will tick up as a result of the recovery plan. Please note that the class size numbers (vs the student: instructional staff ratio) only reflects the numbers of students in each section without regard for the number of instructional aides that are assisting the classroom teacher. More details regarding these numbers follow in Part III of the recovery plan.

## **6. PSAT and Dual Enrollment Fees are Paid by the District**

Penn Hills School District uses Ready-to-Learn funds to pay for all 10<sup>th</sup> grade students to take the PSAT and have been doing so since the implementation of the Accountability Block Grant in late 2000's. Dual Enrollment opportunities are growing at the Penn Hills High School due to a strong partnership with the Community College of Allegheny County (CCAC). Currently there are eleven dual enrollment courses available. The district uses Title IV money to pay for the 1<sup>st</sup> dual enrollment course under well-rounded education. Students must earn a "C" or better in the course; otherwise, parents are responsible for reimbursing the funds to the District, and they must sign a letter of commitment prior to the start of the course. Current enrollment is as follows:

|                     |    |         |
|---------------------|----|---------|
| AP European History | 10 | Seniors |
| AP Studio Art       | 5  | Seniors |
| AP Psychology       | 53 | Seniors |
| AP Psychology       | 20 | Juniors |
| AP U.S. History     | 36 | Juniors |

## **7. Freshman Orientation Program – The Penn Hills Way**

The Penn Hills Way is a semester course that is required for every freshman. It focuses on using a decision-making process when confronting a variety of issue-related topics that teens face every day. Discussions around how decisions are made as teens that will/can later affect their adult life. The Seven Habits of Highly Effective Teens by Steven Covey is used to guide the coursework and discussion.

## **8. Full Day Kindergarten**

Kindergarten is not required by state law; however, the Penn Hills School District not only offers kindergarten, but it also offers a full-day kindergarten program as a critical component of its early childhood education program. Class sizes for the current school year are above the recommended standard. This will be addressed later in Part III of the recovery plan.

## **9. Supports for Students Who Need Additional Help**

In the PHSD there is evidence of a multi-tiered system of supports. The strongest implementation of the Multi-tiered System of Supports (MTSS) model occurs at the elementary level where the three-tier process is evident in ELA, math and behavior management. They have an intervention period that is built into the daily schedule and is split, based on need, for reading and/or math. eSPARK learning is a supplemental digital-based platform that challenges every learner at his/her individualized level through a fun interactive app-based learning tool. Students work on iPads and Chromebooks three times per week for varied time periods (20-60 minutes). This building also has a strong School-Wide Positive Behavior System (SWPBS) in place. "Bee Your Best" is the theme that follows the students to every entity of the school. Bee Your Best refers to four themes that are communicated daily throughout the building: Bee Respectful, Bee Responsible, Bee Safe, and Bee Kind. Additional Tier 2 & 3 support is provided through small group meetings, one-on-one meetings with the behavior specialist, family services and the Mathilda Theiss Program which is described in more detail on page 47 of this plan.

Linton Middle School has a scheduled daily intervention period in 5th and 6th grades. Frontier learning is implemented and students are flexibly grouped to assist with skill deficits. The program is ELA based. Students that are most in need are scheduled into READ 180 classes in addition to their core ELA class.

Penn Hills High School has an Intervention/Enrichment (I/E) period daily that supports students that may be struggling. Students can visit with teachers to receive extra help/support to answer questions and work through problems or receive enrichment opportunities. Case managers also use time to meet with students without losing valuable instructional time. The Penn Hills Way motto is tied into the building SWPBS.

## **10. Curricular and Extra-Curricular Opportunities**

Students attending Penn Hills School District (both traditional and cyber settings) have a wide selection of course offerings from which to choose. The list in Appendix D.1 totals 108 course selections available in the Penn Hills High School. Cyber offerings total 90 and include many unique and interesting options for students. Co-curricular clubs and student activities are available in the high school and middle school. Over fifty clubs and/or activities are available for students to participate with their peers during and after school. The complete list can be found in Appendix D.2. Athletics are extremely popular in the Penn Hills School District for both boys and girls. Twelve male sports and eleven female sports are offered at four different grade levels in the middle and high schools. Overall, between boys and girls sports at the varsity, junior varsity, freshmen, and 7<sup>th</sup>/8<sup>th</sup> grade levels, students are exposed to over fifty opportunities to participate in an activity of their interest. See Appendix D.3 for the complete lists of sports offered at Penn Hills School District.

## Achievement Data

The PHSD offers quality programming throughout its system as described in the previous section. The flip side of this good news is that this trend does not follow the students through the middle and high schools. The transition into the middle school is not favorable. Growth has been in the red for multiple years and does not rebound until 8<sup>th</sup> grade. The high school suffers from this same level of volatile data with pockets of growth but has difficulty sustaining growth. PVAAS red zones, PSSA scores, and Keystone results reflect some alarming data. One of the ramifications of the low achievement data for these two buildings is that they have been identified by PDE as Opportunity Tax Scholarship buildings enabling eligible students, residing within the boundaries of low-achieving schools, to apply for a scholarship to attend a participating public or nonpublic school. Additionally, the high school was designated as an Additional Targeted Support & Improvement (ATSI) school under Every Student Succeeds Act (ESSA) for achievement and growth for black and special education subgroups. The school attendance rate at the high school was also cited for improvement

### PVAAS SCORES (2017-2018 School Year)

#### **PVAAS ELA**

| Grade                                  | Estimated LEA/District Growth Measure |        |        |        |        |        | Growth Measure over Grades Standard for PA Academic Growth |
|----------------------------------------|---------------------------------------|--------|--------|--------|--------|--------|------------------------------------------------------------|
|                                        | 3                                     | 4      | 5      | 6      | 7      | 8      |                                                            |
| Standard for PA Academic Growth        |                                       | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |                                                            |
| 2016 Growth Measure                    |                                       | 0.9 LB | -4.9 R | -2.4 R | -5.8 R | -0.8 Y | -2.6 R                                                     |
| Standard Error                         |                                       | 0.8    | 0.8    | 0.8    | 0.7    | 0.7    | 0.4                                                        |
| 2017 Growth Measure                    |                                       | 1.8 DB | -4.2 R | 0.4 G  | -1.4 Y | 3.0 DB | -0.1 G                                                     |
| Standard Error                         |                                       | 0.8    | 0.8    | 0.8    | 0.8    | 0.8    | 0.4                                                        |
| 2018 Growth Measure                    |                                       | 1.5 LB | -3.6 R | -3.5 R | -0.8 G | -0.5 G | -1.4 R                                                     |
| Standard Error                         |                                       | 0.9    | 0.8    | 0.8    | 0.8    | 0.8    | 0.4                                                        |
| 3-Yr-Avg Growth Measure                |                                       | 1.4 DB | -4.2 R | -1.8 R | -2.7 R | 0.6 LB | -1.3 R                                                     |
| Standard Error                         |                                       | 0.5    | 0.5    | 0.5    | 0.5    | 0.4    | 0.2                                                        |
| Estimated LEA/District Avg Achievement |                                       |        |        |        |        |        |                                                            |
| Grade                                  | 3                                     | 4      | 5      | 6      | 7      | 8      |                                                            |
| State NCE Average                      | 50.0                                  | 50.0   | 50.0   | 50.0   | 50.0   | 50.0   |                                                            |
| 2015 Avg Achievement                   | 42.2                                  | 42.6   | 41.4   | 40.8   | 35.1   | 38.7   |                                                            |
| 2016 Avg Achievement                   | 38.7                                  | 43.1   | 37.7   | 39.0   | 34.9   | 34.4   |                                                            |
| 2017 Avg Achievement                   | 38.9                                  | 40.7   | 38.9   | 38.2   | 37.6   | 37.9   |                                                            |
| 2018 Avg Achievement                   | 42.4                                  | 40.4   | 37.2   | 35.5   | 37.4   | 37.1   |                                                            |

|           |                                                                                         |
|-----------|-----------------------------------------------------------------------------------------|
| <b>DB</b> | Significant evidence that the district exceeded the standard for PA Academic Growth     |
| <b>LB</b> | Moderate evidence that the district exceeded the standard for PA Academic Growth        |
| <b>G</b>  | Evidence that the district met the standard for PA Academic Growth                      |
| <b>Y</b>  | Moderate evidence that the district did not meet the standard for PA Academic Growth    |
| <b>R</b>  | Significant evidence that the district did not meet the standard for PA Academic Growth |

## PVAAS MATH

| Estimated LEA/District Growth Measure  |      |        |        |        |        |        |                                                               |
|----------------------------------------|------|--------|--------|--------|--------|--------|---------------------------------------------------------------|
| Grade                                  | 3    | 4      | 5      | 6      | 7      | 8      | Growth Measure over Grades<br>Standard for PA Academic Growth |
| Standard for PA Academic Growth        |      | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | Standard for PA Academic Growth                               |
| 2016 Growth Measure                    |      | 2.3 DB | -4.7 R | -0.8 Y | -4.2 R | -1.9 R | -1.9 R                                                        |
| Standard Error                         |      | 0.8    | 0.7    | 0.7    | 0.7    | 0.7    | 0.3                                                           |
| 2017 Growth Measure                    |      | 1.5 LB | -4.0 R | -1.3 Y | -3.5 R | 3.5 DB | -0.8 R                                                        |
| Standard Error                         |      | 0.8    | 0.7    | 0.7    | 0.7    | 0.7    | 0.3                                                           |
| 2018 Growth Measure                    |      | 0.5 G  | -8.4 R | -3.7 R | -2.9 R | 2.1 DB | -2.5 R                                                        |
| Standard Error                         |      | 0.8    | 0.7    | 0.7    | 0.7    | 0.8    | 0.3                                                           |
| 3-Yr-Avg Growth Measure                |      | 1.4 DB | -5.7 R | -1.9 R | -3.5 R | 1.2 DB | -1.7 R                                                        |
| Standard Error                         |      | 0.5    | 0.4    | 0.4    | 0.4    | 0.4    | 0.1                                                           |
| Estimated LEA/District Avg Achievement |      |        |        |        |        |        |                                                               |
| Grade                                  | 3    | 4      | 5      | 6      | 7      | 8      |                                                               |
| State NCE Average                      | 50.0 | 50.0   | 50.0   | 50.0   | 50.0   | 50.0   |                                                               |
| 2015 Avg Achievement                   | 41.5 | 43.0   | 38.9   | 41.0   | 38.0   | 36.3   |                                                               |
| 2016 Avg Achievement                   | 40.0 | 43.9   | 38.3   | 38.2   | 36.7   | 36.2   |                                                               |
| 2017 Avg Achievement                   | 41.8 | 41.7   | 39.8   | 37.1   | 34.7   | 40.3   |                                                               |
| 2018 Avg Achievement                   | 43.2 | 42.4   | 33.3   | 36.3   | 34.2   | 36.8   |                                                               |

|    |                                                                                         |
|----|-----------------------------------------------------------------------------------------|
| DB | Significant evidence that the district exceeded the standard for PA Academic Growth     |
| LB | Moderate evidence that the district exceeded the standard for PA Academic Growth        |
| G  | Evidence that the district met the standard for PA Academic Growth                      |
| Y  | Moderate evidence that the district did not meet the standard for PA Academic Growth    |
| R  | Significant evidence that the district did not meet the standard for PA Academic Growth |

## PVAAS SCIENCE

| Subject | Grade | Year     | # of Students | Avg Scale Score | Avg %-ile | Avg Predicted Scale Score | Predicted Avg %-ile | Growth Measure | Standard Error |
|---------|-------|----------|---------------|-----------------|-----------|---------------------------|---------------------|----------------|----------------|
| Science | 4     | 2016     | 235           | 1379.3          | 40        | 1365.1                    | 38                  | 13.7 LB        | 7.5            |
|         |       | 2017     | 236           | 1319.5          | 33        | 1336.2                    | 36                  | -16.2 R        | 6.2            |
|         |       | 2018     | 221           | 1357.5          | 39        | 1348.8                    | 37                  | 8.3 LB         | 6.5            |
|         |       | 3-Yr-Avg | 692           | 1351.9          | 37        | 1350.0                    | 37                  | 1.9 G          | 3.9            |
|         | 8     | 2016     | 263           | 1154.3          | 26        | 1200.6                    | 31                  | -43.8 R        | 6.5            |
|         |       | 2017     | 224           | 1205.7          | 34        | 1211.8                    | 35                  | -5.8 G         | 5.9            |
|         |       | 2018     | 204           | 1197.0          | 29        | 1213.3                    | 32                  | -14.6 R        | 6.4            |
|         |       | 3-Yr-Avg | 691           | 1183.6          | 27        | 1208.0                    | 30                  | -21.4 R        | 3.6            |

|    |                                                                                         |
|----|-----------------------------------------------------------------------------------------|
| DB | Significant evidence that the district exceeded the standard for PA Academic Growth     |
| LB | Moderate evidence that the district exceeded the standard for PA Academic Growth        |
| G  | Evidence that the district met the standard for PA Academic Growth                      |
| Y  | Moderate evidence that the district did not meet the standard for PA Academic Growth    |
| R  | Significant evidence that the district did not meet the standard for PA Academic Growth |

### PVAAS ALGEBRA I (7<sup>th</sup> Grade and Above)

| Subject   | Year     | # of Students | Avg Scale Score | Avg %-ile | Avg Predicted Scale Score | Predicted Avg %-ile | Growth Measure | Standard Error |
|-----------|----------|---------------|-----------------|-----------|---------------------------|---------------------|----------------|----------------|
| Algebra I | 2016     | 421           | 1466.7          | 28        | 1479.9                    | 37                  | -12.7 R        | 1.4            |
|           | 2017     | 380           | 1463.3          | 27        | 1477.2                    | 36                  | -11.7 R        | 1.4            |
|           | 2018     | 285           | 1461.4          | 25        | 1476.0                    | 34                  | -13.1 R        | 1.6            |
|           | 3-Yr-Avg | 1086          | 1464.1          | 27        | 1477.9                    | 36                  | <b>-12.5 R</b> | 0.9            |

|    |                                                                                         |
|----|-----------------------------------------------------------------------------------------|
| DB | Significant evidence that the district exceeded the standard for PA Academic Growth     |
| LB | Moderate evidence that the district exceeded the standard for PA Academic Growth        |
| G  | Evidence that the district met the standard for PA Academic Growth                      |
| Y  | Moderate evidence that the district did not meet the standard for PA Academic Growth    |
| R  | Significant evidence that the district did not meet the standard for PA Academic Growth |

### PVAAS BIOLOGY (9<sup>th</sup> Grade and Above)

| Subject | Year     | # of Students | Avg Scale Score | Avg %-ile | Avg Predicted Scale Score | Predicted Avg %-ile | Growth Measure | Standard Error |
|---------|----------|---------------|-----------------|-----------|---------------------------|---------------------|----------------|----------------|
| Biology | 2016     | 351           | 1478.4          | 31        | 1478.2                    | 31                  | 0.5 G          | 1.5            |
|         | 2017     | 285           | 1479.1          | 30        | 1479.7                    | 30                  | -0.3 G         | 1.6            |
|         | 2018     | 256           | 1478.3          | 31        | 1482.9                    | 34                  | -4.1 R         | 1.8            |
|         | 3-Yr-Avg | 892           | 1478.6          | 32        | 1480.0                    | 33                  | <b>-1.3 Y</b>  | 0.9            |

|    |                                                                                         |
|----|-----------------------------------------------------------------------------------------|
| DB | Significant evidence that the district exceeded the standard for PA Academic Growth     |
| LB | Moderate evidence that the district exceeded the standard for PA Academic Growth        |
| G  | Evidence that the district met the standard for PA Academic Growth                      |
| Y  | Moderate evidence that the district did not meet the standard for PA Academic Growth    |
| R  | Significant evidence that the district did not meet the standard for PA Academic Growth |

### PVAAS LITERATURE (10<sup>th</sup> Grade and Above)

| Subject    | Year     | # of Students | Avg Scale Score | Avg %-ile | Avg Predicted Scale Score | Predicted Avg %-ile | Growth Measure | Standard Error |
|------------|----------|---------------|-----------------|-----------|---------------------------|---------------------|----------------|----------------|
| Literature | 2016     | 305           | 1491.8          | 30        | 1495.5                    | 33                  | -3.5 R         | 1.5            |
|            | 2017     | 268           | 1487.2          | 29        | 1489.3                    | 30                  | -2.0 Y         | 1.6            |
|            | 2018     | 294           | 1482.0          | 27        | 1482.0                    | 27                  | 0.1 G          | 1.6            |
|            | 3-Yr-Avg | 867           | 1487.0          | 35        | 1489.0                    | 36                  | <b>-1.8 Y</b>  | 0.9            |

|    |                                                                                         |
|----|-----------------------------------------------------------------------------------------|
| DB | Significant evidence that the district exceeded the standard for PA Academic Growth     |
| LB | Moderate evidence that the district exceeded the standard for PA Academic Growth        |
| G  | Evidence that the district met the standard for PA Academic Growth                      |
| Y  | Moderate evidence that the district did not meet the standard for PA Academic Growth    |
| R  | Significant evidence that the district did not meet the standard for PA Academic Growth |

### PSSA SCORES (2017-2018 School Year)

The numbers inside the Chart represent the percentage (%) of students that scored either Proficient or Advanced on the PSSA Assessments.

| <b>Grade 3</b> | <b>ELA</b> | <b>Math</b> |
|----------------|------------|-------------|
| State Average  | 63.5       | 54.1        |
| All            | 44.6       | 35.1        |
| Black          | 39         | 30.1        |
| White          | 50.7       | 43.5        |
| Econ. Disadv.  | 34.6       | 29.4        |
| IEP            | 21.2       | 13.5        |

| <b>Grade 4</b> | <b>ELA</b> | <b>Math</b> | <b>Science</b> |
|----------------|------------|-------------|----------------|
| State Average  | 59.8       | 43.5        | 75.5           |
| All            | 35.3       | 28.1        | 63.2           |
| Black          | 28         | 19.1        | 57.4           |
| White          | 45.6       | 45.6        | 75             |
| Econ. Disadv.  | 29.7       | 23          | 57.9           |
| IEP            | 20.3       | 20.3        | 36.5           |

| <b>Grade 5</b> | <b>ELA</b> | <b>Math</b> |
|----------------|------------|-------------|
| State Average  | 59.4       | 45.2        |
| All            | 29.9       | 10.8        |
| Black          | 24.8       | 6.4         |
| White          | 37         | 14.8        |
| Econ. Disadv.  | 22.9       | 9.6         |
| IEP            | 6.4        | 8.5         |

| <b>Grade 6</b> | <b>ELA</b> | <b>Math</b> |
|----------------|------------|-------------|
| State Average  | 62.5       | 39.6        |
| All            | 31.4       | 11.4        |
| Black          | 25.9       | 6.8         |
| White          | 43.5       | 18.8        |
| Econ. Disadv.  | 24.4       | 6.9         |
| IEP            | 3.9        | 2           |

| <b>Grade 7</b> | <b>ELA</b> | <b>Math</b> |
|----------------|------------|-------------|
| State Average  | 61.9       | 38.8        |
| All            | 38.1       | 11.5        |
| Black          | 29.7       | 7.6         |
| White          | 60.8       | 23.5        |
| Econ. Disadv.  | 28.8       | 7.2         |
| IEP            | 15.4       | 13.5        |

| <b>Grade 8</b> | <b>ELA</b> | <b>Math</b> | <b>Science</b> |
|----------------|------------|-------------|----------------|
| State Average  | 61.5       | 31.1        | 53.9           |
| All            | 35.7       | 10.5        | 28.8           |
| Black          | 28.6       | 5.8         | 20.9           |
| White          | 48.4       | 17.2        | 42.9           |
| Econ. Disadv.  | 32.2       | 9.9         | 26.7           |
| IEP            | 11.5       | 8.3         | 11.7           |

### KEYSTONE SCORES

| <b>Keystones</b> | <b>Algebra I</b> | <b>Biology</b> | <b>Literature</b> |
|------------------|------------------|----------------|-------------------|
| State Average    | 65.2             | 72.7           | 64.4              |
| All              | 15.9             | 32.5           | 38.9              |
| Black            | 12.3             | 17             | 26.7              |
| White            | 21.8             | 61.7           | 63.5              |
| Econ. Disadv.    | 11.7             | 21.7           | 29.3              |
| IEP              | 1.8              | 0              | 6.1               |

All educational programming (good and poor) will be assessed more closely next year with the goal to make them even better. Factors that can be controlled in our schools, such as building climate/culture, student behavior, and staff mindset will be assessed and addressed in the initiatives, as well. These factors clearly impact student achievement and feed the negative perceptions that too often are reported via the news and social media.

The academic picture of the Penn Hill School District clearly depicts a program with both assets and liability. Much of the PSSA data is alarming, and the District should have a sense of urgency regarding academic improvement. The plan will require a delicate balance of straight-forward improvement efforts with an eye on building upon the quality programming that is offered. In order to reverse the trend of students exiting the Penn Hills School District to attend charter schools, the recovery plan includes initiatives designed to attract students back to the PHSD.

# **PART III**

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## **STRATEGIES, GOALS, INITIATIVES**

### **III. The Fix: Financial Recovery Plan**

#### **Statutory Basis for Financial Recovery Status**

On February 1, 2019, under the provisions of enacted state legislation (Act 141 of 2012), the Commonwealth of Pennsylvania's Secretary of Education Pedro Rivera declared the Penn Hills School District to be a moderate recovery school district and, on February 5, 2019, appointed Dr. Daniel J. Matsook to serve as Chief Recovery Officer (CRO) to develop and implement a Financial Recovery Plan to bring financial stability to the district.

The CRO is charged with taking input from the superintendent and the community, via an advisory committee, to develop a Financial Recovery Plan that restores financial stability and improved academic performance. Act 141 requires the appointment of an Advisory Committee to assist the Chief Recovery Officer with the recovery plan. Since their appointment in February, the committee met four times in March-May to provide input for the recovery plan. The CRO has met and interviewed multiple stakeholders through the first 60 days of the planning process. Conversations have occurred in person and via telephone. There have been three public board meetings to share updates, accompanied by executive sessions to solicit input from board members. Technical support has been provided by the Department of Education for particular pieces of the Financial Recovery Plan. All parties, understanding the financial dire straits of the District, have been willing and cooperative with the gathering of facts during the environmental scan by the CRO.

Act 141 provides 90 days to complete the plan, but allows for an extension with the approval of the Commonwealth's Secretary of Education. The CRO sought and received an extension of time to develop the plan from May 5, 2019 to May 20, 2019. The extension aligns with the critical path of Board decisions that must be addressed to BALANCE the 2019-2020 budget. It can be expected that either revisions or addendums will follow this version of the plan moving forward.

#### **Powers and Duties under Section 642-A**

Throughout this plan, the District and CRO are directed to take actions authorized by section 642-A of Act 141, granting them powers and duties to achieve the goals of the plan. The specific actions authorized in this plan pursuant to section 642-A shall include but are not limited to:

- Cancel or renegotiate contracts that are in conflict with or an impediment to timely implementation of the provisions of this plan if the cancellation or renegotiation will affect needed economies of the district (subsection 3);
- Increase tax levies, as recommended by the CRO (subsection 4);
- Appointment of a special tax collector of delinquent taxes, subject to approval by the CRO (subsection 5);
- Dispense with the services of nonprofessional employees (subsection 6);
- Employ professional and senior management employees who do not hold State certification (subsection 9);
- Enter into agreements with for-profit or non-profits organizations to provide non-instructional services (subsection 10);

- Close or reconstitute a school, including the reassignment, suspension, or dismissal of professional employees (subsection 11);
- Reallocate resources, amend school procedures, develop achievement plans and implement testing or other evaluation procedures for educational purposes (subsection 13);
- Supervise and direct principals, teachers, and administrators (subsection 14);
- Negotiate new collective bargaining agreements to effect needed economies (subsection 15);
- Delegate powers the CRO deems necessary to implement the plan (subsection 16);
- Employ entities to review financial and educational programs (subsection 17).

### Recent Progress

| Wage Freezes          | YEARS     |           |           |           |           |           |           |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                       | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
| Act 93 Administrators | X         |           | X         |           |           |           |           |
| Superintendent        |           | X         | X         | X         | X         | X         | X         |
| Business Manager      |           |           |           | X         |           |           |           |
| HR Director           |           |           |           | X         |           |           |           |
| Food Service          |           |           |           | X         | X         |           |           |
| Teachers              |           |           |           |           | X         | X         |           |
| Plant Service         |           |           |           |           | X         | X         |           |
| Support Group         |           |           |           |           | TBD       |           |           |

### Staff Reductions:

2015-2016     Eliminated approximately 50 Crossing Guards

2016-2017     Furloughed 42 Teachers (Mostly Special Education)

2018-2019     Furloughed 12 Teachers

NOTE: Approximately 40% of the 54 furloughed teachers were called back for various reasons (i.e. resignations, special education enrollment)

Since 2015   Eliminated Positions:   Assistant Superintendent, Assistant Business Manager, Assistant Plant Supervisor, Pupil Personnel Manager, Transportation Manager, Computer Programmer, Grant Writer, and PR Consultant.

**\*It should also be noted that some of the activities in this recovery plan have been initiated prior to the arrival of the CRO.**

## 2018-2019 Workforce

The workforce totals 487 positions. These positions are in the 2018-2019 budget. Some of these positions are already vacant due to circumstances that occurred through the current school year. The breakdown is as follows:

|                                     | # of Positions |
|-------------------------------------|----------------|
| <b>Professional Staff:</b>          |                |
| Teachers                            | 226            |
| Guidance Counselors                 | 10             |
| Home School Visitors/Social Workers | 3              |
| Behavior Specialists                | 2              |
| Administrative Assistants           | 3              |
| <b>Total Professional Staff:</b>    | <b>244</b>     |
| <b>Support Staff:</b>               |                |
| Instructional Aides                 | 67             |
| Secretaries                         | 21             |
| Service Aides                       | 18             |
| Technicians                         | 4              |
| Health Room                         | 4              |
| <b>Total Support Staff:</b>         | <b>114</b>     |
| <b>Plant Services:</b>              |                |
| Custodians                          | 38             |
| Maintenance                         | 9              |
| Utility                             | 5              |
| <b>Total Plant Services:</b>        | <b>52</b>      |
| <b>Food Service:</b>                |                |
| Head Cooks                          | 3              |
| Assistant Cooks                     | 3              |
| Servers                             | 17             |
| Dish Room                           | 7              |
| Cashiers                            | 19             |
| Secretary                           | 1              |
| <b>Total Food Service:</b>          | <b>50</b>      |
| <b>Act 93:</b>                      |                |
| Cafeteria Managers                  | 3              |
| Building Principals                 | 10             |
| Central Office                      | 8              |
| <b>Total Act 93:</b>                | <b>21</b>      |
| <b>Other:</b>                       |                |
| Superintendent                      | 1              |
| Business Manager                    | 1              |
| Human Resource Director             | 1              |
| Confidential Secretaries            | 3              |
| <b>Total Act 93:</b>                | <b>6</b>       |
| <b>Grand Total of Positions:</b>    | <b>487</b>     |

Source: District Human Resource Office

## Workforce Soft Landing

There are 487 positions accounted for in the 2018-2019 budget. To right-size the workforce, the plan reflects a reduction of positions across-the-board district-wide. A number of these positions will be eliminated through attrition rather than furlough, approximately thirty (30). Worst case scenario, approximately fifty (55) employees will be furloughed. These positions are spelled out in the following pages. The final number will be confirmed in September when the dust settles from activity through the summer months.

|                                                                                                                             |                             |                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------------------|
| <b>HR 1</b> The PHSD <u>shall</u> assist all furloughed employees with preparation to secure other employment opportunities |                             |                                                                    |
|                                                                                                                             | Target Date(s)              | Start: May 2019; End: July 2019<br>Start: May 2020; End: July 2020 |
|                                                                                                                             | Multi-Year Financial Impact | N/A                                                                |
|                                                                                                                             | Responsible Parties         | Superintendent, School Board, Director of Human Resources (HR)     |

### **Rationale:**

Without a doubt, the most difficult part of the PHSD financial recovery plan is the reduction of staff. It is extremely important that all staff receive support through these difficult times, including access to the District's Employee Assistance Program (EAP) program to address issues of anxiety, low morale, and depression. With the support of the District's Human Resources Department, the District will do its very best to assist its employees with a soft landing into the next chapter of their careers. The following assistance will be provided through the District's Human Resources Department for furloughed employees:

- Resume workshops
- Letters of recommendation
- Wellness days, including benefit workshops with providers
- Assistance with unemployment compensation claims
- Work with local districts identifying positions and scheduling interviews
- Work with private industry on job openings for career changers

### **Strategies / Goals / Initiatives**

A sense of urgency to approve and implement the following initiatives is due largely to the District's need to balance the budget for 2019-2020. There is an 8.1 million-dollar deficit to erase before June 24, 2019 when the Board acts on the final budget. Secondly, the District is applying for another Tax Anticipation Note (TAN) for ten million dollars to pay for outstanding 2018-2019 bills. The TAN must be repaid in September, jeopardizing cash flow next spring. These two financial realities total 18.1 million dollars that the District must reconcile in the next five months; hence, the urgency for immediate action.

The goal is to immediately reign-in overspending practices and approve a budget that is balanced for the 2019-2020 school year. Subsequent years of mindful budget planning will right the ship in the short run. However, balancing the annual budget must include a plan to replenish the fund balance to stabilize the District moving forward. There can be NO resolution for recovery status without at least a three-year picture of financial stability as reflected in appropriate fund balance levels. The independent auditor's report for the 2017-2018 school year has cited indicators that MAYBE the District has hit rock bottom and is headed in the right direction. That remains to be seen. Assuming two immediate years of effective and efficient implementation of the recovery plan, progress indicators should be apparent, barring unforeseen circumstances. To re-direct and/or accelerate recovery efforts, addendums and/or revisions can be applied. The Year One financial impact is reflected in the initiative boxes with confidence because most first-year initiatives are reflected in the 2019-2020 budget. Year Two impacts are labeled TBD to allow for addendums and revisions as initiatives are implemented during the second year of recovery status. Predictions beyond the first two years will occur as the District progresses on the road to financial recovery; however, a five-year projection with successful implementation of the first-year initiatives is provided in the Financial Recovery Plan. The first year sets the path to financial recovery. Exit criteria and progress monitoring measures will be discussed in Part IV.

## Academics

Before proceeding with the financial recovery plan, please remember that the goal is to return the District to financial solvency while preserving the integrity of the District's academic program. The PHSD is responsible for providing educational services to children in accordance to state and federal regulations. The PHSD is committed to providing a quality education in a safe and secure environment that fosters high expectations by highly qualified teachers. According to its mission statement: The Penn Hills School District is committed to excellence in education and improved opportunities for all, with the focus on student learning. Accountability for this statement lies with the Superintendent.

It is critical that the financial recovery plan does not lose sight of the core business of schools – learning. The financial transformation must be accompanied by an academic transformation. Financially, strategies call for a change in workforce numbers to match enrollment levels, operational efficiencies, and revenue generation. Academically, strategies begin with adopting a positive mindset that embraces the challenges of teaching in a diverse learning community. The challenge of the recovery efforts is to balance a heavy hand that reduces budgetary numbers with a mindful eye that protects the integrity of the educational program and experience. If numbers were the only concern, the Pennsylvania Department of Education could have brought in the top accountants in the state to slash numbers without regard for education. The recovery narrative will include attention to both arenas.

Nevertheless, the financial woes of the District have forced the CRO to plan with a diligent eye on efficiencies when delivering educational services in our buildings. The declining enrollment trend over the past decade clearly indicates that workforce levels MUST be adjusted. Through strategic reductions, the PHSD will look the same in some respects; and in other ways, it will deliver programming and/or instruction in a different manner. The plan does not require a Cadillac to get the District from Point A to Point B in recovery. Less than ideal doesn't mean less effective, but more efficient. The District must utilize every employee to his/her fullest potential. If student enrollment trends reverse, staffing levels should follow suit.

## **ALL FURLOUGHED EMPLOYEES WILL BE DETERMINED ACCORDING TO SCHOOL CODE AND/OR COLLECTIVE BARGAINING AGREEMENTS.**

One goal is to maintain student: teacher ratios. Currently the ratio is 11:1. After the implementation of the recovery plan, the ratio will move to 13:1. Student: teacher ratios include all professional staff plus instructional aides. This ratio is reflective of the educational services AND necessary support services that the PHSD provides to its students. It includes all staff committed to the “whole child.” This section will cover the professional workforce, instructional aides, administration, supplementals, and programs.

## Professional Staff

ACA The PHSD shall right-size the Professional Staff.  
1 [244 Staff Members Reduced to 209-218 (26-35) TBD]

|  |                             |                                                                                                                                                                         |
|--|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | Target Date(s)              | Start: June 2019; End: August 2019<br>Start: June 2020; End: August 2020 (TBD)                                                                                          |
|  | Multi-Year Financial Impact | First Year: Estimate (3.3) Million<br>Second Year: TBD                                                                                                                  |
|  | Responsible Parties         | Superintendent, School Board, Director of Teaching, Learning, and Assessment (TLA), Director of Special Education, Director of Human Resources, and Building Principals |

### **Rationale:**

To successfully address staff reductions in the education arena in a manner that protects the integrity of the program involves the implementation of several strategies. The re-distribution of essential duties, the re-structuring of programming, and the alternative delivery of instructional services ensure that students are receiving a high-quality educational experience that is mostly what it has looked like in the past with little appearance of revision. Ideal is a bar that the PHSD cannot afford to reach, but also not necessary for effective educational practices to be present in all classrooms. As mentioned earlier, due to district-wide declining enrollment, the following reductions shall be implemented for the 2019-2020 school year.

### **No More Than:**

- 26 Classroom Teachers
- 1 Special Education Teacher
- 2 Guidance Counselors
- 1 Home School Visitor/Social Worker
- 1 Behavior Specialist
- 2 Administrative Assistants
- 1 Special Program Teacher (NJROTC)
- 1 Cyber Teacher

**NOTE:** All positions are subject to change (fewer furloughs) by June 30 – due to final review by CRO. Recalls from furlough can be considered at any time of the school year based upon increasing enrollment, resignations, or other related factors.

At the Elementary level, the worst-case scenario will increase the average class size from 24 to 29 students. The District may, in consultation with the classroom teacher, provide a fulltime paraprofessional (para) in any classroom (Grades 1-4) that reaches 28+ students to assist with increased class sizes. In essence, two adults will staff the larger classes, reducing the student: teacher ratio in half. All other classes will share paraprofessionals as follows: as per the direction of the building administrator, two teachers may share a para for Math and ELA blocks. To clarify, the function of all paraprofessionals is to support all learners, regular and special needs, in the classroom. It is critical that training is provided to facilitate a healthy and effective relationship between the paras and the teaching staff. Principals will collaborate with Central Administration to provide the proper training. Principals are also responsible for the evaluation of the paraprofessionals (with input from classroom teachers). Critical to their success: the teachers' and support group's CBA language cannot restrict the administration's responsibility to direct and assign the professional and support staff in the best interests of the students.

Also, at the Elementary level, due to a program curtailment, two positions will be eliminated. With only 32 students enrolled in Pre-K this year, it is more cost-efficient to guide these Pre-K children into early childhood programs that already exist throughout the community. **In concert with this decision, the Penn Hills Elementary School shall reach out to all its community early childhood providers and create a smooth transition into its new school building.**

At the Middle School level, reducing staffing without major impacts on class sizes will occur, as well. The District may, in consultation with the classroom teacher, provide a fulltime paraprofessional in any classroom (Grades 5-6 only) that reaches 28+ students. Scheduling is key to controlling class sizes in grades 7 and 8; however, it should be noted that bubbles of high-end class sizes (29-30) are common in all schools due to the logistics of the scheduling process. As with the elementary level, teacher: student ratios are healthy; they reflect both educational services and support services available in each building per student.

At the High School, the NJROTC program, a staple of the PHSD for many years, has not been able to reach the required enrollment numbers to maintain this military program. At least 100 student cadets are required for a full charter; the last time the PHSD had 100 cadets was during the 2016-2017 school year. The High School program was designated for Corrective Action (mandated to increase numbers) for the past two years. The High School had the opportunity to convert its program to the Navy National Defense Corp program if it could increase its numbers to fifty; however, sign-up numbers have dipped to approximately 30 students, warranting the decision to eliminate the program during these fiscally-challenging times. The conversion would be at the expense of the District (approximately \$175,000).

Shifting to student support programming and staffing, positions will be adjusted as follows: the high school counseling staff will remain status quo with three counselors; the middle school will be reduced from four to three counselors; and the elementary school counselors will be reduced from three to two counselors. It is reasonable to adjust these numbers with intentions to re-design the model to better utilize other resources to support the students. The behavior specialists will be reduced from two to one K-12 position to handle extreme cases. The Home School Visitors/Social Workers will be reduced from three to two positions to handle the District's needs. A network of student support personnel is available at all levels. It is the responsibility of the building administrative team to ensure that the support network works as a cohesive team, including a closes relationship with outside social and mental health agencies, to meet the diverse needs of our students. The District has a healthy team of support personnel to assist the remaining eight

guidance counselors, and the Student Assistance Program (SAP) works to provide interventions as needed throughout the system. Behavior specialists, social workers, and probation officers are available daily in all school buildings.

At the elementary level, the Mathida Theiss Program provides mental health support services through The Cool-Down Zone which is funded through the Allegheny County Office of Behavioral Health and the Pittsburgh Penguins Foundation. Children Overcoming Obstacles and Limits (COOL) Zone provides specialized child therapists who interact with children in a safe and friendly environment. Students are referred by the elementary student assistance team if the child displays symptoms of a behavior health diagnosis. Parents must commit to a student evaluation and family counseling; and they must be approved by their insurance.

Again, the re-distribution of essential duties, the re-structuring of programming, and the alternative delivery of instructional services ensures that students are receiving a high-quality educational experience and support services. Dire financial circumstances have necessitated a scaled-back, more streamlined version of the District's academic program and support system. Lower enrollment warrants it.

|          |                                                    |                                                                     |
|----------|----------------------------------------------------|---------------------------------------------------------------------|
| ACA<br>2 | The PHSD shall add Kindergarten sections as needed |                                                                     |
|          | Target Date(s)                                     | Start: August 1, 2019; End: October 1, 2019                         |
|          | Multi-Year Financial Impact                        | First Year: \$103,000                                               |
|          | Responsible Parties                                | Superintendent, School Board, Director of TLA, Elementary Principal |

The District must assign the appropriate number of teachers to Kindergarten classes to ensure that the class-size issue that occurred this school year is addressed. Early childhood education is one of the foundation blocks for student academic success as they move through the system. As of May 1, there were 122 students pre-registered.

| Action Steps                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Deadline                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| <ol style="list-style-type: none"> <li>1. District administration shall monitor enrollment across seven sections of Kindergarten students.</li> <li>2. If enrollment reaches 23 students per section, the District shall add an additional section.</li> <li>3. The District shall move three students from each of the seven sections to create the eighth section. The last-enrolled students will be moved from each section. The District shall repeat the process using eight sections increased to nine as enrollment rises.</li> <li>4. District administration may, in consultation with the classroom teacher, add an instructional aide in any section that has 24+ students enrolled.</li> </ol> | August 1<br>To<br>October 1<br><br>October 1 |

|          |                                                                                                                                               |                                                           |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| ACA<br>3 | The PHSD shall continue its use of academic coaches to support struggling teachers and expand this capacity to the administrative assistants. |                                                           |
|          | Target Date(s)                                                                                                                                | Start: September 2019; End: June 2020                     |
|          | Multi-Year Financial Impact                                                                                                                   | N/A                                                       |
|          | Responsible Parties                                                                                                                           | Superintendent, School Board, Director of TLA, Principals |

While learning is the core business of schools, research has long supported the notion that one school factor with the greatest impact on student achievement is the skillful professional teacher at the front of the room – regardless of class size, technology, or socio-economic status. For that reason, the PHSD shall maintain the academic coaches in the Elementary School and the rotating Master Teacher on Special Assignment in the Middle School. Supporting teachers with their pedagogical skills is a professional life-line needed to improve student achievement. Evidence of the positive impact of the academic coaches at the elementary level is reflected in the fourth grade PVAAS scores. In the middle school, this was the first year that the District hired an academic coach, in this case Master Teacher on Special Assignment. The Master Teacher on Special Assignment was responsible for implementing a new curriculum - Cambridge Mathematics. Students in grades 5-8 are taught a spiral-based math curriculum in which similar math concepts are repeated in each grade at a deeper level each year. Improvement efforts will be measured as the District moves forward.

An effective academic strategy impacting student achievement is the use of academic coaches to enhance the instructional skills of the teaching staff. Data driven decision-making is the foundation for improving student achievement; however, the implementation of the best instructional practices based on accurate and relevant data is the remedy for inconsistent results. When teachers are effective in their pedagogical skills, students learn. Good behavior typically follows; thus, reducing disciplinary issues in school buildings. It starts with the teacher in the classroom.

To further illustrate the need for academic coaches, the CRO reviewed the Every Student Succeeds Act (ESSA) equitable distribution of effective educator data for the PHSD. ESSA eliminates the Highly Qualified Teacher rules established under No Child Left Behind and instead requires states to annually report on “how low-income and minority children enrolled in schools assisted under Title I, Part A are not served at disproportionate rates by ineffective, out-of-field, or inexperienced teachers, and the measures the [State Education Agency] SEA will use to evaluate and publicly report the progress of the State educational agency with respect to such description.”

Pennsylvania’s measurement of an “ineffective educator” draws from certain components of the state’s teacher evaluation framework to develop an aggregate, building level rate; the same type of analysis is performed for rates of inexperienced and out of field educators. Because reporting around educator effectiveness for building-level equity purposes draws on only a subset of the measures used for individual evaluation purposes, the data should be interpreted with care. Still, the building level effectiveness figures, along with building level rates of inexperienced and ineffective educators, can provide an important, initial signal that can drive improvement efforts.

District-wide, approximately 60% of the faculty received an effective rating using the equitable distribution formula developed by the State. The elementary school ranked the highest with 84% equitable/effective distribution, which may offer evidence of the coaching model's success at this level. Then the high school followed with 54% equitable/effective distribution, and the middle school with 35% equitable/effective distribution. Teachers have a very difficult job to do; they need to be supported, not fixed.

"The quality of our schools will never exceed the quality of our teachers," is a quote heard throughout the State's Pennsylvania Inspired Leadership (PIL) program. The effective use of academic coaches works to this end.

The District has two academic coaches in the elementary school and one "Master Teacher on Special Assignment" in the middle school. Because of the effectiveness of the coaching model in the elementary school, it must be duplicated in the middle school and high school. The coaches utilize data-driven decision-making and work with struggling teachers by modeling lessons in the classroom. The work of academic coaches and the master teacher must be expanded to the administrative assistants in the middle and high schools. If grant funds become available, another academic coach should be added in the high school. Free professional development courses are offered through the PA Inspired Leadership (PIL) program, and all administrators shall be required to participate in this leadership program. The teachers' CBA should address more time in the teacher day for collaboration amongst the staff to create a professional learning community culture in all buildings. This initiative shall be implemented with initiative ACA 5 to improve student achievement.

| Action Steps                                                                                                                                                                                                                                                    | Deadline                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 1. The District shall re-design the job description of the administrative assistant to add academic coaching and expand academic coaching responsibilities to include administrative assistants.                                                                | August 1                    |
| 2. Building assignments for all coaching positions shall be flexible, allowing for collaboration for the coaching team.                                                                                                                                         |                             |
| 3. The District shall identify teachers in all schools in need of extra support using current (or future) state-approved teacher evaluation systems (including observation and walk-thru data collection).                                                      |                             |
| 4. The elementary academic coaches shall work with the middle school coach and administrative assistants to create a schedule prioritizing teachers with the highest need for support. The coaches shall track all support activity to determine effectiveness. | First Three Days In-Service |
| 5. The middle school and high school shall duplicate the successful coaching model utilized in the elementary school.                                                                                                                                           | On-Going                    |

## Support Staff – Paraprofessionals

|          |                                                                                                                                                                   |                                                                                                       |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| ACA<br>4 | The PHSD shall right-size the support staff. (includes instructional aides, service aides, and health room aides)<br>[93 Staff Members Reduced to 63-69. (24-30)] |                                                                                                       |
|          | Target Date(s)                                                                                                                                                    | Start: June 2019; End: August 2019<br>Start: June 2020; End: August 2020 (TBD)                        |
|          | Multi-Year Financial Impact                                                                                                                                       | First Year: \$569,000<br>Second Year: TBD                                                             |
|          | Responsible Parties                                                                                                                                               | Superintendent, School Board, Director of TLA, Director of Special Education, and Building Principals |

**Rationale:**

The District hires aides for the sole purpose of supervising lunch and recess. These service aide positions will be eliminated or reduced. This duty will be supported with other available staff.

Paraprofessionals (instructional aides) will be reduced to an appropriate level that will be determined by the administration. Anticipated reductions will be a minimum of ten positions. Call-backs will be based upon need. The District will maintain fulltime paras in all ES, AS, LSS classrooms, as well as grades 1-6 classrooms with 28+ students, as directed by the administration. Paras will be shared in classrooms for Math and ELA at the elementary level, as directed by the administration. Critical to maintaining an effective role in the classroom, all paras MUST be properly trained to be effective co-workers with staff as they assist with supporting learning for all students in all classrooms. Additionally, the support CBA must allow for proper direction of paras into classrooms and/or with 1:1 special education paras that best support the child as per the direction of the administration. Maximizing support skills facilitates the learning process throughout the building. Principals are responsible, with input from teachers, for evaluations of paraprofessionals.

Health room aides will be reduced from four to two. One aide will be fulltime at the Elementary School and one aide will be shared between the Middle School and High School. The administration may direct any co-operative assignment between ALL buildings as needed.

| Action Steps                                                                                                                                                                            | Deadline |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1. The Director of TLA, the Director of HR, and Director of Special Education shall plan and organize training for instructional aides related to effective student support strategies. | July     |

## Programs

|       |                                                                                               |                                                                                          |
|-------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| ACA 5 | The PHSD <u>shall</u> maximize efforts to improve student achievement. PSSA, PVAAS, Keystones |                                                                                          |
|       | Target Date(s)                                                                                | Start: August 2019; End: June 2020<br>Start: August 2020; End: June 2021                 |
|       | Multi-Year Financial Impact                                                                   | N/A                                                                                      |
|       | Responsible Parties                                                                           | Superintendent, School Board, Director of TLA, Director of Special Education, Principals |

### Rationale:

While the PHSD has made progress in areas of programming and opportunity, the District has been inconsistent with improving student achievement across grade levels and subject areas. A financial transformation will not guarantee an academic transformation. With proof throughout the system that some teachers deliver an effective education with a child-centered mindset, the data also reflect that there is room for improvement. As mentioned earlier in this plan, professional development must address effective pedagogical skills as they relate to teaching culturally diverse and low socio-economical student populations. Relevant, effective professional development is a must; high expectations for ALL students is a must; a passion to make a difference in ALL classrooms is a must; a mindset dedicated to facing the challenge of educating in a diverse learning community is a must. This cannot be attained without effective professional development.

Strategic use of professional development days has its benefits; however, efforts to facilitate improved achievement can be enhanced exponentially if the daily/weekly schedule includes professional time for collaboration among the staff. Data-driven instructional practices require time. The teachers' CBA must address the work day for teachers to create more professional development time for the instructional staff.

The District must explore creative strategies to build on the pockets of success that exist through the K-12 system. Fidelity of practices as students move from one grade to the other is necessary for PVAAS growth. Mirroring the best practice of the best staff members taps into the rich resources that already exist in the PHSD system. The District shall participate in the PIL curriculum courses designed to focus on the three basic principles on "How People Learn" and implement research-based instructional design principles that facilitate deeper learning. These principles must appear in all lesson planning and tie into all administrative walk-throughs and evaluations.

| Action Steps                                                                                                                                                                                                                                                                                           | Deadline                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| <ol style="list-style-type: none"> <li>1. Grade-level leaders and department heads shall meet during first three in-service days to develop a plan to improve PSSA scores.</li> <br/> <li>2. The District must require the implementation of learning principles as described in rationale.</li> </ol> | One of first three in-service days in August |

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p>3. Through Student Learning Objective's (SLOs), teachers and building administrators shall determine a realistic goal to close the gap between the state average and the District scores in all state assessment areas.</p> <p>4. Progress monitoring shall occur every two weeks.</p> <p>5. Teachers shall utilize formative assessment practices daily to monitor student understanding. These formative assessment strategies shall be reflected in all lesson planning.</p> <p>6. Administration, in consultation with the academic coaching team, shall create a "look for" checklist consisting of easily observable best practice activity.</p> <p>7. Administration shall create a weekly walk-through schedule that will be strictly followed.</p> <p>8. The schedule shall include a short narrative of follow-up conversations.</p> <p>9. Central administration shall create and monitor weekly a tracking list of all walk-throughs.</p> <p>10. Building-level equity teams shall plan and organize professional development for the instructional staff that covers cultural relevance awareness.</p> |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

|                                                                                              |                             |                                                                                                 |
|----------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------|
| ACA 6 The PHSD shall pay for student tests - PSAT's, AP, Dual Enrollment (outside of grants) |                             |                                                                                                 |
|                                                                                              | Target Date(s)              | Start: September 2019; June 2020<br>Start: September 2020; June 2021                            |
|                                                                                              | Multi-Year Financial Impact | First Year: Additional cost of \$55,000 (TBD)<br>Second Year: Additional cost of \$55,000 (TBD) |
|                                                                                              | Responsible Parties         | Superintendent, School Board, Director of TLA                                                   |

**Rationale:**

If grant money to pay for these assessments ceases to exist or decreases, the District should budget for it. This funding facilitates the equity efforts to provide opportunities for ALL students in the PHSD. These are funds that directly benefit the students. District funds cover the costs of PSAT tests (\$4000); Title IV funds cover Dual Enrollment costs (\$15,000); Title IV (\$25,000) and Ready-to-Learn (\$10,000) funds cover Advanced Placement costs. Notification of loss of grant money shall be relayed to Superintendent during budget planning window.

|                                                                                                                                                                                                                                      |                             |                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------------------------------------------------------|
| ACA 7 The PHSD shall explore and implement positive behavior models to improve Linton Middle School environment/culture. *Initiative funding contingent upon available monies, including potential funds from the Transitional Loan. |                             |                                                                             |
|                                                                                                                                                                                                                                      | Target Date(s)              | Start: September 2019; End: February 2020                                   |
|                                                                                                                                                                                                                                      | Multi-Year Financial Impact | TBD                                                                         |
|                                                                                                                                                                                                                                      | Responsible Parties         | Superintendent, School Board, Director of TLA, Middle School Administration |

**Rationale:**

Middle schools across the country must appropriately handle challenges unique to middle school-age students. The PHSD is no different. The recent increase in reported incidents of disruptive student behavior and the perceived safety issues by parents, students and the community must be addressed head-on. District and building leadership teams must collaborate and explore viable models that focus on building a positive, respectful, and safe environment in the middle school building. Anti-bullying, mentoring programs, Positive Behavior Instructional Support (PBIS), anger management, respect for others, and character education are some of the key program themes to explore. Due to school reports of excessive student suspensions and expulsions, a high number of student mediations, and feedback from staff regarding safety in the middle school, the District must also re-configure its In-School-Suspension model to align it with appropriate responses to behavior infractions. A Restorative Justice model shall include collaboration with Allegheny County Juvenile Probation officers based in the school. The model shall be expanded to include the Home School Visitor/Social Workers in the District.

In September, the District must establish a committee/team to explore effective prevention models to change the culture at Linton Middle School. The existing "Solutions Team" shall be expanded to include parents and students. Minutes from past meetings and discussions with personnel from

both the middle school and high school reflect concerns about inconsistent accountability and enforcement of policies by both the professional staff and security. Intentions to expand strategies into the High School should be a priority as well. Proper interventions and therapeutic response, RATHER than a zero-tolerance approach, is highly recommended. The District must continue to implement its mandatory mediation program that was initiated two years ago to promote problem-solving rather than aggression. Current research supports a model that creates a cohesive team of trained interventionists, such as mental health experts, behavior specialist, social workers, and probation officers, to complement the appropriate number of security personnel. This requires time, patience, and an abundance of training. A school-wide discipline plan is the foundation for an effective educational program. Fixing the environment can lead to improved achievement.

The following variables can hinder the cultivation of a safe school:

- Ineffective instruction that results in academic failure
- Failure to prime student motivation and adapt to student interests and needs
- Unclear rules and expectations regarding student behavior
- Failure to teach positive interpersonal and self-management skills
- Inconsistent enforcement of rules
- Failure to adequately monitor and supervise student behavior in classrooms and hallways
- Ignoring to implement culturally responsive interventions
- Failure to assist students from at-risk backgrounds to succeed in school environment
- Lack of training and commitment by staff to implement change

| Action Steps                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Deadline                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1. The District shall change the In-School-Suspension model to implement a restorative justice model in the middle school. This shall be one component of the middle school environmental model described above.</li> <li>2. The building administrative team shall develop a clear plan to ensure order in the building from day one. Accountability must be present for both staff and students.</li> <li>3. The District administration shall create a middle school committee or task force comprised of the following:</li> </ol> | <p>PART I<br/>Target Date:<br/>July – August</p> <p>PART II<br/>Target Date:<br/>September 15</p> |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <ul style="list-style-type: none"> <li>• 2 MS admin.</li> <li>• 1 central office admin</li> <li>• 1 counselor</li> <li>• 4 teachers ( 1 per grade level)</li> <li>• 2 parents</li> <li>• 2 students</li> </ul> <p>4. The purpose of the task force:</p> <ul style="list-style-type: none"> <li>• Explore programs and/or strategies to create a positive and safe culture/environment at the middle school.</li> <li>• Develop a safe-school program</li> <li>• Develop a respectful environment</li> <li>• Ensure order in the building</li> <li>• Create a productive learning environment</li> <li>• Create buy-in from ALL staff</li> </ul> <p>5. Visit three model middle schools in area. At least two with same demographics.</p> <p>6. The committee shall create a “look for” and a “talk to” checklist to follow during each visit.</p> <p>7. The Task Force shall report to the Board through the Curriculum Committee.</p> |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

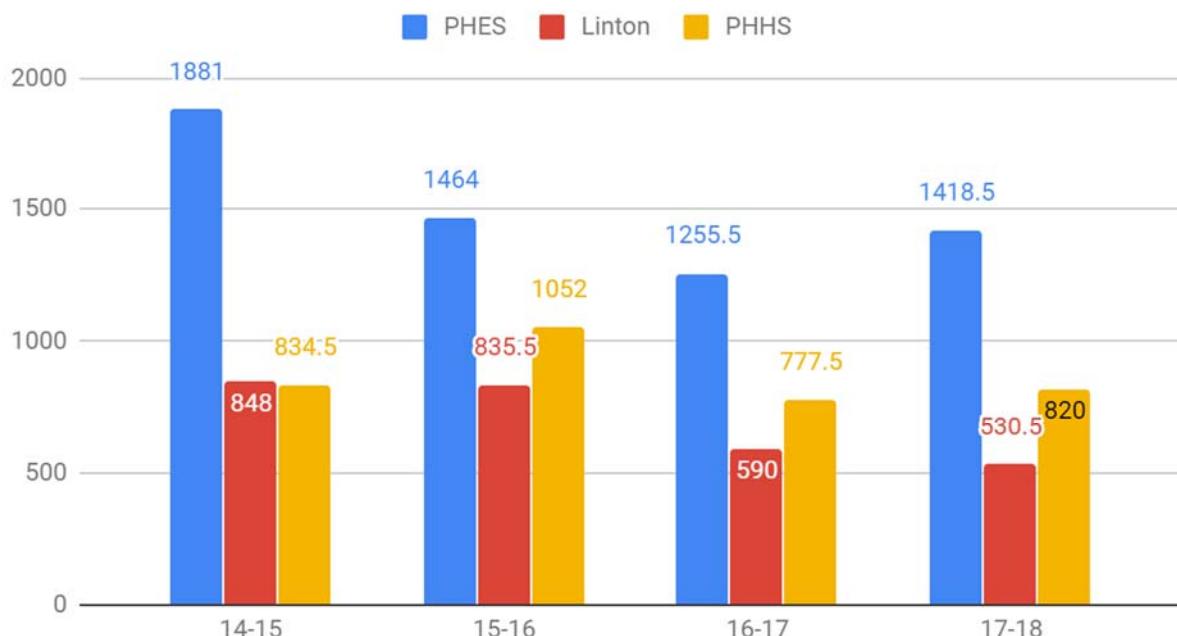
**ACA 8** The PHSD shall explore and implement measures to reduce absenteeism among the staff districtwide. Goal: Minimum 10% improvement each year.

|  |                             |                                                                           |
|--|-----------------------------|---------------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: September 2020; End: June 2021 |
|  | Multi-Year Financial Impact | First Year: (\$40,000)<br>Second Year: TBD                                |
|  | Responsible Parties         | Superintendent, School Board, Director of Human Resources                 |

#### **Rationale:**

Absenteeism significantly impacts operational costs, building climate, and ultimately student achievement. Loss of quality instructional time equates to loss of student learning. The District should monitor all employees on attendance patterns and utilize agreed upon Collective Bargaining Agreement measures to control abuses. The following chart clearly cites absentee numbers in all buildings that need to be addressed. Reviewing the chart below, the impact on the school budget is evident; however, the impact on student learning and achievement is equally as alarming.

**PHSD Teacher Absences 2014-2018**



#### **Financial Impact:**

|                   | 2014-2015  | 2015-2016  | 2016-2017  | 2017-2018  |
|-------------------|------------|------------|------------|------------|
| Absences          | 3,564 Days | 3,352 Days | 2,624 Days | 2,770 Days |
| District Sub Cost | 129.20     | 133.64     | 137.83     | 139.00     |
| Total Cost        | \$460,469  | \$447,961  | \$361,665  | \$385,030  |

| Action Steps                                                                                                                                                                                                                                                                                                                                                                                        | Deadline                                                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| <p>1. The District shall convene a special committee to address this issue.</p> <p>2. The committee shall be comprised of the Superintendent, Director of HR, Building Principals, and Union Leadership.</p> <p>3. Some topics/incentives may include, but not limited to, work from home privileges on clerical days, corporate-sponsored luncheons, mandatory check-ins with supervisor, etc.</p> | <p>July 2019</p> <p>Implement Day 1 of school year.</p> |

|       |                                                                                                                    |                                                                                                                                                |
|-------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| ACA 9 | The PHSD <u>shall</u> permit only juniors and seniors to attend Forbes Road CTC, unless it is a three-year program |                                                                                                                                                |
|       | Target Date(s)                                                                                                     | Start: March 2019; End: February 2020<br>(Freshmen Only)<br>Start: March 2020; End: February 2021 (9 <sup>th</sup> and 10 <sup>th</sup> Grade) |
|       | Multi-Year Financial Impact                                                                                        | First Year: (\$155,000)<br>Second Year: (TBD)                                                                                                  |
|       | Responsible Parties                                                                                                | Superintendent, School Board, Director of TLA, High School Administration                                                                      |

**Rationale:**

The high school administration shall eliminate CTC placements at Forbes Road for freshmen and sophomores. Currently, freshmen attend Forbes Road to explore the different vocational opportunities that are available. At the end of their freshman year, they decide which program they want to attend. This practice is an extremely expensive career exploration program. The “whole-year” career exploration practice shall be replaced with timely and cost-efficient “day-by-day” experiences throughout the school year for interested freshmen to visit Forbes Road. Sophomores enrolled in certified three-year programs are exempt from this provision. Opportunities are delayed, but not missed. There are approximately fifty (50) freshmen enrolled at Forbes Road CTC for one semester at a cost of \$2,887.00 each (half-year). The savings cited in initiative box reflects an estimate of fifty (50) freshmen not attending next year.

| Action Steps                                                                                                                                                                                                                | Deadline                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 1. During the scheduling window for the new school year, the administration shall <u>not</u> permit future 9 <sup>th</sup> graders to select Forbes Road CTC as an option.                                                  | March 2019                   |
| 2. During the scheduling window for the new school year, the administration shall <u>not</u> permit 10 <sup>th</sup> graders to select Forbes Road CTC unless the CTC program requires three years to attain certification. | March 2019                   |
| 3. The administration shall schedule two career exploration field trips to Forbes Road CTC for freshmen prior to scheduling window for their sophomore year.                                                                | September-February 2019-2020 |

|        |                                                                                                 |                                                                              |
|--------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| ACA 10 | The PHSD shall align all State-mandated plans with the initiatives cited in this recovery plan. |                                                                              |
|        | Target Date (s)                                                                                 | Start: July 2019; End: September 2019                                        |
|        | Multi-Year Financial Impact                                                                     | N/A                                                                          |
|        | Responsible Parties                                                                             | Superintendent, School Board, Director of TLA, Director of Special Education |

**Rationale:**

It is essential that all District strategic planning is aligned with the Financial Recovery Plan moving forward. School districts are required to update their comprehensive planning in three-year cycles. Plans include the following: Special Education (Due May 2019), High School Improvement Plan (ATSI) (Due June 2019), Comprehensive Plan (Due November 2019), Title I Plans (Due Every Year). The District shall create a spreadsheet listing all planning documents and cross check the alignment of the major initiatives in each plan.

| Action Steps                                                                                                                             | Deadline          |
|------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 1. The Superintendent shall create a spreadsheet listing all District strategic plans and their major initiatives for cross-referencing. | August 1          |
| 2. The administration shall address all discrepancies with appropriate revisions.                                                        | On-going          |
| 3. The cross referencing shall occur quarterly. (July, October, January, April)                                                          | September-January |

## Administration

|           |                                                                                     |                                                                                                        |
|-----------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| ACA<br>11 | The PHSD shall right-size Act 93 Staffing.<br>[21 Staff Members reduced to 17. (4)] |                                                                                                        |
|           | Target Date(s)                                                                      | Start: June 2019; End: August 2019<br>Start: June 2020; End: September 2020                            |
|           | Multi-Year Financial Impact                                                         | First Year: (\$261,000) in the General Fund and (\$117,000) in the Cafeteria Fund.<br>Second Year: TBD |
|           | Responsible Parties                                                                 | Superintendent, School Board                                                                           |

### **Rationale:**

The position of Technology Coordinator/Transportation has been temporarily absorbed within the organization. The technology function will stay within the Technology Department. The transportation function shall be handled by the Athletic Department with assistance from the business office. See Initiative OPE 3 on page 67 for more details. More changes may come after next year's transportation assessment by outside consultants.

The District currently employs three on-site cafeteria managers. Supporting them are corporate managers from the District's food service provider. With two of the three cafeteria managers retiring at the end of this school year, the District shall not fill those positions. One District employee to serve as the District's liaison for cafeteria service is sufficient. These savings will be reflected in the cafeteria fund which can be transferred into the general fund to cover allowable expenses.

The District shall reduce the Associate Principal positions District-wide by one administrator. The District shall review all building-level administrative placements to ensure the best utilization of each administrator. There shall be an annual review to ensure best utilization of strengths with building needs.

## Supplements and Athletics

|           |                                                                                |                                                                                        |
|-----------|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| ACA<br>12 | The PHSD <u>shall</u> reduce expenditures for academic supplementals by 15-20% |                                                                                        |
|           | Target Date(s)                                                                 | Start: March 2019; End: September 2019<br>Start: March 2020; End: September 2020 (TBD) |
|           | Multi-Year Financial Impact                                                    | First Year: (\$41,000)<br>Second Year: TBD                                             |
|           | Responsible Parties                                                            | Superintendent, School Board, Director of HR, Director of TLA, and Principals          |

|           |                                                            |                                                                                        |
|-----------|------------------------------------------------------------|----------------------------------------------------------------------------------------|
| ACA<br>13 | The PHSD <u>shall</u> reduce the athletic budget by 15-20% |                                                                                        |
|           | Target Date(s)                                             | Start: March 2019; End: September 2019<br>Start: March 2020; End: September 2020 (TBD) |
|           | Multi-Year Financial Impact                                | First Year: (\$148,000)<br>Second Year: TBD                                            |
|           | Responsible Parties                                        | Superintendent, School Board, Athletic Director, HS Principal                          |

**Rationale:**

A committee of administrators and teachers reviewed the current supplemental positions to determine which student activities have declining participation rates. The committee is also reviewing accountability procedures to monitor the regular activity of all clubs.

As with the other departments, the athletic department has reviewed its budget at the request of the CRO. The cuts are reasonable, and it is the responsibility of the Athletic Director and High School Principal to monitor this budget as the school year progresses. The goal was to maintain all sports; however, the CRO directed the Athletic Director to investigate possible cooperative agreements with neighboring schools for sports that currently have low participation numbers. Opportunities for student-athletes at all levels and both genders have remained intact. Coaching staffs have been tweaked based upon declining enrollment, and salaries have been reduced by an average of ten percent across the board. Following salaries and staff, supplies and equipment budget lines will be adjusted as well.

## OPERATIONS (WORKFORCE)

### Plant Services

|         |                                                                                                        |                                                                             |
|---------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| PL<br>1 | The PHSD shall Right-Size the Plant Services Workforce.<br>[52 Staff Members Reduced to 42-44. (8-10)] |                                                                             |
|         | Target Date(s)                                                                                         | Start: June 2019; End: August 2019<br>Start: June 2020; End: September 2020 |
|         | Multi-Year Financial Impact                                                                            | First Year: (\$750,000)<br>Second Year: TBD                                 |
|         | Responsible Parties                                                                                    | Superintendent, School Board, Director of Plant Services, Director of HR    |

#### Rationale:

On May 13, 2019, the PHSD School Board approved a new four-year CBA with the Plant Services (AFSCME). This agreement enables the District to realize significant savings for the 2019-2020 budget through salary freezes and the elimination of the “no furlough” clause. The number of buildings has been reduced over the past fifteen years due to consolidation of schools. Six elementary schools, one middle school, and one high school existed in the District in 2004. All six elementary schools have been reduced to one elementary center since then. All buildings have been sold; the final one is expected to be off the books by the end of the current school year. The bus garage has been sold. The Fralic Center is an athletic facility housing locker rooms, coaches’ offices, a weight room, and a 50-yard artificial turf practice field. The staff reduction will call for a make-over on shifts, assignments, and practices. The savings do not reflect potential overtime savings. The District will conduct an audit of the Building/Grounds operation early next year (See OPSY 1).

#### District Comparisons: Number of Plant Employees

| McKeesport SD | Woodland Hills SD | Plum SD | Gateway SD | Penn Hills SD |
|---------------|-------------------|---------|------------|---------------|
| 27            | 28                | 40      | 42         | 52            |

The square footage for all buildings is as follows:

| Penn Hills High School | Penn Hills Middle School | Penn Hills Elementary |
|------------------------|--------------------------|-----------------------|
| 310,000                | 295,000                  | 210,000               |

## **Secretaries**

|          |                                                                                               |                                                                             |
|----------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| SEC<br>1 | The PHSD shall Right-Size the Secretarial Workforce.<br>[21 Staff Members Reduced to 16. (5)] |                                                                             |
|          | Target Date(s)                                                                                | Start: June 2019; End: August 2019<br>Start: June 2020; End: September 2020 |
|          | Multi-Year Financial Impact                                                                   | First Year: (\$260,000)<br>Second Year: TBD                                 |
|          | Responsible Parties                                                                           | Superintendent, School Board, Business Manager,<br>Director of HR           |

### **Rationale:**

Because the facilities and workforce will be reduced, it only makes sense to reduce the secretarial workforce. The following positions will be eliminated:

Two Pupil Personnel Office Secretaries – These positions are responsible for student registration at the central office site. Due to the bulk of registrations being completed during the summer months, their essential duties will be transferred to the building-level attendance secretaries, whose workload is reduced when school is not in session.

One Business Office Secretary – One of the essential duties of this secretary has been to reconcile charter school invoices to ensure that the students who appear on the invoices are actually Penn Hills School District residents. This duty will be moved to another employee in the business office in the same bargaining unit. The other essential duty of this secretary is to ensure that the paperwork is completed accurately and timely to maximize the District's ACCESS reimbursement. This critical reimbursement is a significant amount of money and will be transferred to another secretarial position in the special education department and will continue to receive support from the AIU. ACCESS funds cover the cost of special education students receiving certain eligible medical services in the District.

One Transportation Secretary – These essential duties will be transferred to other employees within the same bargaining unit, potentially the athletic department that is already working with events involving transportation. Review and oversight will remain with the administration.

One Technology Assistant - These essential duties will be absorbed within the same bargaining unit.

NOTE: The District has been negatively impacted due to turnover with administrative support positions and various departments leading to lack of critical oversight and appropriate expertise. In order to maintain stability during the first two years of recovery status, the CBA should address options to identify up to two positions in the current secretarial assignments for protection from bumping rights.

## Food Service

|         |                                                                                    |                                                                         |
|---------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| FS<br>1 | The PHSD <u>shall</u> Right-Size the Food Service Staff.<br>[52 Staff Members TBD] |                                                                         |
|         | Target Date(s)                                                                     | Start: June 2020; End: August 2020                                      |
|         | Multi-Year Financial Impact                                                        | First Year: N/A<br>Second Year: TBD                                     |
|         | Responsible Parties                                                                | Superintendent, School Board, Business Manager,<br>Food Service Manager |

### **Rationale:**

Food management falls outside the umbrella of District operations. The cafeteria funds itself through income from breakfast and lunch programs within the PHSD community. Many districts must support their cafeterias with district funds because the cafeteria cannot generate enough revenue to cover operational costs. The good news for the PHSD is that the District has NOT provided financial support to the cafeteria fund for several years. Two of the District's school buildings have qualified as Community Eligibility Provision schools (CEP) schools which means that all students qualify for free and reduced lunches without actually applying for this service. Next year, the high school qualifies as a CEP school as well. This designation is not an automatic provision each year. It is based upon the community's percentage of low-income families. This designation impacts the bottom line due to the maximized number of students who eat lunch because meals are free. The immediate need to reduce the food service group is not pressing at this time; however, the District will conduct an assessment of its cafeteria operations next year. The District will attempt to streamline operational costs and workforce numbers in order to increase profits to cover allowable District expenses that support the cafeteria. For example, the food delivery van and driver can be paid with the cafeteria funds, reducing operational costs in the District budget. A percentage of utility bills can be claimed as well. The CRO will visit this initiative next year.

## OPERATIONS (EFFICIENCIES)

|       |                                                                             |                                                                                        |
|-------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| OPE 1 | The PHSD <u>shall</u> reduce costs by 15-20% for supplies across the board. |                                                                                        |
|       | Target Date(s)                                                              | Start: March 2019; End: September 2019<br>Start: March 2020; End: September 2020 (TBD) |
|       | Multi-Year Financial Impact                                                 | First Year: (\$325,000)<br>Second Year: TBD                                            |
|       | Responsible Parties                                                         | Superintendent, School Board, Central Administration, and Principals                   |

**Rationale:**

The CRO reviewed all budgetary lines relating to the purchase of supplies throughout the District. Assuming a reduction in workforce and student enrollment, it follows that supplies can be reduced as well. The majority of the savings is coming from the maintenance department. Most of the elementary supplies are paid through Title I monies. The elementary teachers have access to the Education Partnership for free school supplies because the PHSD qualifies with high poverty student demographics. Access to the Partnership is not automatic; the District must apply each year. When/If the District qualifies again, it is essential that the elementary teaching staff is notified and encouraged to participate. Reducing these budget lines will save the District a reasonable amount of money each year. Administration should monitor all paper usage throughout the District and provide monthly reports to the business manager/superintendent for potential cost savings down the road, as well.

|       |                                                                                          |                                                          |
|-------|------------------------------------------------------------------------------------------|----------------------------------------------------------|
| OPE 2 | The PHSD <u>shall</u> conduct a cost- analysis study on closing Linton MS swimming pool. |                                                          |
|       | Target Date(s)                                                                           | Start: June 2019; End: September 2019                    |
|       | Multi-Year Financial Impact                                                              | First Year: TBD<br>Second Year: TBD                      |
|       | Responsible Parties                                                                      | Superintendent, School Board, Director of Plant Services |

**Rationale:**

Next year, the District will conduct a cost-analysis on closing the pool at Linton Middle School. After one year, the CRO will re-assess the usage of the Middle School pool and determine whether or not to close the pool. The costs and labor to operate the pool can be significant.

| Action Steps                                                                                                        | Deadline  |
|---------------------------------------------------------------------------------------------------------------------|-----------|
| 1. The Director of Plant Services shall complete a cost-analysis on closing Linton pool.                            | October 1 |
| 2. If the District elects to activate this initiative for cost-savings, the Director shall prepare a plan to do so. | TBD       |

|          |                                                                                                                                                                                                                                |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OPE<br>3 | The PHSD shall create an administrative manual for 1) Business Office, 2) Special Education ACCESS reporting, 3) Human Resources, and 4) Transportation reimbursement, detailing the responsibilities of department employees. |
|          | Target Date(s)                                                                                                                                                                                                                 |
|          | Start: September 2019; End: December 2019                                                                                                                                                                                      |
|          | Multi-Year Financial Impact                                                                                                                                                                                                    |
|          | First Year: N/A<br>Second Year: N/A                                                                                                                                                                                            |
|          | Responsible Parties                                                                                                                                                                                                            |
|          | Superintendent, School Board, Business Manager, Director of HR, Director of Special Education                                                                                                                                  |

**Rationale:**

The District shall create an administrative manual detailing every responsibility of every employee in the business office, human resources department, transportation department, and ACCESS reporters. This manual will serve as a guide to current and newly hired employees as the District moves forward. The District learned an expensive lesson through the turbulent past ten years when there was constant turnover of the employees responsible for maintaining these detailed responsibilities. The manual should include the critical timelines for budget planning and mandatory document submissions to State and Federal government agencies. See the chart below for the listing of the positions to be included in the manual.

| Business Office                                                                                      | Deadline    | ACCESS Reporting                                                                                                                                                                                                                                                                                                                                                               | Deadline    |
|------------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 1. Business Manager<br>2. Accounts Payable<br>3. Accounts Receivable<br>4. Accountant<br>5. Pay Roll | September 1 | 1. Superintendent<br>2. Director of Special Education<br>3. Special Education Coordinator<br>4. Special Education Secretary<br>5. Special Education Teachers<br>6. Special Education Aides<br>7. Service Providers<br>8. Principals<br>9. Transportation<br>10. Psychologists<br>11. Social Workers<br>12. Speech Therapists<br>13. OT/PT<br>14. Nurses<br>15. Business Office | September 1 |

| Transportation                                                                                                                                                                                                                                                                                                                        | Deadline       | Human Resources                                                                                                                                  | Deadline       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <ol style="list-style-type: none"> <li>1. Superintendent</li> <li>2. Transportation Carrier</li> <li>3. Transportation Coordinator/AD</li> <li>4. Transportation Accountant</li> <li>5. Transportation/AD Secretary</li> <li>6. Director of Special Education</li> <li>7. Homeless Liaison</li> <li>8. Foster Care Liaison</li> </ol> | September<br>1 | <ol style="list-style-type: none"> <li>1. Director of Human Resources</li> <li>2. HR Secretary</li> <li>3. Plant/Attendance Secretary</li> </ol> | September<br>1 |

|          |                                                                                                  |  |                                                                            |
|----------|--------------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------|
| OPE<br>4 | The PHSD shall pursue all opportunities available to join consortia for purchasing, energy, etc. |  |                                                                            |
|          | Target Date(s)                                                                                   |  | Start: July 2019; End: June 2020                                           |
|          | Multi-Year Financial Impact                                                                      |  | First Year: TBD<br>Second Year: TBD                                        |
|          | Responsible Parties                                                                              |  | Superintendent, School Board, Business Manager, Director of Plant Services |

#### Rationale:

The District (Business Manager and Plant Supervisor) shall regularly search for opportunities to join consortia similar to the one it belongs to at the Allegheny Intermediate Unit. The PHSD is currently in the energy, natural gas, diesel gas, and electric consortium at the AIU. There shall be an annual notification calendar to perform this search in the administrative manual mentioned earlier. The District should research the use of solar energy as an option, as well.

OPE The PHSD shall pursue all available opportunities to share services with neighboring  
 5 districts, such as special education, transportation, food service, etc.

|  |                             |                                                                                                                                |
|--|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021                                                           |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                                                                                            |
|  | Responsible Parties         | Superintendent, School Board, Business Manager,<br>Director of HR, Director of Special Education,<br>Transportation Department |

**Rationale:**

The PHSD sits among a handful of neighboring school districts with similar wants and needs. Three large systems, Pittsburgh Public Schools, Woodland Hills School District, and Plum Boro School District border the PHSD. Two smaller districts, Riverview School District and Wilkinsburg School District, also touch its borders. The PHSD shall contact these neighbors about potential cost-saving opportunities in which they can share services, including available space in the summer ESY program.

| Action Steps                                                                                                                                                                                  | Deadline   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 1. The CRO and Superintendent shall meet with Central Administration and brainstorm potential opportunities for sharing services. They shall create tracking form to capture all activity.    | October 1  |
| 2. The Director of Special Education, the Transportation Coordinator, and the Food Manager shall contact neighboring Districts regarding the potential opportunities for sharing of services. | November 1 |
| 3. They shall submit tracking form monthly for review by the Superintendent.                                                                                                                  | On-going   |

|          |                                                                                                                                                                                                   |                                                                              |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| OPE<br>6 | The PHSD shall provide PSBA training for new and experienced Board members.<br><b>*Initiative funding contingent upon available monies, including potential funds from the Transitional Loan.</b> |                                                                              |
|          | Target Date(s)                                                                                                                                                                                    | Start: January 2020; End: June 2020<br>Start: September 2020; End: June 2021 |
|          | Multi-Year Financial Impact                                                                                                                                                                       | First Year: N/A<br>Second Year: N/A                                          |
|          | Responsible Parties                                                                                                                                                                               | CRO, Superintendent, School Board                                            |

**Rationale:**

Over the past ten years, the Board of Education for the PHSD was responsible for making very difficult decisions regarding the future of the District. Even with the normal operations of running a school business, decision-making can be challenging. Years of experience brings wisdom, but not necessarily less difficult problems. Additionally, there needs to be a clear understanding about the role of the school board to ensure that the board does not overstep its boundaries when it comes to managing the District. To assist with the professional growth of the school board, the board shall participate in yearly board trainings. The Superintendent and Board President shall collaborate on three priority goals each school year. New and refresher topics hold value for both experienced and novice members of the board. PSBA, the AIU, and local experts on board policy are available to provide necessary training in a less costly manner. There should be a modest number in the budget - \$5000, a sound investment for a District committed to informed leadership practices. To add to the urgency of this provision is the recent development of Board member seat instability. One Board member has resigned and three of the upcoming election openings will be vacant due to lack of interest in the community to run for these public seats.

**NOTE:** Because the School Board must be diligent in its deliberations on District business matters, it is highly recommended that the Board consider expanding its monthly board meetings to include a working session at least 5-7 days prior to its public voting meeting. Another consideration is to vote on agenda items individually, when appropriate, rather than grouping into agenda categories for a blanket vote. This practice will serve to prevent the Board from missing necessary deliberations on important items.

| Action Steps                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Deadline     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| <ol style="list-style-type: none"> <li>1. Annually, the Superintendent shall organize a professional development workshop for all school board members.</li> <li>2. Topics shall include a refresher orientation on the role of the Board, working as a team with the Superintendent, and other topics agreed upon by the Superintendent and Board president</li> <li>3. Roll shall be taken as verification of this initiative being completed or not.</li> </ol> | January 2020 |

|          |                                                                                                                                                                                                          |                                       |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| OPE<br>7 | The PHSD <u>shall</u> conduct a feasibility study on closing Linton Middle School.<br><b>*Initiative funding contingent upon available monies, including potential funds from the Transitional Loan.</b> |                                       |
|          | Target Date(s)                                                                                                                                                                                           | Start: November 2019; End: March 2020 |
|          | Multi-Year Financial Impact                                                                                                                                                                              | First Year: TBD<br>Second Year: TBD   |
|          | Responsible Parties                                                                                                                                                                                      | CRO, Superintendent, School Board     |

**Rationale:**

With potential unknown circumstances that may impact the recovery process in a negative manner, it makes sense to research the feasibility of closing the middle school in order to save money. Concern is as much about the educational impact of this option as it is about the potential savings through consolidation. The current and long-term circumstances that the District is facing warrant a peek into this option.

| Action Steps                                                                 | Deadline      |
|------------------------------------------------------------------------------|---------------|
| 1. The CRO will search for entities to conduct the feasibility study.        | November 1    |
| 2. The details regarding scope, costs, and timeline shall be clearly marked. | December 1    |
| 3. The actual study period shall be prior to June 1, 2020.                   | January-March |

|          |                                                                                                                                                                                                                                                                                 |                                                |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| OPE<br>8 | <p>Beginning on July 1, 2019, the PHSD <u>shall</u> implement Direct Deposit for all employees.</p> <p>Also for efficiency purpose, all curricular supplementals will be paid twice (mid-point/end of season) and athletic supplementals will be paid once (end-of-season).</p> |                                                |
|          | Target Date(s)                                                                                                                                                                                                                                                                  | Start: June 2019; End: June 2020               |
|          | Multi-Year Financial Impact                                                                                                                                                                                                                                                     | First Year: (\$1,000)<br>Second Year: N/A      |
|          | Responsible Parties                                                                                                                                                                                                                                                             | Superintendent, School Board, Business Manager |

#### **Rationale:**

This initiative brings the PHSD up to par with other districts and organizations who have long ago moved away from paper payroll.

| Action Steps                                                                                                                                 | Deadline |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1. The Business Office shall send notice to all employees who are not on direct deposit, and include a form with directions on how to do so. | June 1   |
| 2. The Business Office shall send a final notice in the June pay check.                                                                      | June 30  |

|          |                                                                                                                                                                                                               |                                                                                       |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| OPE<br>9 | <p>The PHSD <u>shall</u> implement a new time-management system. All employee groups that receive hourly wages will be paid hourly, rather than convert to a salary pay scale. This includes holiday pay.</p> |                                                                                       |
|          | Target Date(s)                                                                                                                                                                                                | Start: March 2019; End: July 2019                                                     |
|          | Multi-Year Financial Impact                                                                                                                                                                                   | First Year: (\$30,000)<br>Second Year: (\$13,000)                                     |
|          | Responsible Parties                                                                                                                                                                                           | Superintendent, School Board, Director of HR, Business Manager, Technology Department |

#### **Rationale:**

This initiative has already been approved by the School Board in February of 2019. Full implementation will begin on July 1. The purpose for utilizing a time-management system was shared with the School Board last month. The Technology Director cited several benefits of this system: monitoring staff attendance for payroll purposes provides a more efficient manner to track time rather than antiquated time sheets that were used in the past; safety is enhanced in all buildings because the system utilizes the staff's swipe cards; tracking accurate hours enables the District to monitor employment requirements related to the Affordable Care Act.

|           |                                                                                                                                                                   |                                                |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| OPE<br>10 | The PHSD <u>shall</u> complete all compliance issues cited in the PA Auditor General's report and the independent auditor's report for the 2017-2018 fiscal year. |                                                |
|           | Target Date(s)                                                                                                                                                    | Start: July 2019; End: September 2019          |
|           | Multi-Year Financial Impact                                                                                                                                       | First Year: N/A                                |
|           | Responsible Parties                                                                                                                                               | Superintendent, School Board, Business Manager |

**Rationale:**

The District must attain compliance and provide a checklist to track all progress on an on-going basis.

| Action Steps                                                                                                                                  | Deadline |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1. The Superintendent shall create a checklist of all compliance issues cited in both the PA State Auditor and independent auditor's reports. | August 1 |
| 2. The checklist shall be reviewed and updated monthly.                                                                                       | On-going |

|           |                                                                                                                                                                                                                                                                                                   |                                              |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| OPE<br>11 | The PHSD <u>shall</u> negotiate renewal rates for healthcare when appropriate. Life insurance and dental renewals were due in April, 2019. This initiative includes researching cost-comparisons for healthcare options outside the Allegheny County School Health Insurance Consortium (ACSHIC). |                                              |
|           | Target Date(s)                                                                                                                                                                                                                                                                                    | Start: April 2019; End: October 2019         |
|           | Multi-Year Financial Impact                                                                                                                                                                                                                                                                       | First Year: \$30,000                         |
|           | Responsible Parties                                                                                                                                                                                                                                                                               | Superintendent, School Board, Director of HR |

**Rationale:**

The District must take advantage of potential savings during renewal windows with its healthcare providers. District providers will assist the HR department with the renewal process.

|           |                                                                                                                          |                                                |
|-----------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| OPE<br>12 | The PHSD must revisit its fund balance policy and develop a plan to replenish its fund balances to exit recovery status. |                                                |
|           | Target Date(s)                                                                                                           | Start: September 2019; End December 30, 2019   |
|           | Multi-Year Financial Impact                                                                                              | TBD                                            |
|           | Responsible Parties                                                                                                      | Superintendent, School Board, Business Manager |

**Rationale:**

The District fund balance deficit is 12 million dollars. In order to exit recovery status, the District must erase the deficit and maintain an unassigned fund balance of at least 5% of annual expenditures. Early contributions must be modest until the financial recovery reforms are fully implemented. It is assumed that contributions will come from annual positive balances in each recovery plan year.

## **OPERATIONS (SYSTEM ASSESSMENTS)**

During the 2019-2020 school year, the District must conduct systems assessments of all operations. Outside consultants will perform the audits, potentially providing the District with additional cost-efficient strategies. The District shall address the findings and follow the recommendations identified in each assessment, as deemed reasonable by the CRO. Expectations are that the District will see additional savings in Year Two because of these assessments. The CRO will schedule all of these audits as described in the following boxes in the order of appearance. Availability of the consultant will determine calendar dates. **NOTE: The following initiatives are contingent upon available funding sources, including potential financial transition loan proceeds.**

| OPSY 1 The PHSD <u>shall</u> Complete a Systems Audit for Plant Services |                             |                                                            |
|--------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------|
|                                                                          | Target Date(s)              | Start: September 2019                                      |
|                                                                          | Multi-Year Financial Impact | First Year: Cost Not to Exceed \$5,000<br>Second Year: N/A |
|                                                                          | Responsible Parties         | CRO, Superintendent, School Board                          |

| OPSY 2 The PHSD <u>shall</u> Complete a Systems Audit for Transportation |                             |                                                            |
|--------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------|
|                                                                          | Target Date(s)              | Start: September 2019                                      |
|                                                                          | Multi-Year Financial Impact | First Year: Cost Not to Exceed \$5,000<br>Second Year: N/A |
|                                                                          | Responsible Parties         | CRO, Superintendent, School Board                          |

| OPSY 3 The PHSD <u>shall</u> Complete a Systems Audit for Food Operations |                             |                                                            |
|---------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------|
|                                                                           | Target Date(s)              | Start: November 2019                                       |
|                                                                           | Multi-Year Financial Impact | First Year: Cost Not to Exceed \$5,000<br>Second Year: N/A |
|                                                                           | Responsible Parties         | CRO, Superintendent, School Board                          |

OPSY 4 The PHSD shall Complete a Systems Audit for Special Education to include, but not limited to program delivery model, BEST program, RTII/MDSS Process, ACCESS, and outplacements.

|  |                             |                                                            |
|--|-----------------------------|------------------------------------------------------------|
|  | Target Date(s)              | Start: Oct 2019                                            |
|  | Multi-Year Financial Impact | First Year: Cost Not to Exceed \$5,000<br>Second Year: N/A |
|  | Responsible Parties         | CRO, Superintendent, School Board                          |

OPSY 5 The PHSD shall Complete a Systems Audit for Security.

|  |                             |                                                            |
|--|-----------------------------|------------------------------------------------------------|
|  | Target Date(s)              | Start: January 2020                                        |
|  | Multi-Year Financial Impact | First Year: Cost Not to Exceed \$5,000<br>Second Year: N/A |
|  | Responsible Parties         | CRO, Superintendent, School Board                          |

OPSY 6 The PHSD shall Complete a Systems Audit for Technology (leasing user-support, on-line testing). Copiers will be assessed under this initiative.

|  |                             |                                                            |
|--|-----------------------------|------------------------------------------------------------|
|  | Target Date(s)              | Start: February 2020                                       |
|  | Multi-Year Financial Impact | First Year: Cost Not to Exceed \$5,000<br>Second Year: N/A |
|  | Responsible Parties         | CRO, Superintendent, School Board                          |

OPSY 7 The PHSD shall Complete a Systems Audit for Insurance Coverage.

|  |                             |                                                            |
|--|-----------------------------|------------------------------------------------------------|
|  | Target Date(s)              | Start: March 2020                                          |
|  | Multi-Year Financial Impact | First Year: Cost Not to Exceed \$5,000<br>Second Year: N/A |
|  | Responsible Parties         | CRO, Superintendent, School Board                          |

## NEGOTIATIONS (CONTRACTED SERVICES)

Just recently, two reports (State Auditor General and Allegheny County Attorney General) described PHSD as a District in the worst financial condition they have ever seen. Some of the allegations and/or citings include the following descriptions: “a shocking level of mismanagement of funds and lack of oversight,” “inept decision-making rife with the appearance of impropriety,” “egregious overspending,” “concerns over ethics violations,” “inexcusable carelessness,” and “questionable conduct by board and contractors.” To ensure the taxpayers of the PHSD that the District has moved away from its questionable past practices, all contracted services shall be revisited for the following components: a cost analysis, scope review, contractors’ effectiveness in meeting the District’s needs, and a District needs-assessment to ensure there are no gaps in service, including the length of contract. Findings and recommendations from the appropriate District assessments in the previous section shall be reflected in all new contracts as deemed reasonable by the CRO. All contracts moving forward will not include auto-renewal language. All contracts will have clear terms so that the District can measure the effectiveness of services rendered. Any current multi-year contracts will be handled through the CRO.

Request for Proposals (RFP) and new independent service quotes shall be initiated, and in all cases, **the current contractor may submit an RFP too**. It is reasonable to expect that current contractors and/or vendors could be retained after this process. This section of the recovery plan is not an indictment of any contractors or vendors. These contracts represent the lion’s share of contracted services in the budget. The intention is to ensure that the District is being responsibly diligent in all areas of business without exception. **\*Initiative funding contingent upon available monies, including potential funds from the Transitional Loan.**

| CON The PHSD <u>shall</u> send RFP's for Contracted Services - Garbage<br>1 |                             |                                                                                 |
|-----------------------------------------------------------------------------|-----------------------------|---------------------------------------------------------------------------------|
|                                                                             | Target Date(s)              | Start: April 2019; End: May, 2019                                               |
|                                                                             | Multi-Year Financial Impact | First Year TBD<br>Second Year: TBD                                              |
|                                                                             | Responsible Parties         | CRO, Superintendent, School Board, Business Manager, Director of Plant Services |

| CON The PHSD <u>shall</u> send RFP's for Contracted Services - Insurance<br>2 |                             |                                                                                    |
|-------------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------------------------------|
|                                                                               | Target Date(s)              | Start: April 2019; End: May 2019<br>Again Possibly, After Audit (March/April 2020) |
|                                                                               | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                                                |
|                                                                               | Responsible Parties         | CRO, Superintendent, School Board, Business Manager                                |

CON 3 The PHSD shall negotiate or renegotiate Contracted Services- Security

|  |                             |                                                     |
|--|-----------------------------|-----------------------------------------------------|
|  | Target Date(s)              | Start: After Audit: February/March                  |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                 |
|  | Responsible Parties         | CRO, Superintendent, School Board, Business Manager |

CON 4 The PHSD shall send a Request for Proposal to legal firms for Contracted Services - Solicitor

|  |                             |                                                     |
|--|-----------------------------|-----------------------------------------------------|
|  | Target Date(s)              | Start: July 1, 2019; End: September 1               |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                 |
|  | Responsible Parties         | CRO, Superintendent, School Board, Business Manager |

CON 5 The PHSD shall negotiate or renegotiate Contracted Services - Food Operations

|  |                             |                                                     |
|--|-----------------------------|-----------------------------------------------------|
|  | Target Date(s)              | Start: After independent audit: December/January    |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                 |
|  | Responsible Parties         | CRO, Superintendent, School Board, Business Manager |

CON 6 The PHSD shall negotiate or renegotiate Contracted Services - Transportation

|  |                             |                                                     |
|--|-----------------------------|-----------------------------------------------------|
|  | Target Date(s)              | Start: After independent audit: October/November    |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                 |
|  | Responsible Parties         | CRO, Superintendent, School Board, Business Manager |

CON 7 The PHSD shall send RFP's for Contracted Services – Technology Support Vendors

|  |                             |                                                                            |
|--|-----------------------------|----------------------------------------------------------------------------|
|  | Target Date(s)              | Start: After independent audit: February/ March                            |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                                        |
|  | Responsible Parties         | CRO, Superintendent, School Board, Business Manager, Technology Department |

CON 8 The PHSD shall send RFP's for Contracted Services – Any Vendor of Significant Cost to District (Any vendor not directly mentioned in this plan)

|  |                             |                                                     |
|--|-----------------------------|-----------------------------------------------------|
|  | Target Date(s)              | Start: As needed                                    |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                 |
|  | Responsible Parties         | CRO, Superintendent, School Board, Business Manager |

## **NEGOTIATIONS (Collective Bargaining Agreements)**

### **Collective Bargaining Agreements (CBA's)**

Healthy labor-management relations is a common ingredient in successful organizations. Understanding the financial crisis that the District is facing prior to my arrival, some groups have already accepted a wage freeze (page 40). The PHSD workforce has been willing to discuss options to assist the District's effort to move out of financial recovery status. The goal is to work towards affordability for the District, yet maintain fair wages, safe working conditions, and proper benefits for the employees. Some initiatives will serve to guide collective bargaining for new or revised contracts beginning in the 2019-2020 school year. Collective Bargaining Agreements (CBA) that contain language that would hinder the District's efforts to return to solvency is the focus of any negotiation or re-negotiation with the CRO. CBA language for future discussion may include, but not limited to the following:

Financial: Wage Freeze, Wage Reduction, Outsourcing, Furlough, Overtime, Healthcare, Future Financial Commitments -bonuses, longevity, ERI's, etc.

Improvement: Managerial Rights to Direct the Workforce for the Purposes of Improving Educational or Operational Practices, Teacher Collaboration Time, Bumping Rights that Would Not Be in the Best Interests of Students or Specialized Operational Practices, etc.

Section 642-A of 141 provides the authority to implement the initiatives in this plan. In particular, section 642-A(6) authorizes the portions of these initiatives related to dispensing with the services of non-professional employees not needed for economical operation of the District; section 642-A(9) allows the appointment of professional and senior management employees to carry out these initiatives; section 642-A(10) allows the District to enter into alternative service agreements when three-year costs comparisons show savings; section 642-A(11) allows the closing or reconstituting of schools and reassignment, suspension or dismissal of employees when required by these initiatives; section 642-A(13) provides the authority to reallocate resources, amend school procedures and take other steps required by these initiatives; section 642-A(14) authorizes the District to supervise and direct professional staff when required by these initiatives; and section 642-A(15) authorizes the negotiation of new collective bargaining agreements if a new collective bargaining agreement will affect the needed economies of the District.

|          |                                                                                                                                                                                                           |                                      |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| CBA<br>1 | The PHSD <u>shall</u> solicit proposals for outsourcing services where appropriate.<br><b>*Initiative funding contingent upon available monies, including potential funds from the Transitional Loan.</b> |                                      |
|          | Target Date(s)                                                                                                                                                                                            | Start: January 2020; End: March 2020 |
|          | Multi-Year Financial Impact                                                                                                                                                                               | First Year: TBD<br>Second Year: TBD  |
|          | Responsible Parties                                                                                                                                                                                       | CRO, Superintendent, School Board    |

**Rationale:**

As with contracted services in the previous section, the District must explore all avenues to ensure the most cost-effective services are in place. However, before the District takes any action to change services, negotiations in good faith with the bargaining unit will be required in order to provide the union the chance to match services and costs.

|          |                                                                                                                       |                                     |
|----------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| CBA<br>2 | The PHSD <u>shall</u> conduct meet-and-discuss sessions in January 2020 to review the status of the recovery process. |                                     |
|          | Target Date(s)                                                                                                        | Start: January – February 2020      |
|          | Multi-Year Financial Impact                                                                                           | First Year: TBD<br>Second Year: TBD |
|          | Responsible Parties                                                                                                   | CRO, Superintendent, School Board   |

**Rationale:**

Some language cited in the introduction above has been already addressed this year prior to the designation of “moderate financial recovery status” and the arrival of the CRO. One group is currently addressing these topics in negotiations. ALL groups will meet-and-discuss the language again in 2020 as the District moves into Year Two of financial recovery.

|          |                                                                                                                                                                                                                                     |                                     |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| CBA<br>3 | The PHSD shall Negotiate or Re-negotiate the CBA – Professional Group (PHEA)<br>Includes Teachers, Guidance Counselors, Home School Visitors/Social Workers, Behavior Specialists, Academic Coaches, and Administrative Assistants. |                                     |
|          | Target Date(s)                                                                                                                                                                                                                      | Start: After CBA 2, if necessary    |
|          | Multi-Year Financial Impact                                                                                                                                                                                                         | First Year: TBD<br>Second Year: TBD |
|          | Responsible Parties                                                                                                                                                                                                                 | CRO, Superintendent, School Board   |

**Rationale:**

The teacher group has agreed to a wage freeze for the next two school years (2019-2020 and 2020-2021). The District and PHEA shall meet in January 2020 for a progress report and review of any potential issues that may require a re-negotiation due to financial recovery status.

|          |                                                                                                                                                                          |                                     |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| CBA<br>4 | The PHSD shall Negotiate or Re-Negotiate the CBA – Support Group (PHESP)<br>Includes Secretaries, Instructional Aides, Health Room Aides, Service Aides, and Technicians |                                     |
|          | Target Date(s)                                                                                                                                                           | Start: After CBA 2, if necessary    |
|          | Multi-Year Financial Impact                                                                                                                                              | First Year: TBD<br>Second Year: TBD |
|          | Responsible Parties                                                                                                                                                      | CRO, Superintendent, School Board   |

**Rationale:**

The District is currently in negotiations with the PHESP group. Those discussions are confidential at this time. The District and PHESP shall meet in January 2020 for a progress report and review of any potential issues that may require a re-negotiation due to financial recovery status.

|          |                                                                                                                                                 |                                     |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| CBA<br>5 | The PHSD <u>shall</u> Negotiate or Re-Negotiate the CBA – Plant Services (AFSCME)<br>Includes Custodians, Utility, Maintenance, and Operations. |                                     |
|          | Target Date(s)                                                                                                                                  | Start: After CBA 2, if necessary    |
|          | Multi-Year Financial Impact                                                                                                                     | First Year: TBD<br>Second Year: TBD |
|          | Responsible Parties                                                                                                                             | CRO, Superintendent, School Board   |

**Rationale:**

The PHSD and the AFSCME group recently ratified and approved a new CBA for Plant Services. New key language includes two years of salary freezes and the elimination of the “no furlough” clause. The District and AFSCME shall meet in January 2020 for a progress report and review of any potential issues that may require a re-negotiation due to financial recovery status.

|          |                                                                                                                                 |                                     |
|----------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| CBA<br>6 | The PHSD <u>shall</u> Negotiate or Re-Negotiate the CBA – Food Group (AFSCME)<br>Includes site managers, cooks, general workers |                                     |
|          | Target Date(s)                                                                                                                  | Start: After CBA 2, if necessary    |
|          | Multi-Year Financial Impact                                                                                                     | First Year: N/A<br>Second Year: TBD |
|          | Responsible Parties                                                                                                             | CRO, Superintendent, School Board   |

**Rationale:**

This group has agreed to a wage freeze for the current year (2018-2019) and next school year (2019-2020). The District and AFSCME shall meet in January 2020 for a progress report and review of any potential issues that may require a re-negotiation due to financial recovery status.

|          |                                                                                                                                                    |                                     |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| CBA<br>7 | The PHSD <u>shall</u> Negotiate or Re-Negotiate ACT 93<br>Includes Principals, Director of TLA, Director of Special Education, Food Managers, etc. |                                     |
|          | Target Date(s)                                                                                                                                     | Start: After CBA 2, if necessary    |
|          | Multi-Year Financial Impact                                                                                                                        | First Year: TBD<br>Second Year: TBD |
|          | Responsible Parties                                                                                                                                | CRO, Superintendent, School Board   |

**Rationale:**

This group has agreed to a wage freeze for the current year (2018-2019) and next school year (2019-2020). The District and the ACT 93 group shall meet in January 2020 for a progress report and review of any potential issues that may require a re-negotiation due to financial recovery status.

|          |                                                                                                                                                                              |                                                   |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| CBA<br>8 | The PHSD <u>shall</u> immediately investigate past ERI agreements to ensure that the appropriate level of coverage is provided for retirees at a minimal cost to tax-payers. |                                                   |
|          | Target Date(s)                                                                                                                                                               | Start: July 2019; End: December 2019              |
|          | Multi-Year Financial Impact                                                                                                                                                  | First Year: TBD<br>Second Year: TBD               |
|          | Responsible Parties                                                                                                                                                          | CRO, Superintendent, School Board, Director of HR |

**Rationale:**

Nearly every organization, public or private, that offers early retirement incentives (ERI) to its employees includes language that limits employer subsidized health care benefits for retirees who have qualified for Medicare. The PHSD provides healthcare for approximately thirty Medicare-eligible retirees. In June, the District shall research legal and CBA implications for revisiting post-retirement strategies that provide similar levels of coverages at a minimal cost to the District. It is essential that this initiative is handled in a sensitive manner.

## FINANCES

|          |                                                                                                     |                                                     |
|----------|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| FIN<br>1 | The PHSD <u>shall</u> explore out-of-the-box thinking on addressing its long-term financial health. |                                                     |
|          | Target Date(s)                                                                                      | Start: September 2019; End; June 2020               |
|          | Multi-Year Financial Impact                                                                         | First Year: TBD<br>Second Year: TBD                 |
|          | Responsible Parties                                                                                 | CRO, Superintendent, School Board, Business Manager |

### Rationale:

The CRO will meet with a team of financial experts to brainstorm ideas to lessen the long-term financial debt of the District. The goal will be to implement a long-term fix rather than short-term adjustments. The District's debt rating from Moody is Caa2 – not conducive to pursuing financial assistance through investments or refinancing.

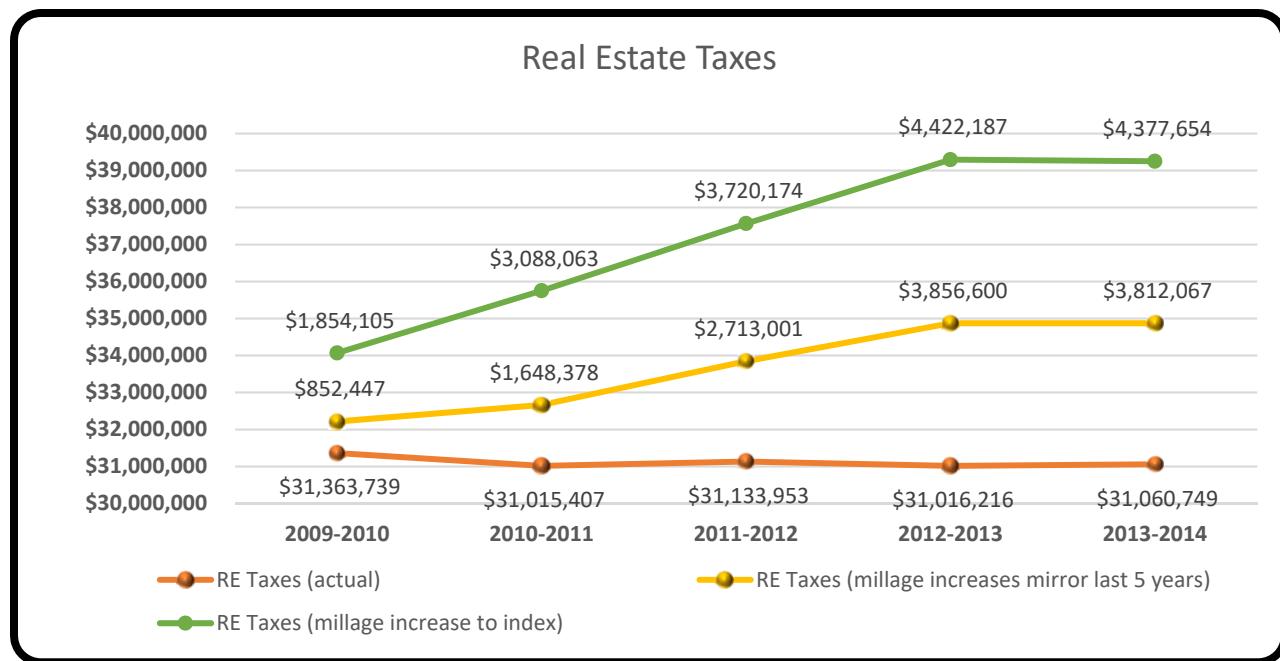
## REVENUES

The PHSD cannot close its budget deficit gap for the 2019-2020 school year by only cutting costs. This section will focus on strategies to increase revenues to offset the budget deficit. The premise is simple: in the end, what is the level of spending that the District can afford? Any plans for spending more than the incoming revenue is fiscally irresponsible.

|          |                                                   |                                                                                                                                                              |
|----------|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| REV<br>1 | The PHSD <u>shall</u> increase real estate taxes. |                                                                                                                                                              |
|          | Target Date(s)                                    | Start: June 2019; End: July 2019<br>Start: June 2020; End: July 2020                                                                                         |
|          | Multi-Year Financial Impact                       | First Year: \$2.7 million (\$1.3 million to the index and \$1.4 million over the index to the approved exceptions)<br>Second Year: Possible Index Only (TBD) |
|          | Responsible Parties                               | CRO, School Board                                                                                                                                            |

Unfortunately, tax increases must be a part of the financial recovery plan. Taxpayers appreciated the six years of zero increases during the first half of this past decade (page 16). As cited in the PA Auditor General's report in May of 2016, the District's lack of planning for how it was going to pay for two large capital projects has led the District to this day of reckoning. The reality is that taxes must be raised for some. The plan is that these initiatives will provide enough of a savings to lessen the tax burden in future years. That has yet to be determined. Schools are a valuable asset for communities. They bring hope to future generations by preparing our children to be college-and-career-ready. They breathe life into our neighborhoods. As difficult as it may be, PHSD residents must be a positive support system in the District's turnaround, an investment into a brighter future, but a fair investment is warranted.

The State approved up to 2.5 mils increase for exceptions; HOWEVER, in the preliminary budget, the District only approved 1.0 mil of the state-approved exceptions for the 2019-2020 budget. Also, looking at the chart below, during the five years of planning and construction, there were no tax increases. Had the District acted prudently at that time, taxpayers would have paid much more in taxes than they are now.



*Source: Actual real estate taxes collected (orange); District estimate of additional real estate tax revenue using millage increases for last 5 years starting in 2009-2010 (yellow); District estimate of additional real estate tax revenue if the millage was raised to the index (green)*

As shown above, if the District would have started to raise real estate taxes to the index at the beginning of the construction projects, an additional \$17.5 million dollars would have been raised over this five-year period (Green Line). If the District would have raised taxes using the millage increases for the last five years and implemented them in 2009-2010, an additional \$12.8 million dollars would have been raised (Yellow Line). Instead, during this five-year period, District taxpayers did not pay any increases and a critical opportunity to invest in the future students of the PHSD was missed. The millage increase reflected in the above chart amounts to approximately 3.5 mills.

Tax increases are only a small part of the recovery plan. While there is no means to directly track where home-owners' taxes fall in the budget, I offer a perspective to Penn Hills School District concerned tax payers to view their taxes as supporting the positive strategies in the plan rather than the debt service, charter school tuition, or PSERS payments. These taxes also support quality educational programs listed on pages 28 - 32 that reflect positive programming within the PHSD. Future consideration for tax increases will be dependent upon the performance of these initiative verses the expectations.

Another perspective: the chart below provides the more recent history of District tax increases and compares those increases to both the Consumer Price Index (CPI) and Social Security Cost-of-Living Adjustment (COLAs), the latter of which is used to provide annual increases in Social Security benefits to offset the effects of inflation for those on fixed incomes. The data shows the District's history of tax increases, having raised taxes in 4 of the last 10 years. The data shows too that while the District has enacted some very large increases recently, the increases over the past decade average out to a 1.60 percent increase which is at the CPI and just below the Social Security COLAs over that same period.

#### Penn Hills School District Tax Increases: 2009-2018

| Year           | CPI         | Social Security<br>COLA | Tax Increase/<br>(Decrease) |
|----------------|-------------|-------------------------|-----------------------------|
| 2009           | 0.2%        | 5.8%                    | 0.0%                        |
| 2010           | 2.1%        | 0.0%                    | 0.0%                        |
| 2011           | 2.1%        | 0.0%                    | 0.0%                        |
| 2012           | 2.9%        | 3.6%                    | 0.0%                        |
| 2013           | 2.0%        | 1.7%                    | 0.0%                        |
| 2014*          | 1.1%        | 1.5%                    | 0.0%*                       |
| 2015           | 0.0%        | 1.7%                    | 2.9%                        |
| 2016           | 1.0%        | 0.0%                    | 2.7%                        |
| 2017           | 2.7%        | 0.3%                    | 6.0%                        |
| 2018           | 2.2%        | 2.0%                    | 4.8%                        |
| <b>Average</b> | <b>1.6%</b> | <b>1.7%</b>             | <b>1.6%</b>                 |

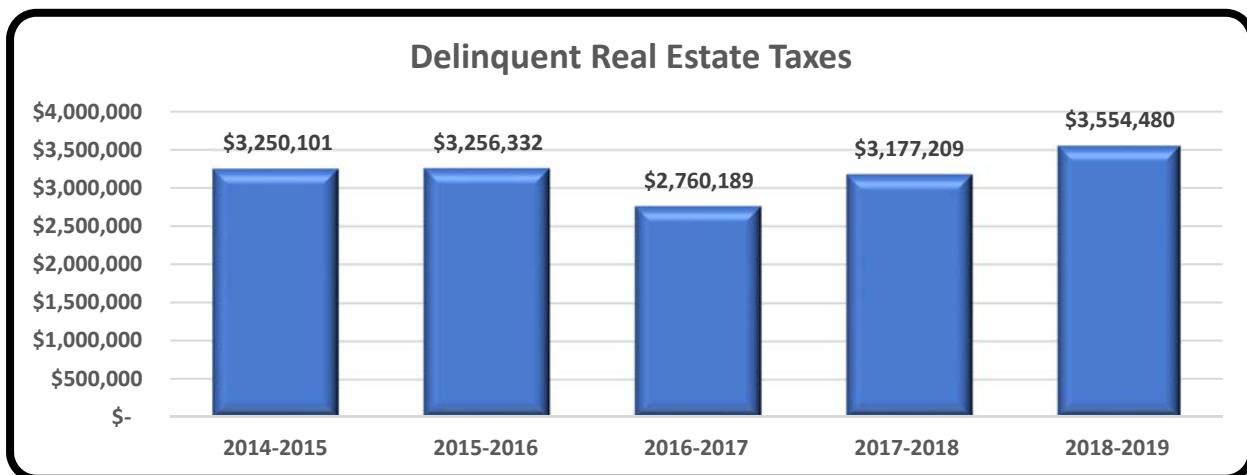
*\*2014 was the year of the county-wide assessment where millage rates were reduced, however tax revenue remained revenue neutral.*

**REV** The PHSD shall improve collection of delinquent real estate taxes.  
**2**

|  |                             |                                                                      |
|--|-----------------------------|----------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                                  |
|  | Responsible Parties         | Superintendent, School Board, Business Manager                       |

**Rationale:**

The delinquent tax collector has been successfully improving the collection rate. This current year was budgeted at 3.1 million and collections came in at 3.4 million- over \$300,000 higher than budgeted. Maintaining tax collection rates above 90% is one of the key indicators for exiting recovery status. PHSD is at 91%. The District shall continue to monitor this to ensure a stable/steady increase. The business manager shall include an update in the monthly Finance Committee Report.



Source: Annual Financial Report Data

REV 3 The PHSD shall maximize collections of all local taxes (i.e. earned income, mercantile).

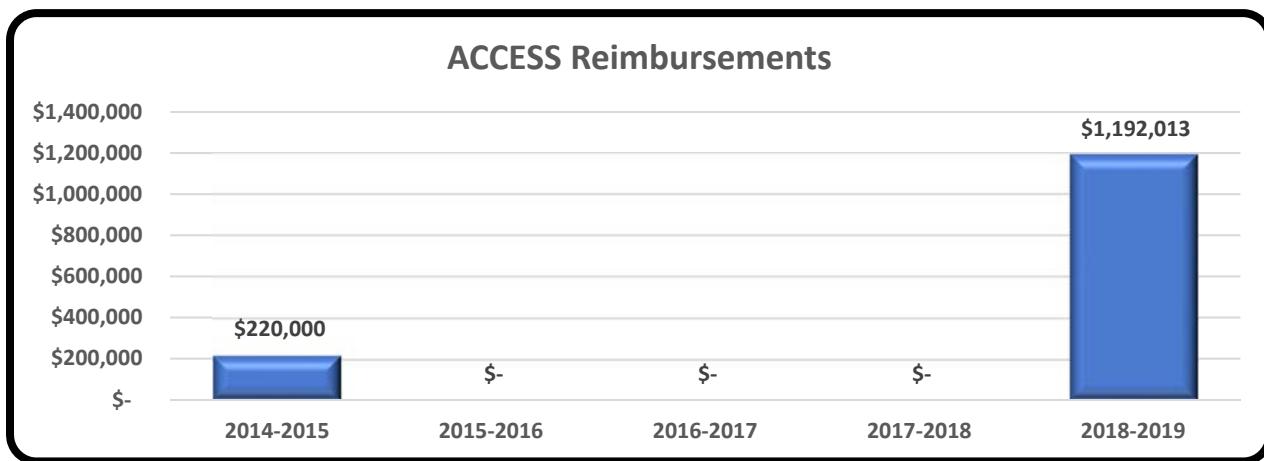
|  |                             |                                                                      |
|--|-----------------------------|----------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                                  |
|  | Responsible Parties         | Superintendent, School Board, Business Manager                       |

**Rationale:**

Our current collector does a great job. They agree to on-site collections which has been beneficial to our residents. The District shall continue to monitor this to ensure a stable/steady increase. The business manager shall include an update in the monthly Finance Committee Report.

REV 4 PHSD shall improve collections of ACCESS reimbursement.

|  |                             |                                                                      |
|--|-----------------------------|----------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|  | Multi-Year Financial Impact | First Year: \$600,000<br>Second Year: TBD                            |
|  | Responsible Parties         | Superintendent, School Board, Director of Special Education          |



Source: Annual AFR Data

**Rationale:**

A common area of less-than-ideal collections of entitled funds is the ACCESS fund. The District can recoup some of the cost of certain eligible services received by students with Individualized Education Plans (I.E.P.) and a medical assistance card. The chart on page 90 reflects the District's current efforts to maximize the reimbursement of these funds. The low, nearly non-existent level of reimbursement is unacceptable and must be addressed immediately. For three years, the District was negligent in its responsibility to apply for and receive any ACCESS funds. The 2018-2019 year reflects the District's efforts to capture past funds; however, a district can only go back six months for past claims. See the administrative manual under OPE 3 on page 67 for more details. The business manager shall include an update in the monthly Finance Committee Report.

| Action Steps                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Deadline    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <ol style="list-style-type: none"><li>1. The District shall submit claims for previously unclaimed eligible services.</li><li>2. The District shall obtain parental consent for current eligible students.</li><li>3. The District shall provide proper training for employees and providers.</li><li>4. The District shall maintain and submit daily logs in a timely fashion.</li><li>5. The District shall ensure that ALL eligible services are billed. Some students receive more than one service.</li><li>6. The District shall compare efforts with similar districts and statewide averages.</li><li>7. The District shall create a manual of duties for all personnel responsible for collecting ACCESS funds. See OPE 3 on page 67.</li><li>8. The District shall maintain a CURRENT list of students and providers at all times.</li></ol> | Immediately |

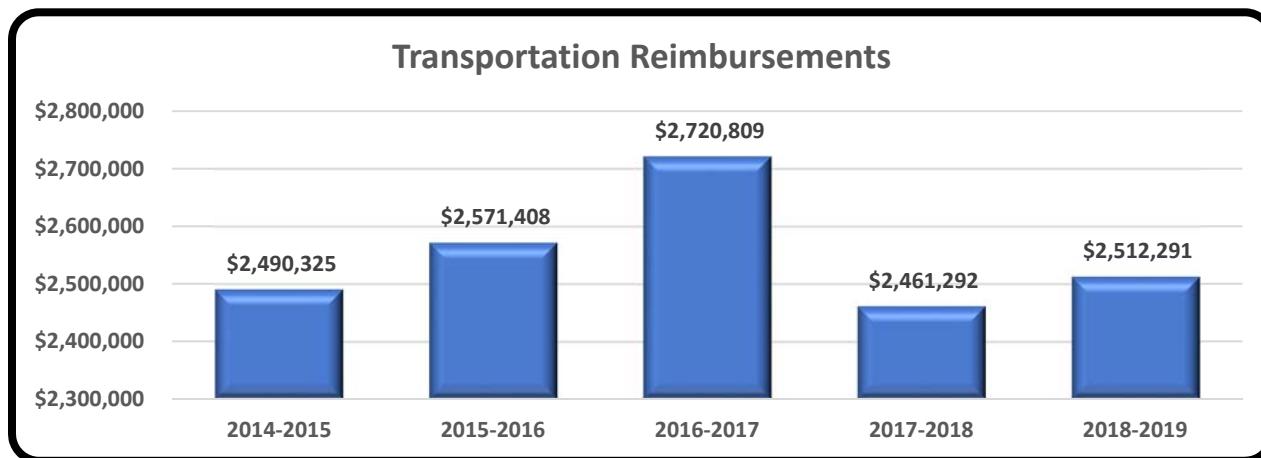
REV The PHSD shall improve its collection of transportation reimbursement.

5

|  |                             |                                                                      |
|--|-----------------------------|----------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|  | Multi-Year Financial Impact | First Year: \$100,000<br>Second Year: TBD                            |
|  | Responsible Parties         | Superintendent, School Board, Transportation Department              |

**Rationale:**

Another common area of incomplete collections of entitled reimbursement lies with transportation services. Often, districts leave money on the table that could have been claimed through proper documentation and completing paperwork. The District is getting a head start on claiming these funds this school year with assistance from its carrier because the transportation department is in transition at this time due to the resignation of its director. Responsibilities for important components of the reimbursement process must be addressed. A full assessment of the transportation operations will be conducted next year by outside experts. It is not unusual for districts to recover additional reimbursements by taking a concentrated look at how transportation costs are being reported to the State. See the administrative manual under OPE 3 on page 67 for more details. The business manager shall include an update in the monthly Finance Committee Report.



Source: Annual AFR Data

REV The PHSD shall improve income revenue for food operations for the Cafeteria Fund.  
6

|  |                             |                                                                      |
|--|-----------------------------|----------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|  | Multi-Year Financial Impact | First Year: \$60,000<br>Second Year: TBD                             |
|  | Responsible Parties         | Superintendent, School Board, Business Manager, Food Service Manager |

**Rationale:**

One of the major success stories in the PHSD is its food operations. Most districts must subsidize their food operations to help them survive. PHSD food service operates in the black, allowing it to utilize funds to support allowable expenses from its cafeteria fund. Revenues will increase due to the addition of the high school to the CEP program. The food operations contract goes out to bid next year. The recovery plan calls for an assessment of these operations in order to squeeze even more funding to cover related operational costs. There may be opportunities to solicit business from other nonpublic schools and charter schools. The business manager shall include an update in the monthly Finance Committee Report.

REV The PHSD shall raise rates for events, rentals, and leases.  
7

|  |                             |                                                                                                 |
|--|-----------------------------|-------------------------------------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021                            |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                                                             |
|  | Responsible Parties         | Superintendent, School Board, Business Manager<br>Athletic Director, Director of Plant Services |

**Rationale:**

The PHSD has state-of-the-art facilities. It also has a tremendous number of outside groups using its facilities. The District recently raised the rates and should monitor them yearly. The Athletic Director shall submit a report by June 1 each year with analysis of rental fees. The business manager shall include an update in the monthly Finance Committee Report.

REV 8 The PHSD shall explore opportunities to recruit outside students into its CHIEFS cyber school program.

|  |                             |                                                                                                   |
|--|-----------------------------|---------------------------------------------------------------------------------------------------|
|  | Target Date(s)              | Start: May 2019; End: June 2020<br>Start: July 2020; End: June 2021                               |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                                                               |
|  | Responsible Parties         | Superintendent, School Board, Cyber School Coordinator, Central and Building-Level Administrators |

#### **Rationale:**

Four years ago, the PHSD committed resources to create its own cyber program. The end result is a high-quality cyber program available to all PHSD students. The District has and currently does attempt to attract students back from cyber and regular charter schools. It should enhance these efforts moving forward. This initiative can be combined with the District's efforts to improve its public image as discussed in initiative REV 11. The district should pursue strategies to attract students from other districts as well, even if it means re-visiting license agreements with cyber vendors. Another avenue to explore would be the possibility of placing special education teachers or mental health specialists into the drop-in center to meet the needs of students enrolled in our cyber academy.

Questionnaires completed by parents who take their children out of the PHSD, reflect a mixed bag of opinions. Many express positive feelings towards the District citing teachers who care; other opinions focus on perceived safety issues within the schools. The negative perceptions and/or realities are addressed through many of the initiatives in this recovery plan. The CHIEFS Coordinator shall submit a report monthly to the Superintendent.

| Action Steps                                                                                                                                                                                                                                            | Deadline |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <ol style="list-style-type: none"> <li>1. The District shall convene a team to brainstorm ideas to attract students back into its CHIEFS academy.</li> <br/> <li>2. The Public Relations person (see REV 11) shall participate on this team.</li> </ol> | August 1 |

|          |                                                                                                                                                                                                                                                                                                                                        |                                                                      |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| REV<br>9 | The PHSD shall explore opportunities to return outplaced special education students into the B.E.S.T. program or other in-house programs as seats may come available. If seats are available, the District should also recruit students from neighboring school districts. This includes the summer ESY Program if space is available. |                                                                      |
|          | Target Date(s)                                                                                                                                                                                                                                                                                                                         | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|          | Multi-Year Financial Impact                                                                                                                                                                                                                                                                                                            | First Year: TBD<br>Second Year: TBD                                  |
|          | Responsible Parties                                                                                                                                                                                                                                                                                                                    | Superintendent, School Board, Director of Special Education          |

Rationale:

The PHSD B.E.S.T. program is in place to provide an in-house option for least restrictive environment requirements under the special education umbrella. The program benefits the students who are placed in the same building as their peers rather than be placed in outside entities. From a financial standpoint, The B.E.S.T. program enables the District to save on costs associated with sending students to approved private schools. Outside approved private schools provide the appropriate level of support for all students attending; however, there are some students who may be appropriately placed in the District's B.E.S.T. program, ES, AS, and LSS classrooms. These decisions are contingent upon each student's individual education program (IEP) and should only be pursued in the best interests of the child. Pursuing students from neighboring districts to fill available seats can result in significant revenue for the District. It should be noted that the District will recuperate only 40% of the tuition rate for students returning to PHSD from outside placements; the State pays for 60% of those costs. The Director of Special Education shall submit a report monthly to Superintendent.

| Action Steps                                                                                                                                                                                                                                                                               | Deadline |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <ol style="list-style-type: none"> <li>1. The Director of Special Education, along with the Special education coordinator shall meet and discuss monthly opportunities to meet this initiative.</li> <li>2. They shall report to the Superintendent at administrative meetings.</li> </ol> |          |

REV 10 The PHSD shall pursue opportunities for grant writing to support programming

|  |                             |                                                                                                    |
|--|-----------------------------|----------------------------------------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021                               |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                                                                |
|  | Responsible Parties         | Superintendent, School Board, Central administration, Building-level Administration, All Employees |

**Rationale:**

Grant-writing opportunities are released every school year for schools to pursue. PHSD must be a part of these opportunities. Efforts shall include compensation for grant-writers in the grant narrative to create an incentive for employees to pursue these funds. However, it is critical that all grant-writing ideas are first approved by the administration and superintendent. Aligning creative grant opportunities to the common mission of the school will support the recovery effort. Otherwise, the grant pulls personnel away from the main focus of the school. Forethought about what happens when the grant funds go away is necessary too. The District cannot afford to pick up the pieces in these circumstances. The District shall explore the PSBA grant-writing program.

|           |                                                                                                                                                                                                                                       |                                                                      |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| REV<br>11 | The PHSD <u>shall</u> develop a public relations campaign to attract students from charter and parochial schools. * <b>Initiative funding contingent upon available monies, including potential funds from the Transitional Loan.</b> |                                                                      |
|           | Target Date(s)                                                                                                                                                                                                                        | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|           | Multi-Year Financial Impact                                                                                                                                                                                                           | First Year: TBD<br>Second Year: TBD                                  |
|           | Responsible Parties                                                                                                                                                                                                                   | CRO, Superintendent, School Board, TBD                               |

**Rationale:**

One of the factors that results in parents sending their children to charter schools is the District's negative image. The past decade has been filled with negative press and social media comments that feed negative perceptions about both the board and the schools . As described in earlier sections, there are many positive pockets of good news; it often gets overlooked due to negativism. Student achievement data may contribute to the exodus to charter schools, but changes described in this plan to address this issue may serve to stop or slow down the exodus. These funds should be used to hire a part-time PR person to help change the narrative. The strategy must include the use of Facebook and other social media programs, as well as the Chamber of Commerce. Weekly reports of all PR activity shall be provided to the Superintendent and/or appropriate personnel.

| Action Steps                                                                                                                                                                                                                                                                                                                | Deadline |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <ol style="list-style-type: none"> <li>1. The District shall explore affordable options to spread the good news about the PHSD.</li> <li>2. The District shall hire a part-time PR consultant to carry out this initiative.</li> <li>3. The District shall identify deliverables required through this position.</li> </ol> |          |

|           |                                                                                                                       |                                     |
|-----------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| REV<br>12 | The PHSO shall explore the availability of potential financial transitional loan proceeds from PDE for \$3.3 million. |                                     |
|           | Target Date(s)                                                                                                        | Start: July 2019; End: June 2020    |
|           | Multi-Year Financial Impact                                                                                           | First Year: TBD<br>Second Year: TBD |
|           | Responsible Parties                                                                                                   | CRO, Superintendent, School Board   |

**Rationale:**

A small amount of the transitional loan would be used for paying for the audits that are cited in the plan, the District's public relations strategy, its Middle School building-climate goal, and the feasibility study on the middle school consolidation. These initiatives are estimated to cost \$295,000. The additional three million would be used to offset tuition payments for charter schools, enabling the District to avoid charter school billings going to subsidy for payment.

**NOTE: The state transitional loan fund is lower, so it is unknown how much the District may receive if the plan is approved.**

| Initiative       | Estimated Cost      |
|------------------|---------------------|
| ACA 7            | \$ 30,000           |
| OPE 6            | 10,000              |
| OPE 7            | 25,000              |
| OPSY 1 through 7 | 35,000              |
| CON 1 through 8  | 80,000              |
| CBA 1            | 5,000               |
| CBA 2            | 20,000              |
| REV 11           | 90,000              |
| REV 12           | 3,000,000           |
| <b>TOTAL</b>     | <b>\$ 3,295,000</b> |

**NOTE:** At the end of this current school year, the District will secure another Tax Anticipation Note (TAN) loan for ten million dollars to carry it through the summer months, paying salaries and back bills that were held during the last three months of the 2018-2019 fiscal year. Unfortunately, a TAN must be paid back quickly, typically by the end of September. This transaction places the District behind financially because it is using 2019-2020 cash to pay 2018-2019 bills. The problem compounds the issue of cash flow which dries up in the spring each year. If the District can secure enough transitional loan money or some assistance from the "distressed district" fund, it can offset repayment of the TAN. Otherwise many of the initiatives that will be implemented next year will be **MINIMIZED**. Chasing a ten-million dollar cash shortage will begin all over again. If the District can pay back the TAN without using its own resources, it could **MAXIMIZE** its recovery efforts. The problem cannot be fixed overnight, but this particular strategy will have a major impact on the timeline to recovery. Wish list: A one-time financial assist to cover the cost of the TAN.

|           |                                                                                                 |                                                                      |
|-----------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| REV<br>13 | The PHSD <u>shall</u> pursue support for additional sustainable revenue for their state subsidy |                                                                      |
|           | Target Date(s)                                                                                  | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|           | Multi-Year Financial Impact                                                                     | First Year: TBD<br>Second Year: TBD                                  |
|           | Responsible Parties                                                                             | CRO, Superintendent, School Board, Business Manager                  |

**Rationale:**

An increase in state subsidy will facilitate the District's efforts to replenish its 12 million-dollar fund balance deficit. This financial boost would also serve to alleviate cash flow issues for the District. PA Auditor General DePasquale publicly announced that the PHSD cannot tax its way out of this problem. The past five years and the upcoming year will include tax increases as a way to get out in front of this financial crisis. This effort is significant. A subsidy adjustment (3-5 million) would serve to alleviate residents' tax burden to a significant degree. NOTE: Furloughs are tied to enrollment decline, so right-sizing the District will remain the main strategy to move towards solvency.

While one-time assistance from the State legislators is extremely helpful, it is easier to plan ahead when it is known what the revenue will be each year. The District needs a sustainable revenue source with a bump in the amount the District has received in the past. The PHSD's current efforts to right the ship through recovery should serve to facilitate a favorable response from Harrisburg. These potential additional and perennial funds will alleviate cash flow pressure and support a strategy to replenish a deficit fund balance. Otherwise the District will continue to spin its wheels trying to get out of its fiscal rut. An increase in subsidy accelerates district's progress towards solvency and enhance its efforts to help itself. Wish List: A 3-5 million dollar increase in subsidy.

REV 14 The PHSD shall negotiate Charter school and Cyber-Charter school tuition rates with individual charter schools. AT LEAST IN THE SHORT TERM.

|  |                             |                                                                      |
|--|-----------------------------|----------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                                  |
|  | Responsible Parties         | CRO, Superintendent, School Board, Business Manager                  |

**Rationale:**

The challenge here is to craft a strategy that does not put charter schools at risk for requests from other public school to attempt the same. A common-sense approach would create restrictive language pertaining only to financial recovery schools. An example would be a five-year term front-loaded the first two years at a mutually agreed upon rate, followed by a three-year sliding scale return to the norm. Realistically, there are only few charters that have the financial stability to enter into such agreements; nevertheless, it may be a viable strategy.

| Action Steps                                                                                                                                                                                                                                                                                        | Deadline    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <ol style="list-style-type: none"> <li>1. The CRO shall identify potential charter schools capable of handling an adjustment to a tuition rate without negatively impacting their cash flow.</li> <li>2. The CRO shall craft a letter and phone narrative to contact potential partners.</li> </ol> | September 1 |

REV 15 The PHSD shall communicate with local legislators its concerns about unfair and inconsistent tuition rates for charter and cyber charter schools.

|  |                             |                                                                      |
|--|-----------------------------|----------------------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                                  |
|  | Responsible Parties         | CRO, Superintendent, School Board, Business Manager                  |

**Rationale:**

The 363 form is used by Districts to determine the yearly tuition rate for students attending charter schools. There are flaws in the calculation formulas. Legislators, in concert with traditional school districts and charter schools, should collaborate on alternative tuition calculations regardless of district of residency. Currently, lawmakers are proposing Senate Bill No. 34 which alleviates District's from paying for cyber charter school tuition if the district has an in-house cyber program already. Another option is that legislators should explore alternative calculations for cyber charter schools tuition; cyber charter schools are fundamentally different than any other public/charter school in the Commonwealth.

|           |                                                                                       |                                                                      |
|-----------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| REV<br>16 | The PHSD shall investigate renegotiation of existing KOZ, LERTA, and PILOT agreements |                                                                      |
|           | Target Date(s)                                                                        | Start: July 2019; End: June 2020<br>Start: July 2020; End: June 2021 |
|           | Multi-Year Financial Impact                                                           | First Year: TBD<br>Second Year: TBD                                  |
|           | Responsible Parties                                                                   | CRO, Superintendent, School Board, Business Manager                  |

**Rationale:**

The PHSD should research whether or not there are any tax-exempt agreements existing in the municipality. There is potential for revenue depending upon the logistics of any agreements in place.

|           |                                                                                                                                                                                                                   |                                                      |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| REV<br>17 | The PHSD <u>shall</u> partner with the Penn Hills Education Foundation (PHEF) to explore financial opportunities for supporting programs and/or students, including the Earned Income Tax Credits (EITC) Program. |                                                      |
|           | Target Date(s)                                                                                                                                                                                                    | Start: September 2019; End: June 2020                |
|           | Multi-Year Financial Impact                                                                                                                                                                                       | First Year: TBD<br>Second Year: TBD                  |
|           | Responsible Parties                                                                                                                                                                                               | Superintendent, School Board, Central Administration |

**Rationale:**

The Penn Hills Education Foundation has the potential to provide funding for creative school programs through teacher grants. These initiatives would reinforce a positive image for the school as well as enhance opportunities for learning for students. Additionally, their efforts could pave the way for scholarship opportunities for seniors. If registered as a 501c(3) entity, funds could be directed towards the foundation through the state's EITC program.

REV 18 The PHSD shall explore opportunities to partner with non-profits for educational donations

|  |                             |                                                      |
|--|-----------------------------|------------------------------------------------------|
|  | Target Date(s)              | Start: September 2019; End: June 2020                |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                  |
|  | Responsible Parties         | Superintendent, School Board, Central Administration |

**Rationale:**

The PHSD should review its tax rolls and note all entities that do not pay taxes. There may be some non-profits interested in assisting the District out of financial recovery status in the short term.

REV 19 The PHSD shall explore opportunities to lease available space within its buildings to other educational programming and/or entities.

|  |                             |                                                      |
|--|-----------------------------|------------------------------------------------------|
|  | Target Date(s)              | Start: July 2019; End: June 2020                     |
|  | Multi-Year Financial Impact | First Year: TBD<br>Second Year: TBD                  |
|  | Responsible Parties         | Superintendent, School Board, Central Administration |

**Rationale:**

With shrinking enrollment, space is available in all buildings to explore opportunities for creating revenue through leasing space. There are plenty of school-related programs that may be interested in this particular initiative (i.e. early childhood education programs, alternative education programs, Life Skills training for IEP students who are 18-21 years of age).

### Updated 5 Year Projection (with Initiatives)

As discussed previously, the District's five-year financial projection based on its current path leads the District into deeper financial distress. The projection below has been updated to reflect any additional costs or cost savings from the first year of successful implementation of the initiatives.

**5 Year Financial Projection (in \$ millions)**

|                       | <b>2019-<br/>2020</b> | <b>2020-<br/>2021</b> | <b>2021-<br/>2022</b> | <b>2022-<br/>2023</b> | <b>2023-<br/>2024</b> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Rev</b>            | \$ 90.2               | \$ 92.3               | \$ 94.1               | \$ 96.1               | \$ 97.7               |
| <b>Exp</b>            | 90.2                  | 90.9                  | 92.8                  | 97.7                  | 99.5                  |
| <b>Sur/(Def)</b>      | 0.0                   | 1.4                   | 1.3                   | (1.7)                 | (1.8)                 |
| <b>Fund Bal (Beg)</b> | (12.8)                | (12.8)                | (11.4)                | (10.1)                | (11.8)                |
| <b>Fund Bal (End)</b> | <b>\$ (12.8)</b>      | <b>\$ (11.4)</b>      | <b>\$ (10.1)</b>      | <b>\$ (11.8)</b>      | <b>\$ (13.6)</b>      |

Source: Appendix B.3

While the initiatives in this plan require difficult decisions to be made and significant changes to the District's operating model, it does provide a path to a balanced budget for 2019-2020. The projection offers the potential for operating surpluses which can reduce the District's negative fund balance.

Additional measures need to be explored to address the increased debt service that occurs in 2022-2023 through 2024-2025. As shown above, the increased debt service spike nearly eliminates the progress that can be achieved in the first three years.

**NOTE:** A balanced budget serves several purposes aside from compliance with state law.

1. Gains the confidence of the District's bond insurers that it is on the path to financial recovery.
2. Gains the confidence of the District's creditor for a TAN loan.
3. Affects the District's credit rating in a positive manner.

These factors impact the District's approach to resolving its long-term debt service problem. The right-sizing of the District and the raising of real estate taxes are very difficult decisions, but are necessary to fix the "big picture" of the Penn Hills School District. The District cannot lose sight of this extra-ordinary challenge.

# **PART IV**

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## **EXIT CRITERIA**

#### **IV. Terminating Recovery Status**

Pursuant to section 641-A (9) of Act 141, the CRO must establish specific criteria that the District must satisfy before the Secretary of Education may terminate financial recovery status. The District shall meet at least the following criteria in order to be released from financial recovery:

- The District has achieved financial stability by maintaining a positive fund balance of at least five percent of annual revenues for three consecutive years, as reported in the District's annual independent audit.
- The District has concluded three consecutive years with positive annual financial results, as reported in the District's annual independent audit.
- The District does not request OR require an advance of its basis education subsidy for three consecutive years.
- The District does not default on any bonds, notes, or lease rentals and is not subject to withholding by the Secretary under section 633 of the Public School Code.
- All employee salaries are paid when due.
- The District does not require a TAN to meet financial responsibilities during the last 3-4 months of a fiscal year.
- The District's tax collection rate is above 90%
- The District completes and/or addresses to the CRO satisfaction at least 90% of the initiatives listed in this recovery plan, including and revisions or addendums.
- The District has resolved all citations from past audits.

Should the District fail to meet the requirements (academically and/or financially) included in the plan during the 2019-2020 and 2020-2021 school years, this plan also authorizes the imposition of alternative educational delivery systems as described in subsections 2 (relating to converting school buildings to charter schools); 3 (relating to canceling or renegotiating contracts that are in conflict with or an impediment to timely implementation of the provisions of this plan); 4 (relating to increasing tax levies); 6 (relating to the dispensing with the services of nonprofessional employees); 7 (relating to entering agreements with persons for-profit or nonprofit organizations to operate one or more schools); 10 (relating to entering into agreements with for-profit or nonprofit organizations to provide services); 11 (relating to closing or reconstituting a school, including the reassignment, suspension, or dismissal of professional employees); 13 (relating to reallocating resources, amending school procedures, develop achievement plans and implementing testing or other evaluation procedures for educational purposes); 14 (relating to supervising and directing principals, teachers, and administrators); and 15 (relating to negotiating new collective bargaining agreements to affect needed economies).

### **Triggering Receivership**

#### Act 141, Section 671 – A      Appointment of a Receiver

The secretary shall petition the court of common pleas in the county in which a school district or the largest part in area of the school district is located for the appointment of the individual named in the petition to serve as receiver for the school district upon the occurrence of any of the following conditions:

- (i) A failure by the board of school directors to approve a financial recovery plan under section 652-A (c) or 663-A (c).
- (ii) A failure by the board of school directors to comply with directives issued by the chief recovery officer under section 653-A (a) (2) or 664-A (a) (2).
- (iii) A failure by the board of school directors to satisfy the objectives stated in the financial recovery plan under section 641-A (9) during the transition period under section 625-A.
- (iv) A vote by the board of school directors to proceed with the appointment of a receiver under section 662-A (2).

# **PART V**

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## **APPENDICES**

**V. Appendix A**

**Acknowledgements**

**Appendix B**

**Projections - Support**

- **B.1 - 5 Year Financial Projection (No initiatives)**
- **B.2 - 2018-2019 Final Budget vs. Projection**
- **B.3 - Year Financial Projection (With Initiatives)**

**Appendix C**

**Advanced Placement Scores**

**Appendix D**

- **D.1 Course List**
- **D.2 Clubs and Activities**
- **D.3 Sports**

**Appendix E**

**Initiative Scorecard (Chronological Order by Deadlines)**

**Advisory Committee**

1. Dr. Nancy Hines, Penn Hills School District - Superintendent
2. Ms. Eileen Navish, Penn Hills School District - Business Manager
3. Mr. Robert Marra, Penn Hills School District – Board Member
4. Mr. Yusef Thompson, Penn Hills School District – Board Member
5. Ms. Kristin Brown, Penn Hills School District – Elementary Principal
6. Ms. Rodlyn Checchio-Kunsa – Penn Hills School District – Teacher Representative
7. Mr. Joseph Lucarelli, Allegheny Intermediate Unit Representative
8. Mr. Charles Daane, Charter School Representative (Propel)
9. Ms. Donna Westbrooks-Martin, Special Education Advocate
10. Mr. John Zahorchak, Adjoining School District Representative (Plum Borough SD)
11. Mr. Corey Young, Penn Hills Resident
12. Ms. Adeshewa Metzger, Penn Hills Resident

**Chief Recovery Officer / Technical Assistance Team**

**Chief Recovery Officer:** **Dr. Daniel J. Matsook**

**Other Team Members:** **Michael Lamb, CPA**

**The CRO and the Technical Assistance Team gratefully acknowledge the assistance of Dr. Nancy Hines, Mrs. Eileen Navish, the Penn Hills Board of Directors and other staff members of the Penn Hill School District, as well as the Secretary, Deputy Secretary and staff at the Pennsylvania Department of Education.**

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**GENERAL FUND**  
**EXECUTIVE SUMMARY**

|                    | (1)              | (2)              | (3)              | (4)              | (4)              | (4)              |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                    | Actual           | Final Budget     | Prelim. Budget   | Projected        | Projected        | Projected        |
|                    | <u>2017-2018</u> | <u>2018-2019</u> | <u>2019-2020</u> | <u>2020-2021</u> | <u>2021-2022</u> | <u>2022-2023</u> |
| REVENUES           | \$ 88,917,360    | \$ 91,158,445    | \$ 89,775,062    | \$ 91,420,281    | \$ 93,247,159    | \$ 95,331,993    |
| EXPENDITURES       | 90,000,310       | 93,158,048       | 98,031,461       | 99,141,311       | 101,167,883      | 106,228,722      |
| SURPLUS/(DEFICIT)  | (1,082,950)      | (1,999,603)      | (8,256,399)      | (7,721,031)      | (7,920,724)      | (10,896,729)     |
| FUND BALANCE - BEG | (11,009,543)     | (12,092,493)     | (14,092,096)     | (22,348,495)     | (30,069,526)     | (37,990,250)     |
| FUND BALANCE - END | \$ (12,092,493)  | \$ (14,092,096)  | \$ (22,348,495)  | \$ (30,069,526)  | \$ (37,990,250)  | \$ (48,886,979)  |
|                    |                  |                  |                  |                  |                  | \$ (59,959,614)  |

- (1) Based on District's Annual Financial Report (AFR)
- (2) Based on District 2018-2019 board approved final budget.
- (3) Based on Board approved preliminary budget (February 2019)
- (4) Projected balances are based on various assumptions noted on subsequent pages

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**GENERAL FUND**

|                                                    |    | Revenue          |                        | Projected 2021-2022      |                     | Projected 2022-2023 |                     | Projected 2023-2024 |              |
|----------------------------------------------------|----|------------------|------------------------|--------------------------|---------------------|---------------------|---------------------|---------------------|--------------|
|                                                    |    | Actual 2017-2018 | Final Budget 2018-2019 | Prelim. Budget 2019-2020 | Projected 2020-2021 | Projected 2021-2022 | Projected 2022-2023 | Projected 2023-2024 |              |
| Revenue from Local Sources                         |    |                  |                        |                          |                     |                     |                     |                     |              |
| Current Real Estate Taxes                          | \$ | 37,173,136       | \$ 39,713,528          | \$ 42,399,967            | \$ 43,399,967       | \$ 44,399,967       | \$ 45,399,967       | \$ 46,399,967       |              |
| Public Utility Reality Tax                         |    | 43,350           | -                      | 44,659                   | 44,659              | 44,659              | 44,659              | 44,659              | 44,659       |
| Payments in Lieu of Current Taxes/State & Local    |    | 16,685           | -                      | 16,685                   | 16,685              | 16,685              | 16,685              | 16,685              | 16,685       |
| Current Act 511 Tax - Flat Rate Assessments        |    | 37,957           | 37,575                 | 37,957                   | 37,957              | 37,957              | 37,957              | 37,957              | 37,957       |
| Current Act 511 Tax - Proportional Assessments     |    | 5,273,517        | 5,246,301              | 5,273,517                | 5,378,987           | 5,486,567           | 5,596,298           | 5,708,224           |              |
| Deliq. on Taxes Levied/Assessed by the LEA         |    | 3,358,246        | 3,134,225              | 3,217,209                | 3,317,209           | 3,417,209           | 3,517,209           | 3,617,209           |              |
| Earnings on Investments                            |    | 69,659           | 25,000                 | 50,000                   | 61,000              | 61,000              | 61,000              | 61,000              | 61,000       |
| Revenue from Student Activities                    |    | 34,055           | 34,054                 | 36,529                   | 34,402              | 34,402              | 34,402              | 34,402              | 34,402       |
| Federal Rev. Rcvd. From Other PA Public Schools    |    | 89,189           | -                      | 3,445                    | 8,428               | 8,428               | 8,428               | 8,428               | 8,428        |
| Federal IDEA Pass Through Revenue                  |    | 914,725          | 846,978                | 841,791                  | 841,791             | 841,791             | 841,791             | 841,791             |              |
| Federal Rev. Rcvd. From Other PA Public Schools    |    | 523,855          | 28,019                 | 53,983                   | 99,357              | 99,357              | 99,357              | 99,357              |              |
| Federal IDEA Pass Through Revenue                  |    | 52,108           | 52,000                 | 52,000                   | 10,000              | 10,000              | 10,000              | 10,000              |              |
| Rentals                                            |    | 39,732           | -                      | -                        | -                   | -                   | -                   | -                   |              |
| Contributions & Donations from Private Sources     |    | 26,315           | -                      | 26,315                   | 26,315              | 26,315              | 26,315              | 26,315              |              |
| Summer School Tuition                              |    | 131,817          | 200,000                | 184,718                  | 20,000              | 20,000              | 20,000              | 20,000              |              |
| Refunds of Prior Years Expenditures                |    | Total            | 47,784,346             | 49,317,680               | 52,238,775          | 53,296,757          | 54,504,337          | 55,714,068          | 56,925,994   |
| All Other Local Revenues Not Specified             |    |                  |                        |                          |                     |                     |                     |                     |              |
| Revenue from State Sources                         |    |                  |                        |                          |                     |                     |                     |                     |              |
| Basic Education Funding (Gross)                    |    | 16,499,430       | 16,756,726             | 16,756,726               | 17,091,861          | 17,433,698          | 17,782,372          | 18,138,019          |              |
| Tuition - Orphans & Children Placed in Priv. Homes |    | 4,473            | 4,473                  | 4,473                    | 4,500               | 4,500               | 4,500               | 4,500               |              |
| School Improvement Grants                          |    | 2,000,000        | 2,000,000              | -                        | -                   | -                   | -                   | -                   |              |
| Special Education Funding for School Aged Pupils   |    | 3,319,969        | 3,354,611              | 3,354,611                | 3,421,703           | 3,490,137           | 3,559,940           | 3,631,139           |              |
| Pre-K Counts                                       |    | 56               | -                      | -                        | -                   | -                   | -                   | -                   |              |
| Transportation (Regular & Additional)              |    | 2,225,699        | 2,404,210              | 2,225,699                | 2,270,213           | 2,315,617           | 2,361,930           | 2,409,168           |              |
| Nonpublic Pupil Transportation                     |    | 235,593          | -                      | 436,205                  | 444,929             | 453,828             | 462,904             | 472,162             |              |
| Rental & Sinking Fund Payments                     |    | 736,009          | 632,244                | 632,244                  | 634,837             | 634,440             | 821,572             | 821,572             |              |
| Health Services                                    |    | 73,587           | 73,587                 | 67,843                   | 69,200              | 70,584              | 71,996              | 73,435              |              |
| State Property Tax Reduction Allocation            |    | 2,359,927        | 2,359,166              | 2,359,166                | 2,406,349           | 2,454,476           | 2,503,566           | 2,553,637           |              |
| Safe Schools                                       |    | 11,980           | -                      | -                        | -                   | -                   | -                   | -                   |              |
| Ready to Learn Grant                               |    | 850,686          | 850,686                | 850,686                  | 850,686             | 850,686             | 850,686             | 850,686             |              |
| Revenue for Social Security Payments               |    | 1,299,280        | 1,107,687              | 1,105,524                | 1,218,934           | 1,237,218           | 1,237,218           | 1,237,218           |              |
| Revenue for Retirement Payments                    |    | 6,489,895        | 4,840,522              | 5,391,257                | 5,797,024           | 5,883,980           | 5,883,980           | 5,883,980           |              |
| Total                                              |    | 36,106,584       | 34,383,912             | 33,184,434               | 34,210,236          | 34,829,164          | 35,540,663          | 36,075,574          | Appendix B.1 |

|                                                  |               |               |               |               |               |               |               |
|--------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue from Federal Sources                     |               |               |               |               |               |               |               |
| Unrstct. Fed. Grants-in-Aid Direct - Fed. Govt.  | 29,517        |               |               |               |               |               |               |
| NCLB Title I - Imprv. Acad. Ach. (Disadvantaged) | 1,979,949     | 2,022,662     |               | 1,419,550     |               | 1,419,550     |               |
| NCLB Title II - Prep/Trng/Recruit. HQ Tchrs/Prin | 244,884       | -             | 197,851       | 197,851       |               | 197,851       | 197,851       |
| NCLB Title IV - 21st Century Schools             | 392,388       | -             | 105,261       | 105,261       |               | 105,261       | 105,261       |
| Schl Based ACCESS Med Reimb Prog                 | -             | 300,000       | 500,000       | 100,000       | 100,000       | 100,000       | 100,000       |
| Medical Asst Reimb for Admin Claiming            | 25,313        | 30,000        | 25,000        | 25,000        | 25,000        | 25,000        | 25,000        |
| ARRA- Build America Bonds                        | 2,107,581     | 2,104,191     | 2,104,191     | 2,065,625     | 2,065,996     | 2,229,600     | 2,202,932     |
| Total                                            | 4,779,632     | 4,456,853     | 4,351,853     | 3,913,287     | 3,913,658     | 4,077,262     | 4,050,594     |
| Other Financing Sources                          |               |               |               |               |               |               |               |
| Bond Premiums                                    | 41,708        | -             | -             | -             | -             | -             | -             |
| Sale of/or Compensation for Loss                 | 205,090       | 3,000,000     | -             | -             | -             | -             | -             |
| Total                                            | 246,798       | 3,000,000     | -             | -             | -             | -             | -             |
| Grand Total                                      | \$ 88,917,360 | \$ 91,158,445 | \$ 89,775,062 | \$ 91,420,281 | \$ 93,247,159 | \$ 95,331,993 | \$ 97,052,105 |
| Change YR to YR                                  |               |               |               |               |               |               |               |
| % Change YR to YR                                |               |               |               |               |               |               |               |
|                                                  |               |               |               |               |               |               |               |

Change YR to YR  
% Change YR to YR

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**GENERAL FUND**  
**EXPENDITURE SUMMARY**

|                    | Actual<br>2017-2018 | Final Budget<br>2018-2019 | Prelim. Budget<br>2019-2020 | Projected<br>2020-2021 | Projected<br>2021-2022 | Projected<br>2022-2023 | Projected<br>2023-2024 |
|--------------------|---------------------|---------------------------|-----------------------------|------------------------|------------------------|------------------------|------------------------|
| Salaries           | \$ 28,743,575       | \$ 28,062,360             | \$ 28,347,307               | \$ 28,347,307          | \$ 28,772,517          | \$ 28,772,517          | \$ 28,772,517          |
| Benefits           | 18,740,454          | 19,080,187                | 20,118,310                  | 20,388,683             | 21,081,198             | 21,675,503             | 22,232,929             |
| Purchased Services | 3,456,984           | 3,797,208                 | 3,364,004                   | 3,444,740              | 3,527,414              | 3,612,072              | 3,698,762              |
| Transportation     | 6,783,264           | 7,005,011                 | 7,233,000                   | 7,406,592              | 7,584,350              | 7,766,375              | 7,952,768              |
| Debt Service       | 9,209,035           | 12,022,254                | 12,019,252                  | 12,023,422             | 12,015,912             | 15,560,082             | 15,955,766             |
| Tuition            | 17,779,137          | 17,251,299                | 20,071,245                  | 20,552,955             | 21,046,226             | 21,551,335             | 22,068,567             |
| Maintenance        | 2,147,053           | 2,617,088                 | 2,679,329                   | 2,743,633              | 2,809,480              | 2,876,908              | 2,945,953              |
| Supplies & Dues    | 1,155,830           | 1,301,058                 | 1,426,763                   | 1,461,005              | 1,496,069              | 1,531,975              | 1,568,743              |
| Central Office     | 662,756             | 562,284                   | 1,087,714                   | 1,113,819              | 1,140,551              | 1,167,924              | 1,195,954              |
| Athletics          | 924,049             | 1,073,723                 | 1,235,107                   | 1,242,170              | 1,267,942              | 1,282,652              | 1,296,525              |
| Technology         | 398,173             | 385,576                   | 449,430                     | 416,986                | 426,224                | 431,381                | 436,258                |
| Total Expenditures | \$ 90,000,310       | \$ 93,158,048             | \$ 98,031,461               | \$ 99,141,311          | \$ 101,167,883         | \$ 106,228,722         | \$ 108,124,740         |

|                   |           |           |           |           |           |           |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Change YR to YR   | 3,157,738 | 4,873,413 | 1,109,850 | 2,026,572 | 5,060,839 | 1,896,018 |
| % Change YR to YR | 3.51%     | 5.23%     | 1.13%     | 2.04%     | 5.00%     | 1.78%     |

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**SALARIES**

|                           | Actual<br>2017-2018  | Final Budget<br>2018-2019 | Prelim. Budget<br>2019-2020 | Projected<br>2020-2021 | Projected<br>2021-2022 | Projected<br>2022-2023 | Projected<br>2023-2024 |
|---------------------------|----------------------|---------------------------|-----------------------------|------------------------|------------------------|------------------------|------------------------|
|                           |                      |                           |                             |                        |                        |                        |                        |
| <b>Salaries</b>           |                      |                           |                             |                        |                        |                        |                        |
| Teachers                  | \$ 20,432,463        | \$ 20,048,716             | \$ 18,439,083               | \$ 18,439,083          | \$ 18,715,669          | \$ 18,715,669          | \$ 18,715,669          |
| Administrators (Act 93)   | 2,439,194            | 1,699,176                 | 3,938,538                   | 3,938,538              | 3,997,616              | 3,997,616              | 3,997,616              |
| Secretaries               | 839,476              | 777,963                   | 848,094                     | 848,094                | 860,815                | 860,815                | 860,815                |
| Aides                     |                      |                           |                             |                        |                        |                        |                        |
| Instructional             | 1,761,929            | 2,160,208                 | 1,707,694                   | 1,707,694              | 1,733,309              | 1,733,309              | 1,733,309              |
| Service                   | 3,574                | -                         | 12,467                      | 12,467                 | 12,654                 | 12,654                 | 12,654                 |
| Health Room               | 159,554              | 135,000                   | 142,366                     | 142,366                | 144,501                | 144,501                | 144,501                |
| Tech Aides                | 28,528               | -                         | 162,269                     | 162,269                | 164,703                | 164,703                | 164,703                |
| Maintenance               | 182,299              | 164,217                   |                             |                        |                        |                        |                        |
| Transportation            | 4,082                | 27,401                    | 30,006                      | 30,006                 | 30,456                 | 30,456                 | 30,456                 |
| Custodians                | 2,386,933            | 2,467,410                 | 2,766,790                   | 2,766,790              | 2,808,292              | 2,808,292              | 2,808,292              |
| Overtime                  | 505,543              | 582,269                   | 300,000                     | 300,000                | 304,500                | 304,500                | 304,500                |
| <b>Total Expenditures</b> | <b>\$ 28,743,575</b> | <b>\$ 28,062,360</b>      | <b>\$ 28,347,307</b>        | <b>\$ 28,347,307</b>   | <b>\$ 28,772,517</b>   | <b>\$ 28,772,517</b>   | <b>\$ 28,772,517</b>   |

Assumptions:

- 2020-2021 wages are frozen across the board
- 2021-2022 wages increased by 1.5%, frozen next two years.

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**BENEFITS**

| Benefits                              | Actual<br><u>2017-2018</u> | Final Budget<br><u>2018-2019</u> | Prelim. Budget<br><u>2019-2020</u> | Projected<br><u>2020-2021</u> | Projected<br><u>2021-2022</u> | Projected<br><u>2022-2023</u> | Projected<br><u>2023-2024</u> |
|---------------------------------------|----------------------------|----------------------------------|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                       |                            |                                  |                                    |                               |                               |                               |                               |
| Health Care                           |                            |                                  |                                    |                               |                               |                               |                               |
| Medical                               | \$ 4,886,702               | \$ 5,023,059                     | \$ 5,006,296                       | \$ 5,256,611                  | \$ 5,519,441                  | \$ 5,795,413                  | \$ 6,085,184                  |
| Dental                                | 303,984                    | 253,404                          | 376,297                            | 395,112                       | 414,867                       | 435,611                       | 457,391                       |
| Life                                  | 46,131                     | 44,477                           | 39,794                             | 41,784                        | 43,873                        | 46,067                        | 48,370                        |
| Social Security                       | 2,151,658                  | 2,186,483                        | 2,160,121                          | 2,168,569                     | 2,201,098                     | 2,201,098                     | 2,201,098                     |
| PSERS                                 | 9,385,122                  | 9,639,361                        | 10,281,478                         | 10,178,670                    | 10,456,146                    | 10,649,283                    | 10,785,965                    |
| Unemployment Compensation             | (2,025)                    | 59,753                           | 300,000                            | 307,200                       | 314,573                       | 322,123                       | 329,853                       |
| Workers Compensation                  | 361,952                    | 405,827                          | 409,724                            | 419,557                       | 429,627                       | 439,938                       | 450,496                       |
| Other Post Employment Benefits (OPEB) | 1,586,765                  | 1,450,000                        | 1,519,600                          | 1,595,580                     | 1,675,359                     | 1,759,127                     | 1,847,083                     |
| Uniforms (Maintenance)                | 20,165                     | 17,823                           | 25,000                             | 25,600                        | 26,214                        | 26,844                        | 27,488                        |
| Total Expenditures                    | <b>\$ 18,740,454</b>       | <b>\$ 19,080,187</b>             | <b>\$ 20,118,310</b>               | <b>\$ 20,388,683</b>          | <b>\$ 21,081,198</b>          | <b>\$ 21,675,503</b>          | <b>\$ 22,232,929</b>          |

Assumptions:

- For 2020-2021 through 2023-2024:
  - Health Care & OPEB insurance projected 5% increase over prior year
  - Social Security projected at 7.65% of wages for each year
  - PSERS Increases
    - 2020-2021 increased to 34.77%
    - 2021-2022 increased to 35.19%
    - 2022-2023 increased to 35.84%
    - 2023-2024 increased to 36.30%
  - Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for:
    - Unemployment Compensation
    - Workers Compensation
    - Uniforms

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**PURCHASED SERVICES**

|                                        | <u>Actual<br/>2017-2018</u> | <u>Final Budget<br/>2018-2019</u> | <u>Prelim. Budget<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|----------------------------------------|-----------------------------|-----------------------------------|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Purchased Services</b>              |                             |                                   |                                     |                                |                                |                                |                                |
| Security                               | \$ 726,368                  | \$ 774,048                        | \$ 775,000                          | \$ 793,600                     | \$ 812,646                     | \$ 832,150                     | \$ 852,122                     |
| Intermediate Unit                      | 835,917                     | 839,290                           | 620,474                             | 635,366                        | 650,615                        | 666,229                        | 682,219                        |
| Substitution Services                  | 320,015                     | 326,415                           | 332,816                             | 340,803                        | 348,982                        | 357,358                        | 365,935                        |
| Solicitor/Special Counsel              | 221,820                     | 310,000                           | 240,000                             | 245,760                        | 251,658                        | 257,698                        | 263,883                        |
| Delinquent Tax                         | 34,300                      | 34,986                            | 35,686                              | 36,542                         | 37,419                         | 38,317                         | 39,237                         |
| Copiers                                | 350,461                     | 185,315                           | 190,644                             | 195,219                        | 199,905                        | 204,702                        | 209,615                        |
| Other Miscellaneous Purchased Services | 33,849                      | -                                 | 44,000                              | 45,056                         | 46,137                         | 47,245                         | 48,379                         |
| Other Professional Education Services  | 385,414                     | 636,538                           | 604,737                             | 619,251                        | 634,113                        | 649,331                        | 664,915                        |
| Other Professional Services            | 548,840                     | 690,616                           | 520,647                             | 533,143                        | 545,938                        | 559,041                        | 572,458                        |
| Total Expenditures                     | <u>\$ 3,456,984</u>         | <u>\$ 3,797,208</u>               | <u>\$ 3,364,004</u>                 | <u>\$ 3,444,740</u>            | <u>\$ 3,527,414</u>            | <u>\$ 3,612,072</u>            | <u>\$ 3,698,762</u>            |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**TRANSPORTATION**

|                     | Actual<br><u>2017-2018</u> | Final Budget<br><u>2018-2019</u> | Prelim. Budget<br><u>2019-2020</u> | Projected<br><u>2020-2021</u> | Projected<br><u>2021-2022</u> | Projected<br><u>2022-2023</u> | Projected<br><u>2023-2024</u> |
|---------------------|----------------------------|----------------------------------|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Transportation      | \$ 6,783,264               | \$ 7,005,011                     | \$ 7,233,000                       | \$ 7,406,592                  | \$ 7,584,350                  | \$ 7,766,375                  | \$ 7,952,768                  |
| Contracted Carriers |                            |                                  |                                    |                               |                               |                               |                               |
| Total Expenditures  | \$ 6,783,264               | \$ 7,005,011                     | \$ 7,233,000                       | \$ 7,406,592                  | \$ 7,584,350                  | \$ 7,766,375                  | \$ 7,952,768                  |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**DEBT SERVICE**

|                    | <u>Actual<br/>2017-2018</u> | <u>Final Budget<br/>2018-2019</u> | <u>Prelim. Budget<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|--------------------|-----------------------------|-----------------------------------|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                    |                             |                                   |                                     |                                |                                |                                |                                |
| Debt Service       |                             |                                   |                                     |                                |                                |                                |                                |
| Principal          | \$ 220,000                  | \$ 2,430,000                      | \$ 2,545,000                        | \$ 2,660,000                   | \$ 2,775,000                   | \$ 2,890,000                   | \$ 3,005,000                   |
| Interest           | 8,955,983                   | 9,493,501                         | 9,374,252                           | 9,263,422                      | 9,140,912                      | 12,570,082                     | 12,850,766                     |
| Other              | 33,052                      | 98,753                            | 100,000                             | 100,000                        | 100,000                        | 100,000                        | 100,000                        |
| Total Expenditures | <b>\$ 9,209,035</b>         | <b>\$ 12,022,254</b>              | <b>\$ 12,019,252</b>                | <b>\$ 12,023,422</b>           | <b>\$ 12,015,912</b>           | <b>\$ 15,560,082</b>           | <b>\$ 15,955,766</b>           |

Assumptions:

- Principal and interest payments are based on debt amortization schedules
- Other line item represents interest expense associated with the TAN. Assumes District continues to obtain \$9.9 million TAN at 4%

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**OUTSIDE TUITION**

|                                                 | Actual<br><u>2017-2018</u> | Final Budget<br><u>2018-2019</u> | Prelim. Budget<br><u>2019-2020</u> | Projected<br><u>2020-2021</u> | Projected<br><u>2021-2022</u> | Projected<br><u>2022-2023</u> | Projected<br><u>2023-2024</u> |
|-------------------------------------------------|----------------------------|----------------------------------|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                                 |                            |                                  |                                    |                               |                               |                               |                               |
| Other School Districts in PA                    | \$ 653,630                 | \$ 666,050                       | \$ 691,000                         | \$ 707,584                    | \$ 724,566                    | \$ 741,956                    | \$ 759,763                    |
| Pennsylvania Charter Schools                    | 14,306,483                 | 13,902,702                       | 15,882,758                         | 16,263,944                    | 16,654,279                    | 17,053,982                    | 17,463,277                    |
| Nonpublic Schools                               | 819,448                    | 180,000                          | 1,000,000                          | 1,024,000                     | 1,048,576                     | 1,073,742                     | 1,099,512                     |
| Institutions of Higher Education                | 15,813                     | 22,487                           | 22,487                             | 23,027                        | 23,579                        | 24,145                        | 24,725                        |
| Career and Technology Centers                   | 905,145                    | 1,384,060                        | 1,200,000                          | 1,228,800                     | 1,258,291                     | 1,288,490                     | 1,319,414                     |
| Approved Private Schools                        | 831,256                    | 700,000                          | 900,000                            | 921,600                       | 943,718                       | 966,368                       | 989,560                       |
| Private Residential Rehabilitative Institutions | 247,362                    | 396,000                          | 375,000                            | 384,000                       | 393,216                       | 402,653                       | 412,317                       |
| Total Expenditures                              | \$ 17,779,137              | \$ 17,251,299                    | \$ 20,071,245                      | \$ 20,552,955                 | \$ 21,046,226                 | \$ 21,551,335                 | \$ 22,068,567                 |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**MAINTENANCE / UTILITIES**

|                                | <u>Actual<br/>2017-2018</u> | <u>Final Budget<br/>2018-2019</u> | <u>Prelim. Budget<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|--------------------------------|-----------------------------|-----------------------------------|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Maintenance / Utilities</b> |                             |                                   |                                     |                                |                                |                                |                                |
| Electric                       | \$ 820,957                  | \$ 807,675                        | \$ 877,775                          | \$ 898,842                     | \$ 920,414                     | \$ 942,504                     | \$ 965,124                     |
| Water / Sewage                 | 142,280                     | 142,449                           | 154,000                             | 157,696                        | 161,481                        | 165,356                        | 169,325                        |
| Equipment                      | 275,831                     | 722,352                           | 474,732                             | 486,126                        | 497,793                        | 509,740                        | 521,973                        |
| Natural Gas                    | 372,729                     | 396,770                           | 408,200                             | 417,997                        | 428,029                        | 438,301                        | 448,821                        |
| Gasoline (District Vehicles)   | 11,580                      | -                                 | 20,000                              | 20,480                         | 20,972                         | 21,475                         | 21,990                         |
| Gasoline (Transportation)      | 320,242                     | 320,000                           | 500,000                             | 512,000                        | 524,288                        | 536,871                        | 549,756                        |
| Repairs and Maintenance        | 203,434                     | 227,842                           | 244,622                             | 250,493                        | 256,505                        | 262,661                        | 268,965                        |
| <b>Total Expenditures</b>      | <b>\$ 2,147,053</b>         | <b>\$ 2,617,088</b>               | <b>\$ 2,679,329</b>                 | <b>\$ 2,743,633</b>            | <b>\$ 2,809,480</b>            | <b>\$ 2,876,908</b>            | <b>\$ 2,945,953</b>            |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**SUPPLIES & DUES**

|                        | Actual<br><u>2017-2018</u> | Final Budget<br><u>2018-2019</u> | Prelim. Budget<br><u>2019-2020</u> | Projected<br><u>2020-2021</u> | Projected<br><u>2021-2022</u> | Projected<br><u>2022-2023</u> | Projected<br><u>2023-2024</u> |
|------------------------|----------------------------|----------------------------------|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Buildings (Principals) |                            |                                  |                                    |                               |                               |                               |                               |
| Supplies               | \$ 1,108,191               | \$ 1,267,492                     | \$ 1,349,577                       | \$ 1,381,967                  | \$ 1,415,134                  | \$ 1,449,097                  | \$ 1,483,876                  |
| Dues / Fees            | 47,639                     | 33,566                           | 77,186                             | 79,038                        | 80,935                        | 82,878                        | 84,867                        |
| Total Expenditures     | \$ 1,155,830               | \$ 1,301,058                     | \$ 1,426,763                       | \$ 1,461,005                  | \$ 1,496,069                  | \$ 1,531,975                  | \$ 1,568,743                  |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**CENTRAL OFFICE**

|                          | <u>Actual<br/>2017-2018</u> | <u>Final Budget<br/>2018-2019</u> | <u>Prelim. Budget<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|--------------------------|-----------------------------|-----------------------------------|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Central Office           |                             |                                   |                                     |                                |                                |                                |                                |
| Insurance                | \$ 197,248                  | \$ 215,000                        | \$ 242,000                          | \$ 247,808                     | \$ 253,755                     | \$ 259,846                     | \$ 266,082                     |
| Advertising              | 3,630                       | -                                 | 3,600                               | 3,686                          | 3,775                          | 3,865                          | 3,958                          |
| Telephones               | 56,837                      | 83,807                            | 63,972                              | 65,507                         | 67,080                         | 68,689                         | 70,338                         |
| Administrative Services  | 77,855                      | 135,000                           | 84,400                              | 86,426                         | 88,500                         | 90,624                         | 92,799                         |
| Professional Development | 99,402                      | 6,418                             | 11,420                              | 11,694                         | 11,975                         | 12,262                         | 12,556                         |
| Other                    | 227,784                     | 122,059                           | 682,322                             | 698,698                        | 715,466                        | 732,638                        | 750,221                        |
| Total Expenditures       | \$ 662,756                  | \$ 562,284                        | \$ 1,087,714                        | \$ 1,113,819                   | \$ 1,140,551                   | \$ 1,167,924                   | \$ 1,195,954                   |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**ATHLETICS**

|                               | <u>Actual<br/>2017-2018</u> | <u>Final Budget<br/>2018-2019</u> | <u>Prelim. Budget<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|-------------------------------|-----------------------------|-----------------------------------|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                               |                             |                                   |                                     |                                |                                |                                |                                |
| Athletics                     |                             |                                   |                                     |                                |                                |                                |                                |
| Athletic Director             | \$ 85,862                   | \$ 81,200                         | \$ 86,275                           | \$ 86,275                      | \$ 87,569                      | \$ 87,569                      | \$ 87,569                      |
| Coaches, Clerical, Inst. Asst | 403,672                     | 463,930                           | 511,069                             | 511,069                        | 518,735                        | 518,735                        | 518,735                        |
| Benefits                      | 19,546                      | 20,455                            | 39,197                              | 41,157                         | 43,215                         | 45,375                         | 47,644                         |
| Social Security               | 38,059                      | 48,872                            | 45,697                              | 45,697                         | 46,382                         | 46,382                         | 46,382                         |
| PSERS                         | 113,989                     | 120,000                           | 210,803                             | 207,697                        | 213,358                        | 217,299                        | 220,088                        |
| Dues/Fees                     | 2,700                       | -                                 | 1,800                               | 1,843                          | 1,887                          | 1,933                          | 1,979                          |
| Officials                     | 175,019                     | 193,640                           | 193,640                             | 198,287                        | 203,046                        | 207,919                        | 212,909                        |
| Insurance                     | 13,792                      | 13,792                            | 13,792                              | 14,123                         | 14,462                         | 14,809                         | 15,164                         |
| Transportation                | 5,660                       | 26,769                            | 26,769                              | 27,411                         | 28,069                         | 28,743                         | 29,433                         |
| Equipment                     | 65,750                      | 105,065                           | 106,065                             | 108,611                        | 111,217                        | 113,886                        | 116,620                        |
| Total Expenditures            | \$ 924,049                  | \$ 1,073,723                      | \$ 1,235,107                        | \$ 1,242,170                   | \$ 1,267,942                   | \$ 1,282,652                   | \$ 1,296,525                   |

**Assumptions:**

- 2020-2021 wages are frozen across the board
- 2021-2022 wages increased by 1.5%, frozen next two years.
- For 2020-2021 through 2023-2024:
  - Health Care insurance projected 5% increase over prior year
  - Social Security projected at 7.65% of wages for each year
  - PSERS Increases
    - 2020-2021 increased to 34.77%
    - 2021-2022 increased to 35.19%
    - 2022-2023 increased to 35.84%
    - 2023-2024 increased to 36.30%
  - Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all other line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (NO INITIATIVES)**  
**TECHNOLOGY**

|                           | <u>Actual<br/>2017-2018</u> | <u>Final Budget<br/>2018-2019</u> | <u>Prelim. Budget<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|---------------------------|-----------------------------|-----------------------------------|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                           |                             |                                   |                                     |                                |                                |                                |                                |
| Salaries                  | \$ 214,679                  | \$ 211,342                        | \$ 221,956                          | \$ 221,956                     | \$ 225,285                     | \$ 225,285                     | \$ 225,285                     |
| Group Insurance           | 44,813                      | 44,807                            | 41,381                              | 43,450                         | 45,623                         | 47,904                         | 50,299                         |
| Social Security           | 16,167                      | 17,522                            | 16,979                              | 16,980                         | 17,234                         | 17,234                         | 17,234                         |
| PSERS                     | 68,030                      | 73,387                            | 113,034                             | 77,174                         | 79,278                         | 80,742                         | 81,779                         |
| Unemployment Compensation | 72                          | 3,071                             | -                                   | -                              | -                              | -                              | -                              |
| Workers Compensation      | 3,755                       | 3,742                             | 3,580                               | 3,666                          | 3,754                          | 3,844                          | 3,936                          |
| Repairs & Maintenance     | 14,588                      | 20,600                            | 16,000                              | 16,384                         | 16,777                         | 17,180                         | 17,592                         |
| Supplies                  | 2,014                       | 6,105                             | 2,500                               | 2,560                          | 2,621                          | 2,684                          | 2,749                          |
| Replacement Equipment     | 34,055                      | 5,000                             | 34,000                              | 34,816                         | 35,652                         | 36,507                         | 37,383                         |
| <b>Total Expenditures</b> | <b>\$ 398,173</b>           | <b>\$ 385,576</b>                 | <b>\$ 449,430</b>                   | <b>\$ 416,986</b>              | <b>\$ 426,224</b>              | <b>\$ 431,381</b>              | <b>\$ 436,258</b>              |

Assumptions:

- 2020-2021 wages are frozen
- 2021-2022 wages increased by 1.5%, frozen next two years.
- For 2020-2021 through 2023-2024:
  - Health Care insurance projected 5% increase over prior year
  - Social Security projected at 7.65% of wages for each year
- PSERS Increases
  - 2020-2021 increased to 34.77%
  - 2021-2022 increased to 35.19%
  - 2022-2023 increased to 35.84%
  - 2023-2024 increased to 36.30%
- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all other line items

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**GENERAL FUND**  
**EXECUTIVE SUMMARY**

|                    | (1)                              | (2)                            |
|--------------------|----------------------------------|--------------------------------|
|                    | Final Budget<br><u>2018-2019</u> | Projection<br><u>2018-2019</u> |
| REVENUES           | \$ 91,158,445                    | \$ 91,852,142                  |
| EXPENDITURES       | 93,158,048                       | 92,538,657                     |
| SURPLUS/(DEFICIT)  | <u>(1,999,603)</u>               | <u>(686,515)</u>               |
| FUND BALANCE - BEG | <u>(12,092,492)</u>              | <u>(12,092,492)</u>            |
| FUND BALANCE - END | <u>\$ (14,092,095)</u>           | <u>\$ (12,779,007)</u>         |

(1) Board approved final budget for 2018-2019 (June 2018)

(2) Projection based on actual numbers through March 2019.

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**GENERAL FUND**  
**REVENUE**

|                                                    | Final Budget     | Projected        | Over/(Under)  | <u>Change %</u> |
|----------------------------------------------------|------------------|------------------|---------------|-----------------|
|                                                    | <u>2018-2019</u> | <u>2018-2019</u> | <u>Budget</u> |                 |
| <b>Revenue from Local Sources</b>                  |                  |                  |               |                 |
| Current Real Estate Taxes                          | \$ 39,713,528    | \$ 39,045,797    | \$ (667,731)  | -1.68%          |
| Current Act 511 Tax - Flat Rate Assessments        | 37,575           | 37,575           | -             | 0.00%           |
| Current Act 511 Tax - Proportional Assessments     | 5,246,301        | 5,290,368        | 44,067        | 0.84%           |
| Deliq. on Taxes Levied/Assessed by the LEA         | 3,134,225        | 3,607,419        | 473,194       | 15.10%          |
| Earnings on Investments                            | 25,000           | 100,333          | 75,333        | 301.33%         |
| Revenue from Student Activities                    | 34,054           | 41,750           | 7,696         | 22.60%          |
| Revenue from IU                                    | 846,978          | 846,978          | -             | 0.00%           |
| Rentals                                            | 28,019           | 110,000          | 81,981        | 292.59%         |
| Contributions & Donations from Private Sources     | 52,000           | 5,000            | (47,000)      | -90.38%         |
| All Other Local Revenues Not Specified             | 200,000          | 530,689          | 330,689       | 165.34%         |
| Total                                              | 49,317,680       | 49,615,909       | 298,229       | 0.60%           |
| <br><b>Revenue from State Sources</b>              |                  |                  |               |                 |
| Basic Education Funding (Gross)                    | 16,756,726       | 16,756,726       | -             | 0.00%           |
| Tuition - Orphans & Children Placed in Priv. Homes | 4,473            | 4,473            | -             | 0.00%           |
| School Improvement Grants                          | 2,000,000        | 2,000,000        | -             | 0.00%           |
| Special Education Funding for School Aged Pupils   | 3,354,611        | 3,365,149        | 10,538        | 0.31%           |
| Other Programs Subsidies                           | -                | 3,106            | 3,106         | 100.00%         |
| Transportation (Regular & Additional)              | 2,404,210        | 2,512,291        | 108,081       | 4.50%           |
| Rental & Sinking Fund Payments                     | 632,244          | 557,225          | (75,019)      | -11.87%         |
| Health Services                                    | 73,587           | 73,587           | -             | 0.00%           |
| State Property Tax Reduction Allocation            | 2,359,166        | 2,359,166        | -             | 0.00%           |
| Safe Schools                                       | -                | 25,000           | 25,000        | 100.00%         |
| Ready to Learn Grant                               | 850,686          | 850,686          | -             | 0.00%           |
| Revenue for Social Security Payments               | 1,107,687        | 953,124          | (154,563)     | -13.95%         |
| Revenue for Retirement Payments                    | 4,840,522        | 4,564,940        | (275,582)     | -5.69%          |
| Total                                              | 34,383,912       | 34,025,473       | (358,439)     | -1.04%          |
| <br><b>Revenue from Federal Sources</b>            |                  |                  |               |                 |
| Elementary & Secondary Education Act Revenue       | 2,022,662        | 1,914,372        | (108,290)     | -5.35%          |
| Schl Based ACCESS Med Reimb Prog                   | 300,000          | 1,192,013        | 892,013       | 297.34%         |
| Medical Asst Reimb for Admin Claiming              | 30,000           | 34,363           | 4,363         | 14.54%          |
| ARRA- Build America Bonds                          | 2,104,191        | 2,115,492        | 11,301        | 0.54%           |
| Total                                              | 4,456,853        | 5,256,240        | 799,387       | 17.94%          |
| <br><b>Other Financing Sources</b>                 |                  |                  |               |                 |
| Sale of/or Compensation for Loss                   | 3,000,000        | 2,954,520        | (45,480)      | -1.52%          |
| Total                                              | 3,000,000        | 2,954,520        | (45,480)      | -1.52%          |
| Grand Total                                        | \$ 91,158,445    | \$ 91,852,142    | \$ 693,697    | 0.76%           |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**GENERAL FUND**  
**EXPENDITURE SUMMARY**

|                    | Final Budget<br><u>2018-2019</u> | Projected<br><u>2018-2019</u> | Over/(Under)<br><u>Budget</u> | <u>Change %</u> |
|--------------------|----------------------------------|-------------------------------|-------------------------------|-----------------|
| Salaries           | \$ 28,062,360                    | \$ 27,309,502                 | \$ (752,858)                  | -2.68%          |
| Benefits           | 19,080,187                       | 19,603,281                    | 523,094                       | 2.74%           |
| Purchased Services | 3,797,208                        | 3,189,200                     | (608,008)                     | -16.01%         |
| Transportation     | 7,005,011                        | 7,461,057                     | 456,046                       | 6.51%           |
| Debt Service       | 12,022,254                       | 12,022,951                    | 697                           | 0.01%           |
| Tuition            | 17,251,299                       | 17,943,098                    | 691,799                       | 4.01%           |
| Maintenance        | 2,617,088                        | 2,049,654                     | (567,434)                     | -21.68%         |
| Supplies & Dues    | 1,301,058                        | 967,300                       | (333,758)                     | -25.65%         |
| Central Office     | 562,284                          | 509,400                       | (52,884)                      | -9.41%          |
| Athletics          | 1,073,723                        | 1,094,612                     | 20,889                        | 1.95%           |
| Technology         | 385,576                          | 388,602                       | 3,026                         | 0.78%           |
| Total Expenditures | <u>\$ 93,158,048</u>             | <u>\$ 92,538,657</u>          | <u>\$ (619,391)</u>           | <u>-0.66%</u>   |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**SALARIES**

|                         | Final Budget     | Projected        | Over/(Under)  |                 |
|-------------------------|------------------|------------------|---------------|-----------------|
|                         | <u>2018-2019</u> | <u>2018-2019</u> | <u>Budget</u> | <u>Change %</u> |
| <b>Salaries</b>         |                  |                  |               |                 |
| Teachers                | \$ 20,048,716    | \$ 20,150,210    | \$ 101,494    | 0.51%           |
| Administrators (Act 93) | 1,699,176        | 1,730,583        | 31,407        | 1.85%           |
| Secretaries             | 777,963          | 800,423          | 22,460        | 2.89%           |
| Aides                   |                  |                  |               |                 |
| Instructional           | 2,160,208        | 1,320,760        | (839,448)     | -38.86%         |
| Health Room             | 135,000          | 115,100          | (19,900)      | -14.74%         |
| Maintenance             | 164,217          | 180,333          | 16,116        | 9.81%           |
| Transportation          | 27,401           | 28,435           | 1,034         | 3.77%           |
| Custodians              | 2,467,410        | 2,715,408        | 247,998       | 10.05%          |
| Overtime                | 582,269          | 268,250          | (314,019)     | -53.93%         |
| Total Expenditures      | \$ 28,062,360    | \$ 27,309,502    | \$ (752,858)  | -2.68%          |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**BENEFITS**

|                                       | Final Budget     | Projected        | Over/(Under)  |                 |
|---------------------------------------|------------------|------------------|---------------|-----------------|
|                                       | <u>2018-2019</u> | <u>2018-2019</u> | <u>Budget</u> | <u>Change %</u> |
| <b>Benefits</b>                       |                  |                  |               |                 |
| Health Care                           |                  |                  |               |                 |
| Medical                               | \$ 5,023,059     | \$ 5,182,847     | \$ 159,788    | 3.18%           |
| Dental                                | 253,404          | 287,211          | 33,807        | 13.34%          |
| Life                                  | 44,477           | 20,485           | (23,992)      | -53.94%         |
| Social Security                       | 2,186,483        | 2,269,528        | 83,045        | 3.80%           |
| PSERS                                 | 9,639,361        | 9,933,742        | 294,381       | 3.05%           |
| Unemployment Compensation             | 59,753           | 7,343            | (52,410)      | -87.71%         |
| Workers Compensation                  | 405,827          | 480,500          | 74,673        | 18.40%          |
| Other Post Employment Benefits (OPEB) | 1,450,000        | 1,400,000        | (50,000)      | -3.45%          |
| Uniforms (Maintenance)                | 17,823           | 21,625           | 3,802         | 21.33%          |
| Total Expenditures                    | \$ 19,080,187    | \$ 19,603,281    | \$ 523,094    | 2.74%           |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**PURCHASED SERVICES**

|                                       | Final Budget     | Projected        | Over/(Under)  |                 |
|---------------------------------------|------------------|------------------|---------------|-----------------|
|                                       | <u>2018-2019</u> | <u>2018-2019</u> | <u>Budget</u> | <u>Change %</u> |
| Purchased Services                    |                  |                  |               |                 |
| Security                              | \$ 774,048       | \$ 700,000       | \$ (74,048)   | -9.57%          |
| Intermediate Unit                     | 839,290          | 780,000          | (59,290)      | -7.06%          |
| Substitution Services                 | 326,415          | 300,000          | (26,415)      | -8.09%          |
| Solicitor/Special Counsel             | 310,000          | 221,200          | (88,800)      | -28.65%         |
| Copiers                               | 185,315          | 188,000          | 2,685         | 1.45%           |
| Other Professional Education Services | 636,538          | 500,000          | (136,538)     | -21.45%         |
| Other Professional Services           | 725,602          | 500,000          | (225,602)     | -31.09%         |
| Total Expenditures                    | \$ 3,797,208     | \$ 3,189,200     | \$ (608,008)  | -16.01%         |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**TRANSPORTATION**

|                     | Final Budget        | Projected           | Over/(Under)      |                 |
|---------------------|---------------------|---------------------|-------------------|-----------------|
|                     | <u>2018-2019</u>    | <u>2018-2019</u>    | <u>Budget</u>     | <u>Change %</u> |
| Transportation      |                     |                     |                   |                 |
| Contracted Carriers | \$ 7,005,011        | \$ 7,461,057        | \$ 456,046        | 6.51%           |
| Total Expenditures  | <u>\$ 7,005,011</u> | <u>\$ 7,461,057</u> | <u>\$ 456,046</u> | <u>6.51%</u>    |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**DEBT SERVICE**

|                    | Final Budget         | Projected            | Over/(Under)  |                 |
|--------------------|----------------------|----------------------|---------------|-----------------|
|                    | <u>2018-2019</u>     | <u>2018-2019</u>     | <u>Budget</u> | <u>Change %</u> |
| Debt Service       |                      |                      |               |                 |
| Principal          | \$ 2,430,000         | \$ 2,430,000         | \$ -          | 0.00%           |
| Interest           | 9,493,501            | 9,493,587            | 86            | 0.00%           |
| Other              | 98,753               | 99,364               | 611           | 0.62%           |
| Total Expenditures | <u>\$ 12,022,254</u> | <u>\$ 12,022,951</u> | <u>\$ 697</u> | <u>0.01%</u>    |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**TUITION**

|                                               | Final Budget         | Projected            | Over/(Under)      |                 |
|-----------------------------------------------|----------------------|----------------------|-------------------|-----------------|
|                                               | <u>2018-2019</u>     | <u>2018-2019</u>     | <u>Budget</u>     | <u>Change %</u> |
| Tuition                                       |                      |                      |                   |                 |
| Other School Districts in PA                  | \$ 666,050           | \$ 296,408           | \$ (369,642)      | -55.50%         |
| Pennsylvania Charter Schools                  | 13,902,702           | 14,310,224           | 407,522           | 2.93%           |
| Nonpublic Schools                             | 180,000              | 919,912              | 739,912           | 411.06%         |
| Institutions of Higher Education              | 22,487               | 20,000               | (2,487)           | -11.06%         |
| Career and Technology Centers                 | 1,384,060            | 1,000,000            | (384,060)         | -27.75%         |
| Approved Private Schools                      | 700,000              | 802,507              | 102,507           | 14.64%          |
| Private Residential Rehabilitive Institutions | 396,000              | 594,047              | 198,047           | 50.01%          |
| Total Expenditures                            | <u>\$ 17,251,299</u> | <u>\$ 17,943,098</u> | <u>\$ 691,799</u> | <u>4.01%</u>    |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**MAINTENANCE / UTILITIES**

|                           | Final Budget        | Projected           | Over/(Under)        |                 |
|---------------------------|---------------------|---------------------|---------------------|-----------------|
|                           | <u>2018-2019</u>    | <u>2018-2019</u>    | <u>Budget</u>       | <u>Change %</u> |
| Maintenance / Utilities   |                     |                     |                     |                 |
| Electric                  | \$ 807,675          | \$ 775,193          | \$ (32,482)         | -4.02%          |
| Water / Sewage            | 142,449             | 145,300             | 2,851               | 2.00%           |
| Equipment                 | 722,352             | 150,000             | (572,352)           | -79.23%         |
| Natural Gas               | 396,770             | 312,625             | (84,145)            | -21.21%         |
| Gasoline (Transportation) | 320,000             | 471,536             | 151,536             | 47.36%          |
| Repairs and Maintenance   | 227,842             | 195,000             | (32,842)            | -14.41%         |
| Total Expenditures        | <u>\$ 2,617,088</u> | <u>\$ 2,049,654</u> | <u>\$ (567,434)</u> | <u>-21.68%</u>  |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**SUPPLIES & DUES**

|                        | Final Budget     | Projected        | Over/(Under)  |                 |
|------------------------|------------------|------------------|---------------|-----------------|
|                        | <u>2018-2019</u> | <u>2018-2019</u> | <u>Budget</u> | <u>Change %</u> |
| Buildings (Principals) |                  |                  |               |                 |
| Supplies               | \$ 1,267,492     | \$ 925,000       | \$ (342,492)  | -27.02%         |
| Dues / Fees            | 33,566           | 42,300           | 8,734         | 26.02%          |
| Total Expenditures     | \$ 1,301,058     | \$ 967,300       | \$ (333,758)  | -25.65%         |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**CENTRAL OFFICE**

|                          | Final Budget     | Projected        | Over/(Under)  |                 |
|--------------------------|------------------|------------------|---------------|-----------------|
|                          | <u>2018-2019</u> | <u>2018-2019</u> | <u>Budget</u> | <u>Change %</u> |
| Central Office           |                  |                  |               |                 |
| Insurance                | \$ 215,000       | \$ 238,000       | \$ 23,000     | 10.70%          |
| Advertising              | -                | 3,000            | 3,000         | 100.00%         |
| Telephones               | 83,807           | 88,900           | 5,093         | 6.08%           |
| Administrative Services  | 135,000          | 79,500           | (55,500)      | -41.11%         |
| Professional Development | 6,418            | 15,000           | 8,582         | 133.72%         |
| Other                    | 122,059          | 85,000           | (37,059)      | -30.36%         |
| Total Expenditures       | \$ 562,284       | \$ 509,400       | \$ (52,884)   | -9.41%          |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**ATHLETICS**

|                               | Final Budget        | Projected           | Over/(Under)     |                 |
|-------------------------------|---------------------|---------------------|------------------|-----------------|
|                               | <u>2018-2019</u>    | <u>2018-2019</u>    | <u>Budget</u>    | <u>Change %</u> |
| <b>Athletics</b>              |                     |                     |                  |                 |
| Athletic Director             | \$ 81,200           | \$ 83,415           | \$ 2,215         | 2.73%           |
| Coaches, Clerical, Inst. Asst | 463,930             | 489,411             | 25,481           | 5.49%           |
| Benefits                      | 20,455              | 29,601              | 9,146            | 44.71%          |
| Social Security               | 48,872              | 43,821              | (5,051)          | -10.33%         |
| PSERS                         | 120,000             | 191,496             | 71,496           | 59.58%          |
| Officials                     | 193,640             | 165,000             | (28,640)         | -14.79%         |
| Insurance                     | 13,792              | 13,792              | -                | 0.00%           |
| Transportation                | 26,769              | 13,076              | (13,693)         | -51.15%         |
| Equipment                     | 105,065             | 65,000              | (40,065)         | -38.13%         |
| Total Expenditures            | <u>\$ 1,073,723</u> | <u>\$ 1,094,612</u> | <u>\$ 20,889</u> | <u>1.95%</u>    |

**PENN HILLS SCHOOL DISTRICT**  
**2018-2019 FINANCIAL PROJECTION**  
**TECHNOLOGY**

|                           | Final Budget     | Projected        | Over/(Under)  |                 |
|---------------------------|------------------|------------------|---------------|-----------------|
|                           | <u>2018-2019</u> | <u>2018-2019</u> | <u>Budget</u> | <u>Change %</u> |
| Technology                |                  |                  |               |                 |
| Salaries                  | \$ 211,342       | \$ 230,881       | \$ 19,539     | 9.25%           |
| Group Insurance           | 44,807           | 48,295           | 3,488         | 7.78%           |
| Social Security           | 17,522           | 17,662           | 140           | 0.80%           |
| PSERS                     | 73,387           | 77,184           | 3,797         | 5.17%           |
| Unemployment Compensation | 3,071            | -                | (3,071)       | -100.00%        |
| Workers Compensation      | 3,742            | 3,580            | (162)         | -4.33%          |
| Repairs & Maintenance     | 20,600           | 1,000            | (19,600)      | -95.15%         |
| Supplies                  | 6,105            | 8,000            | 1,895         | 31.04%          |
| Replacement Equipment     | 5,000            | 2,000            | (3,000)       | -60.00%         |
| Total Expenditures        | \$ 385,576       | \$ 388,602       | \$ 3,026      | 0.78%           |

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**GENERAL FUND**  
**EXECUTIVE SUMMARY**

|                    | (1)<br>Actual    | (2)<br>Projected | (3)<br>Projected | (4)<br>Projected | (4)<br>Projected | (4)<br>Projected | (4)<br>Projected |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                    | <u>2017-2018</u> | <u>2018-2019</u> | <u>2019-2020</u> | <u>2020-2021</u> | <u>2021-2022</u> | <u>2022-2023</u> | <u>2023-2024</u> |
| REVENUES           | \$ 88,917,360    | \$ 91,852,142    | \$ 90,215,164    | \$ 92,343,323    | \$ 94,083,817    | \$ 96,095,242    | \$ 97,742,476    |
| EXPENDITURES       | 90,000,310       | 92,538,657       | 90,215,164       | 90,969,900       | 92,810,110       | 97,747,855       | 99,524,476       |
| SURPLUS/(DEFICIT)  | (1,082,950)      | (686,515)        | -                | 1,373,423        | 1,273,707        | (1,652,613)      | (1,782,000)      |
| FUND BALANCE - BEG | (11,009,543)     | (12,092,493)     | (12,779,008)     | (12,779,008)     | (11,405,585)     | (10,131,878)     | (11,784,491)     |
| FUND BALANCE - END | (12,092,493)     | (12,779,008)     | (12,779,008)     | (11,405,585)     | (10,131,878)     | (11,784,491)     | (13,566,491)     |

- (1) Based on District's Annual Financial Report (AFR)
- (2) Based on Projection from Appendix B.2
- (3) Based on combining the Board approved preliminary budget (February 2019) and the implementation of CRO Initiatives.
- (4) Projected balances are based on various assumptions noted on subsequent pages

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**GENERAL FUND**

REVENUE

|                                                    | Actual<br>2017-2018 | Projected<br>2018-2019 | Projected<br>2019-2020 | Projected<br>2020-2021 | Projected<br>2021-2022 | Projected<br>2022-2023 | Projected<br>2023-2024 |
|----------------------------------------------------|---------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Revenue from Local Sources</b>                  |                     |                        |                        |                        |                        |                        |                        |
| Current Real Estate Taxes                          | \$ 37,173,136       | \$ 39,045,797          | \$ 42,051,090          | \$ 43,051,090          | \$ 44,051,090          | \$ 45,051,090          | \$ 46,051,090          |
| Public Utility Reality Tax                         | 43,350              | -                      | 44,659                 | 44,659                 | 44,659                 | 44,659                 | 44,659                 |
| Payments in Lieu of Current Taxes/State & Local    | 16,685              | -                      | 16,685                 | 16,685                 | 16,685                 | 16,685                 | 16,685                 |
| Current Act 511 Tax - Flat Rate Assessments        | 37,957              | 37,575                 | 37,957                 | 37,957                 | 37,957                 | 37,957                 | 37,957                 |
| Current Act 511 Tax - Proportional Assessments     | 5,273,517           | 5,290,368              | 5,163,077              | 5,266,339              | 5,371,665              | 5,479,099              | 5,583,681              |
| Deliq. on Taxes Levied/Assessed by the LEA         | 3,358,246           | 3,607,419              | 3,581,222              | 3,581,222              | 3,581,222              | 3,581,222              | 3,581,222              |
| Earnings on Investments                            | 69,659              | 100,333                | 61,000                 | 61,000                 | 61,000                 | 61,000                 | 61,000                 |
| Revenue from Student Activities                    | 34,055              | 41,750                 | 34,402                 | 35,000                 | 35,000                 | 35,000                 | 35,000                 |
| Federal Rev. Rcvd. From Other PA Public Schools    | 89,189              | -                      | -                      | -                      | -                      | -                      | -                      |
| Federal IDEA Pass Through Revenue                  | 914,725             | 846,978                | 850,219                | 850,000                | 850,000                | 850,000                | 850,000                |
| Rentals                                            | 523,855             | 110,000                | 109,666                | 100,000                | 100,000                | 100,000                | 100,000                |
| Contributions & Donations from Private Sources     | 52,108              | 5,000                  | 5,000                  | 5,000                  | 5,000                  | 5,000                  | 5,000                  |
| Summer School Tuition                              | 39,732              | -                      | -                      | -                      | -                      | -                      | -                      |
| Refunds of Prior Years Expenditures                | 26,315              | -                      | -                      | -                      | -                      | -                      | -                      |
| All Other Local Revenues Not Specified             | 131,817             | 530,689                | 85,000                 | 85,000                 | 85,000                 | 85,000                 | 85,000                 |
| <b>Total</b>                                       | <b>47,784,346</b>   | <b>49,615,909</b>      | <b>52,039,977</b>      | <b>53,133,952</b>      | <b>54,239,278</b>      | <b>55,346,712</b>      | <b>56,456,294</b>      |
| <br><b>Revenue from State Sources</b>              |                     |                        |                        |                        |                        |                        |                        |
| Basic Education Funding (Gross)                    | 16,499,430          | 16,756,726             | 17,851,775             | 18,208,811             | 18,572,987             | 18,944,446             | 19,323,335             |
| Tuition - Orphans & Children Placed in Priv. Homes | 4,473               | 4,473                  | 4,473                  | 4,500                  | 4,500                  | 4,500                  | 4,500                  |
| School Improvement Grants                          | 2,000,000           | 2,000,000              | -                      | -                      | -                      | -                      | -                      |
| Special Education Funding for School Aged Pupils   | 3,319,969           | 3,365,149              | 3,538,943              | 3,609,722              | 3,681,916              | 3,755,555              | 3,830,666              |
| Pre-K Counts                                       | 56                  | 3,106                  | -                      | -                      | -                      | -                      | -                      |
| Transportation (Regular & Additional)              | 2,225,699           | 2,073,206              | 2,225,699              | 2,270,213              | 2,315,617              | 2,361,930              | 2,409,168              |
| Nonpublic Pupil Transportation                     | 235,593             | 439,085                | 544,775                | 555,671                | 566,784                | 578,120                | 589,682                |
| Rental & Sinking Fund Payments                     | 736,009             | 557,225                | 632,244                | 634,837                | 634,440                | 821,572                | 821,572                |
| Health Services                                    | 73,587              | 73,587                 | 67,843                 | 69,200                 | 70,584                 | 71,996                 | 73,435                 |
| State Property Tax Reduction Allocation            | 2,359,927           | 2,359,166              | 2,359,561              | 2,406,752              | 2,454,887              | 2,503,985              | 2,554,065              |
| Safe Schools                                       | 11,980              | 25,000                 | -                      | -                      | -                      | -                      | -                      |
| Ready to Learn Grant                               | 850,686             | 850,686                | 850,686                | 850,686                | 850,686                | 850,686                | 850,686                |
| Revenue for Social Security Payments               | 1,299,280           | 953,124                | 978,773                | 1,074,686              | 1,090,807              | 1,090,807              | 1,090,807              |
| Revenue for Retirement Payments                    | 6,489,895           | 4,564,940              | 4,668,562              | 5,111,008              | 5,187,673              | 5,187,673              | 5,187,673              |
| <b>Total</b>                                       | <b>36,106,584</b>   | <b>34,025,473</b>      | <b>33,723,334</b>      | <b>34,796,085</b>      | <b>35,430,881</b>      | <b>36,171,269</b>      | <b>36,735,589</b>      |

|                                                  |               |                |               |               |               |               |               |
|--------------------------------------------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Revenue from Federal Sources                     |               |                |               |               |               |               |               |
| Unrstct. Fed. Grants-in-Aid Direct - Fed. Govt.  | 29,517        | -              | -             | -             | -             | -             | -             |
| NCLB Title I - Imprv. Acad. Ach. (Disadvantaged) | 1,979,949     | 1,542,858      | 1,419,550     | 1,419,550     | 1,419,550     | 1,419,550     | 1,419,550     |
| NCLB Title II - Prep/Trng/Recruit. HQ Tchrs/Prin | 244,884       | 171,471        | 197,851       | 197,851       | 197,851       | 197,851       | 197,851       |
| NCLB Title IV - 21st Century Schools             | 392,388       | 200,043        | 105,261       | 105,261       | 105,261       | 105,261       | 105,261       |
| Schl Based ACCESS Med Reimb Prog                 | -             | 1,192,013      | 600,000       | 600,000       | 600,000       | 600,000       | 600,000       |
| Medical Asst Reimb for Admin Claiming            | 25,313        | 34,363         | 25,000        | 25,000        | 25,000        | 25,000        | 25,000        |
| ARRA- Build America Bonds                        | 2,107,581     | 2,115,492      | 2,104,191     | 2,065,625     | 2,065,996     | 2,229,600     | 2,202,932     |
| Total                                            | 4,779,632     | 5,256,240      | 4,451,853     | 4,413,287     | 4,413,658     | 4,577,262     | 4,550,594     |
| Other Financing Sources                          |               |                |               |               |               |               |               |
| Bond Premiums                                    | 41,708        | -              | -             | -             | -             | -             | -             |
| Sale of/or Compensation for Loss                 | 205,090       | 2,954,520      | -             | -             | -             | -             | -             |
| Total                                            | 246,798       | 2,954,520      | -             | -             | -             | -             | -             |
| Grand Total                                      | \$ 88,917,360 | \$ 91,852,142  | \$ 90,215,164 | \$ 92,343,323 | \$ 94,083,817 | \$ 96,095,242 | \$ 97,742,476 |
| Change YR to YR                                  |               |                |               |               |               |               |               |
| % Change YR to YR                                |               |                |               |               |               |               |               |
|                                                  |               | \$ (1,636,978) | \$ 2,128,159  | \$ 1,740,494  | \$ 2,011,425  | \$ 1,647,235  |               |
|                                                  |               | -1.78%         | 2.36%         | 1.88%         | 2.14%         | 1.71%         |               |

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**GENERAL FUND**  
**EXPENDITURE SUMMARY**

|                    | Actual<br><b>2017-2018</b> | Projected<br><b>2018-2019</b> | Projected<br><b>2019-2020</b> | Projected<br><b>2020-2021</b> | Projected<br><b>2021-2022</b> | Projected<br><b>2022-2023</b> | Projected<br><b>2023-2024</b> |
|--------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Salaries           | \$ 28,743,575              | \$ 27,309,502                 | \$ 24,992,703                 | \$ 24,992,703                 | \$ 25,367,594                 | \$ 25,367,594                 | \$ 25,367,594                 |
| Benefits           | 18,740,454                 | 19,603,281                    | 17,946,223                    | 17,867,559                    | 18,478,193                    | 19,002,713                    | 19,495,104                    |
| Purchased Services | 3,456,984                  | 3,189,200                     | 3,054,807                     | 3,128,122                     | 3,203,197                     | 3,280,074                     | 3,358,796                     |
| Transportation     | 6,783,264                  | 7,461,057                     | 7,363,000                     | 7,539,712                     | 7,720,665                     | 7,905,961                     | 8,095,704                     |
| Debt Service       | 9,209,035                  | 12,022,951                    | 12,019,252                    | 12,023,422                    | 12,015,912                    | 15,560,082                    | 15,955,766                    |
| Outside Tuition    | 17,779,137                 | 17,943,098                    | 18,946,337                    | 19,401,049                    | 19,866,674                    | 20,343,474                    | 20,831,718                    |
| Maintenance        | 2,147,053                  | 2,049,654                     | 2,511,725                     | 2,572,006                     | 2,633,735                     | 2,696,944                     | 2,761,671                     |
| Supplies & Dues    | 1,155,830                  | 967,300                       | 979,016                       | 1,002,512                     | 1,026,573                     | 1,051,210                     | 1,076,439                     |
| Central Office     | 662,756                    | 509,400                       | 956,357                       | 979,310                       | 1,002,813                     | 1,026,881                     | 1,051,526                     |
| Athletics          | 924,049                    | 1,094,612                     | 1,038,797                     | 1,052,090                     | 1,074,205                     | 1,087,235                     | 1,099,607                     |
| Technology         | 398,173                    | 388,602                       | 406,947                       | 411,415                       | 420,550                       | 425,687                       | 430,552                       |
| Total Expenditures | <b>90,000,310</b>          | <b>92,538,657</b>             | <b>90,215,164</b>             | <b>90,969,900</b>             | <b>92,810,110</b>             | <b>97,747,855</b>             | <b>99,524,476</b>             |
| Change YR to YR    | 2,538,347                  | (2,323,493)                   | 754,736                       | 1,840,209                     | 4,937,745                     | 1,776,621                     |                               |
| % Change YR to YR  | 2.82%                      | -2.51%                        | 0.84%                         | 2.02%                         | 5.32%                         | 1.82%                         |                               |

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**SALARIES**

|                         | Actual<br>2017-2018 | Projected         |                   | Projected         |                   | Projected         |                   | Projected         |                   |
|-------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                         |                     | 2018-2019         | 2019-2020         | 2020-2021         | 2021-2022         | 2022-2023         | 2023-2024         |                   |                   |
| <b>Salaries</b>         |                     |                   |                   |                   |                   |                   |                   |                   |                   |
| Teachers                | \$ 20,432,463       | \$ 20,150,210     | \$ 18,394,211     | \$ 18,394,211     | \$ 18,670,124     | \$ 18,670,124     | \$ 18,670,124     | \$ 18,670,124     | \$ 18,670,124     |
| Administrators (Act 93) | 2,439,194           | 1,730,583         | 1,656,846         | 1,656,846         | 1,681,699         | 1,681,699         | 1,681,699         | 1,681,699         | 1,681,699         |
| Secretaries             | 839,476             | 800,423           | 761,022           | 761,022           | 772,437           | 772,437           | 772,437           | 772,437           | 772,437           |
| Aides                   |                     |                   |                   |                   |                   |                   |                   |                   |                   |
| Instructional Service   | 1,761,929           | 1,320,760         | 1,301,872         | 1,301,872         | 1,321,400         | 1,321,400         | 1,321,400         | 1,321,400         | 1,321,400         |
| Health Room             | 3,574               | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Tech Aides              | 159,554             | 115,100           | 78,079            | 78,079            | 79,250            | 79,250            | 79,250            | 79,250            | 79,250            |
| Maintenance             | 28,528              | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Transportation          | 182,299             | 180,333           | 120,000           | 120,000           | 121,800           | 121,800           | 121,800           | 121,800           | 121,800           |
| Custodians              | 4,082               | 28,435            | 29,158            | 29,158            | 29,595            | 29,595            | 29,595            | 29,595            | 29,595            |
| Overtime                | 2,386,933           | 2,715,408         | 2,351,515         | 2,351,515         | 2,386,788         | 2,386,788         | 2,386,788         | 2,386,788         | 2,386,788         |
| Total Expenditures      | 505,543             | 268,250           | 300,000           | 300,000           | 304,500           | 304,500           | 304,500           | 304,500           | 304,500           |
|                         | <b>28,743,575</b>   | <b>27,309,502</b> | <b>24,992,703</b> | <b>24,992,703</b> | <b>25,367,594</b> | <b>25,367,594</b> | <b>25,367,594</b> | <b>25,367,594</b> | <b>25,367,594</b> |

Assumptions:

- 2020-2021 wages are frozen across the board
- 2021-2022 wages increased by 1.5%, frozen next two years.

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**BENEFITS**

| Benefits                              | Actual<br><u>2017-2018</u> | Projected<br><u>2018-2019</u> | Projected<br><u>2019-2020</u> | Projected<br><u>2020-2021</u> | Projected<br><u>2021-2022</u> | Projected<br><u>2022-2023</u> | Projected<br><u>2023-2024</u> |
|---------------------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                       |                            |                               |                               |                               |                               |                               |                               |
| Health Care                           |                            |                               |                               |                               |                               |                               |                               |
| Medical                               | 4,886,702                  | 5,182,847                     | 4,393,447                     | \$ 4,613,119                  | \$ 4,843,775                  | \$ 5,085,964                  | \$ 5,340,262                  |
| Dental                                | 303,984                    | 287,211                       | 337,097                       | 353,952                       | 371,649                       | 390,232                       | 409,744                       |
| Life                                  | 46,131                     | 20,485                        | 32,608                        | 34,238                        | 35,950                        | 37,748                        | 39,635                        |
| Social Security                       | 2,151,658                  | 2,269,528                     | 1,903,559                     | 1,911,942                     | 1,940,621                     | 1,940,621                     | 1,940,621                     |
| PSERS                                 | 9,385,122                  | 9,933,742                     | 9,095,131                     | 8,936,752                     | 9,180,373                     | 9,349,945                     | 9,469,950                     |
| Unemployment Compensation             | (2,025)                    | 7,343                         | 300,000                       | 50,000                        | 51,200                        | 52,429                        | 53,687                        |
| Workers Compensation                  | 361,952                    | 480,500                       | 404,781                       | 414,496                       | 424,444                       | 434,630                       | 445,061                       |
| Other Post Employment Benefits (OPEB) | 1,586,765                  | 1,400,000                     | 1,459,600                     | 1,532,580                     | 1,609,209                     | 1,689,669                     | 1,774,153                     |
| Uniforms (Maintenance)                | 20,165                     | 21,625                        | 20,000                        | 20,480                        | 20,972                        | 21,475                        | 21,990                        |
| Total Expenditures                    | <u>18,740,454</u>          | <u>19,603,281</u>             | <u>17,946,223</u>             | <u>17,867,559</u>             | <u>18,478,193</u>             | <u>19,002,713</u>             | <u>19,495,104</u>             |

## Assumptions:

- For 2020-2021 through 2023-2024:
  - Health Care & OPEB insurance projected 5% increase over prior year
  - Social Security projected at 7.65% of wages for each year
  - PSERS Increases
    - 2020-2021 increased to 34.77%
    - 2021-2022 increased to 35.19%
    - 2022-2023 increased to 35.84%
    - 2023-2024 increased to 36.30%
  - Workers Compensation
    - 2019-2020 reflects projected increase based on staffing initiatives.
    - 2020-2021 decreased to support any additional staffing changes
    - 2021-2022 through 2023-2024 reflect inflationary increase of 2.4%
    - Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for:
      - Tuition Reimbursement
      - Unemployment Compensation
      - Uniforms

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**PURCHASED SERVICES**

|                                        | <u>Actual<br/>2017-2018</u> | <u>Projected<br/>2018-2019</u> | <u>Projected<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|----------------------------------------|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Purchased Services</b>              |                             |                                |                                |                                |                                |                                |                                |
| Security                               | \$ 726,368                  | \$ 700,000                     | \$ 775,000                     | \$ 793,600                     | \$ 812,646                     | \$ 832,150                     | \$ 852,122                     |
| Intermediate Unit                      | 835,917                     | 780,000                        | 641,714                        | 657,116                        | 672,886                        | 689,036                        | 705,572                        |
| Substitution Services                  | 320,015                     | 300,000                        | 332,816                        | 340,803                        | 348,982                        | 357,358                        | 365,935                        |
| Solicitor/Special Counsel              | 256,120                     | 221,200                        | 190,000                        | 194,560                        | 199,229                        | 204,011                        | 208,907                        |
| Copiers                                | 350,461                     | 188,000                        | 190,644                        | 195,219                        | 199,905                        | 204,702                        | 209,615                        |
| Other Miscellaneous Purchased Services | 33,849                      | -                              | -                              | -                              | -                              | -                              | -                              |
| Other Professional Education Services  | 385,414                     | 500,000                        | 343,200                        | 351,437                        | 359,871                        | 368,508                        | 377,352                        |
| Other Professional Services            | 548,840                     | 500,000                        | 581,433                        | 595,387                        | 609,677                        | 624,309                        | 639,292                        |
| <b>Total Expenditures</b>              | <b>3,456,984</b>            | <b>3,189,200</b>               | <b>3,054,807</b>               | <b>3,128,122</b>               | <b>3,203,197</b>               | <b>3,280,074</b>               | <b>3,358,796</b>               |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**TRANSPORTATION**

|                     | Actual<br><u>2017-2018</u> | Projected<br><u>2018-2019</u> | Projected<br><u>2019-2020</u> | Projected<br><u>2020-2021</u> | Projected<br><u>2021-2022</u> | Projected<br><u>2022-2023</u> | Projected<br><u>2023-2024</u> |
|---------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Transportation      | \$ 6,783,264               | \$ 7,461,057                  | \$ 7,363,000                  | \$ 7,539,712                  | \$ 7,720,665                  | \$ 7,905,961                  | \$ 8,095,704                  |
| Contracted Carriers |                            |                               |                               |                               |                               |                               |                               |
| Total Expenditures  | <b>\$ 6,783,264</b>        | <b>7,461,057</b>              | <b>7,363,000</b>              | <b>7,539,712</b>              | <b>7,720,665</b>              | <b>7,905,961</b>              | <b>8,095,704</b>              |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**DEBT SERVICE**

|                    | <b>Actual<br/>2017-2018</b> | <b>Projected<br/>2018-2019</b> |                   | <b>Projected<br/>2019-2020</b> |                   | <b>Projected<br/>2020-2021</b> |                   | <b>Projected<br/>2021-2022</b> |  | <b>Projected<br/>2022-2023</b> |  | <b>Projected<br/>2023-2024</b> |  |
|--------------------|-----------------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|--|--------------------------------|--|--------------------------------|--|
|                    |                             |                                |                   |                                |                   |                                |                   |                                |  |                                |  |                                |  |
| Debt Service       |                             |                                |                   |                                |                   |                                |                   |                                |  |                                |  |                                |  |
| Principal          | \$ 220,000                  | \$ 2,430,000                   | \$ 2,545,000      | \$ 2,660,000                   | \$ 2,775,000      | \$ 2,890,000                   | \$ 3,005,000      |                                |  |                                |  |                                |  |
| Interest           | 8,955,983                   | 9,493,587                      | 9,374,252         | 9,263,422                      | 9,140,912         | 12,570,082                     | 12,850,766        |                                |  |                                |  |                                |  |
| Other              | 33,052                      | 99,364                         | 100,000           | 100,000                        | 100,000           | 100,000                        | 100,000           |                                |  |                                |  |                                |  |
| Total Expenditures | <b>9,209,035</b>            | <b>12,022,951</b>              | <b>12,019,252</b> | <b>12,023,422</b>              | <b>12,015,912</b> | <b>15,560,082</b>              | <b>15,955,766</b> |                                |  |                                |  |                                |  |

Assumptions:

- Principal and interest payments are based on debt amortization schedules
- Other line item represents interest expense associated with the TAN. Assumes District continues to obtain \$9.9 million TAN at 4%

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**OUTSIDE TUITION**

|                                                 | <u>Actual<br/>2017-2018</u> | <u>Projected<br/>2018-2019</u> |                              | <u>Projected<br/>2019-2020</u> |                   | <u>Projected<br/>2020-2021</u> |                   | <u>Projected<br/>2021-2022</u> |                   | <u>Projected<br/>2022-2023</u> |                   | <u>Projected<br/>2023-2024</u> |         |    |
|-------------------------------------------------|-----------------------------|--------------------------------|------------------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|---------|----|
|                                                 |                             | Tuition                        | Other School Districts in PA | \$                             | 296,408           | \$                             | 435,500           | \$                             | 445,952           | \$                             | 456,655           | \$                             | 467,615 | \$ |
| Pennsylvania Charter Schools                    | 14,306,483                  | 14,310,224                     | 15,305,963                   |                                | 15,673,306        |                                | 16,049,465        |                                | 16,434,653        |                                | 16,829,084        |                                |         |    |
| Nonpublic Schools                               | 819,448                     | 919,912                        | 900,000                      |                                | 921,600           |                                | 943,718           |                                | 966,368           |                                | 989,560           |                                |         |    |
| Institutions of Higher Education                | 15,813                      | 20,000                         | 22,487                       |                                | 23,027            |                                | 23,579            |                                | 24,145            |                                | 24,725            |                                |         |    |
| Career and Technology Centers                   | 905,145                     | 1,000,000                      | 935,546                      |                                | 957,999           |                                | 980,991           |                                | 1,004,535         |                                | 1,028,644         |                                |         |    |
| Approved Private Schools                        | 831,256                     | 802,507                        | 801,841                      |                                | 821,085           |                                | 840,791           |                                | 860,970           |                                | 881,634           |                                |         |    |
| Private Residential Rehabilitative Institutions | 247,362                     | 594,047                        | 545,000                      |                                | 558,080           |                                | 571,474           |                                | 585,189           |                                | 599,234           |                                |         |    |
| Total Expenditures                              | <b>17,779,137</b>           | <b>17,943,098</b>              | <b>18,946,337</b>            |                                | <b>19,401,049</b> |                                | <b>19,866,674</b> |                                | <b>20,343,474</b> |                                | <b>20,831,718</b> |                                |         |    |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**MAINTENANCE / UTILITIES**

|                                | <u>Actual<br/>2017-2018</u> | <u>Projected<br/>2018-2019</u> | <u>Projected<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|--------------------------------|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Maintenance / Utilities</b> |                             |                                |                                |                                |                                |                                |                                |
| Electric                       | \$ 820,957                  | \$ 775,193                     | \$ 770,675                     | \$ 789,171                     | \$ 808,111                     | \$ 827,506                     | \$ 847,366                     |
| Water / Sewage                 | 142,280                     | 145,300                        | 117,000                        | 119,808                        | 122,683                        | 125,628                        | 128,643                        |
| Equipment                      | 275,831                     | 150,000                        | 370,600                        | 379,494                        | 388,602                        | 397,929                        | 407,479                        |
| Natural Gas                    | 372,729                     | 312,625                        | 356,200                        | 364,749                        | 373,503                        | 382,467                        | 391,646                        |
| Gasoline (District Vehicles)   | 11,580                      | -                              | 12,000                         | 12,288                         | 12,583                         | 12,885                         | 13,194                         |
| Gasoline (Transportation)      | 320,242                     | 471,536                        | 392,000                        | 401,408                        | 411,042                        | 420,907                        | 431,009                        |
| Repairs and Maintenance        | 203,434                     | 195,000                        | 493,250                        | 505,088                        | 517,210                        | 529,623                        | 542,334                        |
| <b>Total Expenditures</b>      | <b>2,147,053</b>            | <b>2,049,654</b>               | <b>2,511,725</b>               | <b>2,572,006</b>               | <b>2,633,735</b>               | <b>2,696,944</b>               | <b>2,761,671</b>               |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**SUPPLIES & DUES**

|                        | Actual<br><u>2017-2018</u> | Projected<br><u>2018-2019</u> | Projected<br><u>2019-2020</u> | Projected<br><u>2020-2021</u> | Projected<br><u>2021-2022</u> | Projected<br><u>2022-2023</u> | Projected<br><u>2023-2024</u> |
|------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Buildings (Principals) | \$ 1,108,191               | \$ 925,000                    | \$ 903,716                    | \$ 925,405                    | \$ 947,615                    | \$ 970,358                    | \$ 993,646                    |
| Supplies               | 47,639                     | 42,300                        | 75,300                        | 77,107                        | 78,958                        | 80,853                        | 82,793                        |
| Dues / Fees            |                            |                               |                               |                               |                               |                               |                               |
| Total Expenditures     | <u>1,155,830</u>           | <u>967,300</u>                | <u>979,016</u>                | <u>1,002,512</u>              | <u>1,026,573</u>              | <u>1,051,210</u>              | <u>1,076,439</u>              |

Assumptions:

- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**CENTRAL OFFICE**

|                          | <u>Actual<br/>2017-2018</u> | <u>Projected<br/>2018-2019</u> | <u>Projected<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|--------------------------|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Central Office</b>    |                             |                                |                                |                                |                                |                                |                                |
| Insurance                | \$ 197,248                  | \$ 238,000                     | \$ 193,000                     | \$ 197,632                     | \$ 202,375                     | \$ 207,232                     | \$ 212,206                     |
| Advertising              | 3,630                       | 3,000                          | 3,600                          | 3,686                          | 3,775                          | 3,865                          | 3,958                          |
| Telephones               | 56,837                      | 88,900                         | 74,400                         | 76,186                         | 78,014                         | 79,886                         | 81,804                         |
| Administrative Services  | 77,855                      | 79,500                         | 82,000                         | 83,968                         | 85,983                         | 88,047                         | 90,160                         |
| Professional Development | 99,402                      | 15,000                         | 12,020                         | 12,308                         | 12,604                         | 12,906                         | 13,216                         |
| Other                    | 227,784                     | 85,000                         | 591,337                        | 605,529                        | 620,062                        | 634,943                        | 650,182                        |
| Total Expenditures       | <b>662,756</b>              | <b>509,400</b>                 | <b>956,357</b>                 | <b>979,310</b>                 | <b>1,002,813</b>               | <b>1,026,881</b>               | <b>1,051,526</b>               |

Assumptions:

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**ATHLETICS**

|                               | <u>Actual<br/>2017-2018</u> | <u>Projected<br/>2018-2019</u> | <u>Projected<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|-------------------------------|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                               |                             |                                |                                |                                |                                |                                |                                |
| Athletics                     | \$ 85,862                   | \$ 83,415                      | \$ 86,275                      | \$ 86,275                      | \$ 87,569                      | \$ 87,569                      | \$ 87,569                      |
| Athletic Director             | \$ 403,672                  | \$ 489,411                     | \$ 405,966                     | \$ 405,966                     | \$ 412,055                     | \$ 412,055                     | \$ 412,055                     |
| Coaches, Clerical, Inst. Asst | 19,546                      | 29,601                         | 39,405                         | 41,375                         | 43,444                         | 45,616                         | 47,897                         |
| Benefits                      | 38,059                      | 43,821                         | 37,345                         | 37,656                         | 38,221                         | 38,221                         | 38,221                         |
| Social Security               | 113,989                     | 191,496                        | 167,399                        | 171,152                        | 175,818                        | 179,065                        | 181,364                        |
| PSERS                         | 2,700                       | -                              | 2,800                          | 2,867                          | 2,936                          | 3,006                          | 3,079                          |
| Dues/Fees                     | 175,019                     | 165,000                        | 178,711                        | 183,000                        | 187,392                        | 191,889                        | 196,495                        |
| Officials                     | 13,792                      | 13,792                         | 13,792                         | 14,123                         | 14,462                         | 14,809                         | 15,164                         |
| Insurance                     | 5,660                       | 13,076                         | 19,967                         | 20,446                         | 20,937                         | 21,439                         | 21,954                         |
| Transportation                | 65,750                      | 65,000                         | 87,137                         | 89,228                         | 91,370                         | 93,563                         | 95,808                         |
| Total Expenditures            | <b>924,049</b>              | <b>1,094,612</b>               | <b>1,038,797</b>               | <b>1,052,090</b>               | <b>1,074,205</b>               | <b>1,087,235</b>               | <b>1,099,607</b>               |

Assumptions:

- 2020-2021 wages are frozen across the board
- 2021-2022 wages increased by 1.5%, frozen next two years.
- For 2020-2021 through 2023-2024:
  - Health Care insurance projected 5% increase over prior year
  - Social Security projected at 7.65% of wages for each year
- PSERS Increases
  - 2020-2021 increased to 34.77%
  - 2021-2022 increased to 35.19%
  - 2022-2023 increased to 35.84%
  - 2023-2024 increased to 36.30%
- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all other line items

**PENN HILLS SCHOOL DISTRICT**  
**FINANCIAL PROJECTION (WITH INITIATIVES)**  
**TECHNOLOGY**

|                           | <u>Actual<br/>2017-2018</u> | <u>Projected<br/>2018-2019</u> | <u>Projected<br/>2019-2020</u> | <u>Projected<br/>2020-2021</u> | <u>Projected<br/>2021-2022</u> | <u>Projected<br/>2022-2023</u> | <u>Projected<br/>2023-2024</u> |
|---------------------------|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                           |                             |                                |                                |                                |                                |                                |                                |
| Salaries                  | \$ 214,679                  | \$ 230,881                     | \$ 217,536                     | \$ 217,536                     | \$ 220,799                     | \$ 220,799                     | \$ 220,799                     |
| Group Insurance           | 44,813                      | 48,295                         | 41,100                         | 43,155                         | 45,313                         | 47,578                         | 49,957                         |
| Social Security           | 16,167                      | 17,662                         | 16,642                         | 16,642                         | 16,891                         | 16,891                         | 16,891                         |
| PSERS                     | 68,030                      | 77,184                         | 74,594                         | 75,637                         | 77,699                         | 79,134                         | 80,150                         |
| Unemployment Compensation | 72                          | -                              | -                              | -                              | -                              | -                              | -                              |
| Workers Compensation      | 3,755                       | 3,580                          | 3,575                          | 3,661                          | 3,749                          | 3,839                          | 3,931                          |
| Repairs & Maintenance     | 14,588                      | 1,000                          | 16,000                         | 16,384                         | 16,777                         | 17,180                         | 17,592                         |
| Supplies                  | 2,014                       | 8,000                          | 3,500                          | 3,584                          | 3,670                          | 3,758                          | 3,848                          |
| Replacement Equipment     | 34,055                      | 2,000                          | 34,000                         | 34,816                         | 35,652                         | 36,507                         | 37,383                         |
| Total Expenditures        | <b>398,173</b>              | <b>388,602</b>                 | <b>406,947</b>                 | <b>411,415</b>                 | <b>420,550</b>                 | <b>425,687</b>                 | <b>430,552</b>                 |

Assumptions:

- 2020-2021 wages are frozen
- 2021-2022 wages increased by 1.5%, frozen next two years.
- For 2020-2021 through 2023-2024:
  - Health Care insurance projected 5% increase over prior year
  - Social Security projected at 7.65% of wages for each year
- PSERS Increases
  - 2020-2021 increased to 34.77%
  - 2021-2022 increased to 35.19%
  - 2022-2023 increased to 35.84%
  - 2023-2024 increased to 36.30%
- Used inflationary increase of 2.4% for 2020-2021 through 2023-2024 for all other line items

**PENN HILLS SCHOOL DISTRICT  
AP ENROLLMENT DATA**

**Test Data****5 Year History**

|                            |  | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------------|--|------|------|------|------|------|------|------|------|
| Number of Exams Taken      |  | 100  | 104  | 123  | 139  | 200  | 276  | 396  | 424  |
| AP Students with Scores 3+ |  | 29   | 41   | 46   | 62   | 81   | 83   | 128  | 112  |
| % Students with Scores 3+  |  | 29%  | 40%  | 37%  | 45%  | 40%  | 30%  | 32%  | 26%  |

2013-14

|                                    | Studio Arts | English Lang | English Lit | Europe History | Psych | US History | Calc AB | Calc BC | Stats | Bio | Chem | Physics | Germ | Span | World History | TOTAL |
|------------------------------------|-------------|--------------|-------------|----------------|-------|------------|---------|---------|-------|-----|------|---------|------|------|---------------|-------|
| # of Exams                         | 5           | 24           | 16          | 3              | 32    | 23         | 13      | 1       | 1     | 10  | 9    | 0       | 1    | 1    | na            | 139   |
| # of Students w/ score of $\geq 3$ | 4           | 14           | 10          | 3              | 10    | 5          | 9       | 1       | 1     | 2   | 2    | 0       | 1    | 0    | na            | 62    |
| % of students w/ score of $\geq 3$ | 80%         | 58%          | 63%         | 100%           | 31%   | 22%        | 69%     | 100%    | 100%  | 20% | 22%  | na      | 100% | 0%   | na            | 45%   |
| Average Score                      | 3           | 2.7          | 2.9         | 3              | 2.1   | 2.1        | 3.2     | 3       | 5     | 1.9 | 2.2  | na      | 3    | 2    | na            | 2.8   |

| 2014-15                            | Studio Arts | English Lang | English Lit | Europe History | Psych | US History | Calc AB | Calc BC | Stats | Bio | Chem | Physics | Germ | Span | World History | TOTAL |
|------------------------------------|-------------|--------------|-------------|----------------|-------|------------|---------|---------|-------|-----|------|---------|------|------|---------------|-------|
| # of Exams                         | 4           | 23           | 13          | 2              | 32    | 65         | 9       | 9       | 1     | 24  | 11   | 3       | na   | 4    | na            | 200   |
| # of Students w/ score of $\geq 3$ | 0           | 14           | 10          | 1              | 22    | 11         | 4       | 7       | 1     | 5   | 1    | 3       | na   | 2    | na            | 81    |
| % of students w/ score of $\geq 3$ | 0%          | 61%          | 77%         | 50%            | 69%   | 17%        | 44%     | 78%     | 100%  | 21% | 9%   | 100%    | na   | 50%  | na            | 41%   |
| Average Score                      | 2           | 2.8          | 2.9         | 2.5            | 2.8   | 1.7        | 2.6     | 2.8     | 5     | 1.9 | 1.6  | 3       | na   | 2.5  | na            | 2.6   |

| 2015-16                            | Studio Arts | English Lang | English Lit | Europe History | Psych | US History | Calc AB | Calc BC | Stats | Bio | Chem | Physics | Germ | Span | World History | TOTAL |
|------------------------------------|-------------|--------------|-------------|----------------|-------|------------|---------|---------|-------|-----|------|---------|------|------|---------------|-------|
| # of Exams                         | 1           | 38           | 11          | 4              | 38    | 64         | 25      | 5       | 3     | 5   | 30   | 3       | na   | na   | 49            | 276   |
| # of Students w/ score of $\geq 3$ | 1           | 15           | 5           | 1              | 19    | 8          | 13      | 4       | 3     | 0   | 2    | 3       | na   | na   | 9             | 83    |
| % of students w/ score of $\geq 3$ | 100%        | 39%          | 45%         | 25%            | 50%   | 13%        | 52%     | 80%     | 100%  | 0%  | 7%   | 100%    | na   | na   | 18%           | 30%   |
| Average Score                      | 3           | 2.4          | 2.6         | 2              | 2.6   | 1.6        | 2.4     | 3.4     | 3.3   | 1.6 | 1.5  | 3.7     | na   | na   | 1.9           | 2.1   |

| 2016-17                            | Studio Arts | English Lang | English Lit | Europe History | Psych | US History | Calc AB | Calc BC | Stata | Bio | Chem | Physics | Germ | Span | World History | TOTAL |
|------------------------------------|-------------|--------------|-------------|----------------|-------|------------|---------|---------|-------|-----|------|---------|------|------|---------------|-------|
| # of Exams                         | 9           | 66           | 44          | 8              | 57    | 42         | 30      | 18      | na    | 55  | 33   | 7       | na   | na   | 27            | 396   |
| # of Students w/ score of $\geq 3$ | 6           | 20           | 17          | 5              | 22    | 9          | 7       | 10      | na    | 12  | 3    | 1       | na   | na   | 16            | 128   |
| % of students w/ score of $\geq 3$ | 67%         | 30%          | 39%         | 63%            | 39%   | 21%        | 23%     | 56%     | na    | 22% | 9%   | 14%     | na   | na   | 59%           | 32%   |
| Average Score                      | 2.9         | 2.3          | 2.4         | 2.9            | 2.2   | 1.8        | 2       | 2.7     | na    | 1.9 | 1.3  | 1.8     | na   | na   | 2.9           | 2.26  |

| 2017-18                            | Studio Arts | English Lang | English Lit | Europe History | Psych | US History | Cal AB | Cal BC | Stats | Bio | Chem | Physics | Germ | Span | World History | TOTAL |
|------------------------------------|-------------|--------------|-------------|----------------|-------|------------|--------|--------|-------|-----|------|---------|------|------|---------------|-------|
| # of Exams                         | 4           | 127          | 70          | 3              | 31    | 19         | 28     | 13     | 34    | 25  | 35   | 15      | na   | na   | 20            | 424   |
| # of Students w/ score of $\geq 3$ | 4           | 12           | 18          | 2              | 14    | 7          | 14     | 7      | 17    | 2   | 2    | 7       | na   | na   | 6             | 112   |
| % of students w/ score of $\geq 3$ | 100%        | 9%           | 26%         | 67%            | 45%   | 37%        | 50%    | 54%    | 50%   | 8%  | 6%   | 47%     | na   | na   | 30%           | 26%   |
| Average Score                      | 3.8         | 1.6          | 2.1         | 3.3            | 2.5   | 2.1        | 2.7    | 2.7    | 2.6   | 1.8 | 1.4  | 2.4     | na   | na   | 2.2           | 2.40  |

# **Penn Hills High School Courses 2018-19**

## Language Arts

- 1. English I
- 2. English II
- 3. English III
- 4. English IV
- 5. Honors English I
- 6. Honors English II
- 7. AP English Literature
- 8. AP English Language
- 9. English as a Second Language
- 10. Contemporary Global Literature
- 11. Creative Writing
- 12. Journalism

## Social Studies

- 1. Civics
- 2. Honors Civics
- 3. World History
- 4. Honors World History
- 5. United States History
- 6. Modern American US History
- 7. African American/Ethnic Studies
- 8. Psychology
- 9. Sociology
- 10. Societal Law
- 11. AP World History
- 12. AP US History
- 13. AP European History
- 14. AP Psychology

## Mathematics

- 1. Algebra I
- 2. Geometry
- 3. Honors Geometry
- 4. Algebra II
- 5. Honors Algebra II
- 6. Trigonometry & Pre-Calculus
- 7. Honors Trigonometry & Pre-Calculus
- 8. AP Calculus (AB)
- 9. AP Calculus (BC)
- 10. Intro to Calculus
- 11. AP Statistics
- 12. AP Computer Science

## Science

- 1. Life Science
- 2. Honors Biology
- 3. Chemistry
- 4. Academic Chemistry
- 5. Honors Chemistry
- 6. Applied Chemistry
- 7. Health Related Science
- 8. Physics
- 9. Science in Engineering
- 10. Human Anatomy & Physiology
- 11. AP Biology
- 12. AP Chemistry
- 13. AP Physics

# **Penn Hills High School Courses 2018-19**

## World Language

- 1. Spanish I
- 2. Spanish II
- 3. Spanish III
- 4. Spanish IV
- 5. German I
- 6. German II
- 7. German III

## Art Department

- 1. Art I
- 2. Art II
- 3. Advanced Drawing & Painting
- 4. AP Studio Art
- 5. Ceramics

## Music Department

- 1. Band
- 2. Orchestra
- 3. Show Choir
- 4. Piano Lab
- 5. Concert Choir
- 6. Cantabile Choir
- 7. Guitar Lab

## Family and Consumer Science

- 1. Teen Cuisine
- 2. On Your Own
- 3. Child Development
- 4. History of Education

## Technology/Business

- 1. Robotics I
- 2. Robotics II
- 3. Robotics III
- 4. 3D Modeling
- 5. Intro to Engineering
- 6. Advanced Engineering
- 7. STEM Coding I
- 8. STEM Coding II
- 9. STEM Coding III
- 10. Digital Photography
- 11. Video Production I
- 12. Video Production II
- 13. Advanced Studio Broadcasting
- 14. Accounting
- 15. Business Management
- 16. Business Law
- 17. Small Business Development
- 18. Computer Design & Production
- 19. Sports Management I
- 20. Sports Management II

# **Penn Hills High School Courses 2018-19**

## *Naval Science*

1. Naval Science I
2. Naval Science II
3. Naval Science III
4. Naval Science IV

## *Physical Education/Health*

1. Physical Education +  
9th Grade: Penn Hills Way
- 10th Grade: Financial Literacy
- 11th Grade: Career Pathways
- 12th Grade: Foods for You
2. Cyber Physical Education
3. Adaptive Physical Education
4. Health
5. Cyber Health

## *Life Skills Education*

1. Life Skills English
2. Life Skills Consumer Science
3. Life Skills Consumer Math
4. Social Skills
5. Life Skills Computer Science
6. Life Skills Applications

# **Penn Hills High School Courses 2018-19**

## **Chief's Academy - Cyber Education**

### **Language Arts**

- 1. ELA 9
- 2. Honors ELA 9
- 3. ELA 10
- 4. Honors ELA 10
- 5. ELA 11
- 6. Honors ELA 11
- 7. ELA 12
- 8. Honors ELA 12

### **Science**

- 1. Life Science
- 2. Honors Biology
- 3. Chemistry
- 4. Honors Chemistry
- 5. Physics
- 6. Honors Physics

### **Social Studies**

- 1. Civics and Government
- 2. Honors US Government
- 3. World History
- 4. Honors World History
- 5. US History
- 6. Honors US History
- 7. Modern American History
- 8. Psychology
- 9. Sociology

### **Math**

- 1. Algebra I
- 2. Geometry
- 3. Honors Geometry
- 4. Algebra II
- 5. Honors Algebra II
- 6. Trig-Pre Calculus
- 7. Honors Pre-Calculus
- 8. Statistics

### **Electives w/PHSD Cyber Teacher (Social Studies)**

- 1. Honors Economics

### **Electives w/PHSD Cyber Teacher (Science)**

- 1. Environmental Science

# **Penn Hills High School Courses 2018-19**

## **Chief's Academy - Cyber Education**

### **Electives via Cyber Program**

#### **World Languages**

- |                                                                                                                                                                                 |                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1. Spanish I</li> <li>2. Spanish II</li> <li>3. Spanish III</li> <li>4. French I</li> <li>5. French II</li> <li>6. French III</li> </ol> | <ol style="list-style-type: none"> <li>7. German I</li> <li>8. German II</li> <li>9. Chinese I</li> <li>10. Chinese II</li> <li>11. Latin I</li> <li>12. Latin II</li> </ol> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### **Family Consumer Science Electives**

- |                                                                                                                                                                                                            |                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1. Career Planning and Development</li> <li>2. Careers in Criminal Justice</li> <li>3. Early Childhood Education</li> <li>4. Fashion and Interior Design</li> </ol> | <ol style="list-style-type: none"> <li>5. National Security</li> <li>6. Peer Counseling</li> <li>7. Real World Parenting</li> <li>8. Theater, Cinema and Film</li> </ol> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### **Science electives**

- |                                                                                                                                                                                                                              |                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1. Anatomy and Physiology</li> <li>2. Medical Terminology</li> <li>3. Forensic Science I: Secrets of the Dead</li> <li>4. Forensic Science II</li> <li>5. Health Science I</li> </ol> | <ol style="list-style-type: none"> <li>6. Health Science II</li> <li>7. Veterinary Science</li> <li>8. Environmental Science w/ PHSD Cyber teacher</li> <li>9. Keystone Biology</li> </ol> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### **Technology/ Business Electives**

- |                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1. Intro to Business</li> <li>2. Advertising and Sales Promotion</li> <li>3. 2-D Animation</li> <li>4. Audio Engineering</li> <li>5. Business Information Systems</li> <li>6. Digital Arts I</li> <li>7. Digital Arts II</li> </ol> | <ol style="list-style-type: none"> <li>8. Engineering Design I</li> <li>9. Engineering Design II</li> <li>10. Intro to Entrepreneurship I</li> <li>11. Intro to Entrepreneurship II</li> <li>12. Introduction to Coding</li> <li>13. Sports and Entertainment Marketing</li> </ol> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# **Penn Hills High School Courses 2018-19**

## **Chief's Academy - Cyber Education**

### **Electives via Cyber Program**

#### **Social Studies Electives**

- 1. Anthropology I
- 2. Anthropology II
- 3. Criminology: Inside the Criminal Mind
- 4. World Religions
- 5. Economics Micro
- 6. Economics Macro
- 7. Honors Economics w/ PHSD cyber teacher

#### **Art**

- 1. Art in World Cultures
- 2. Intro to Art
- 3. Art History
- 4. Fundamentals of Art Appreciation
- 5. Fundamentals of Art History

#### **Music**

- 1. Music theory

#### **Math electives**

- 1. Finite Math
- 2. Keystone Math

**PENN HILLS SCHOOL DISTRICT**  
**STUDENT CLUBS & ACTIVITIES**

|                                      |                            |
|--------------------------------------|----------------------------|
| SADD                                 | Newspaper Club             |
| Marching Band Director               | Computer Club              |
| Concert/Orchestra/Stage Band         | 6th Grade Choir            |
| 9th Grade Orchestra                  | 8th Grade Choir            |
| 9th Grade Band                       | 5th Grade Choir            |
| Color Guard                          | 7th Grade Choir            |
| Rhythmettes                          | Just Say No                |
| Elementary Instrumental-Orchestra    | Bible Club                 |
| Elementary Instrumental -Band        | Student Council/Class      |
| High School Stage Crew               | Student Assistance Program |
| German Club                          | Spring Musical             |
| Key Club                             | 8th Grade Band             |
| Interact Club                        | Jazz Band                  |
| Student Council                      | 6th Grade Band             |
| Odyssey Mind                         | 7th Grade Band             |
| Yearbook                             | 5th Grade Band             |
| Video Production Club                | Theater Stage Crew         |
| Computer Club                        | Penn Hills Pals            |
| 8th Grade Orchestra                  | Elementary Choral          |
| 7th Grade Orchestra                  | National Honor Society     |
| 6 <sup>th</sup> Grade Orchestra      | Fall Theater Production    |
| 5th Grade Orchestra                  |                            |
| Career Club                          |                            |
| ANIME Club                           |                            |
| Garden Club                          |                            |
| Invention Convention                 |                            |
| FBLA                                 |                            |
| Spanish Club                         |                            |
| NJROTC Afterschool                   |                            |
| Black Student Union                  |                            |
| NAACP Club                           |                            |
| Coalition Against Violence Club      |                            |
| Black Women for Positive Change Club |                            |
| World Affairs Council of Pittsburgh  |                            |
| Model UN Club                        |                            |

**PENN HILLS SCHOOL DISTRICT****SPORTS**

| <b>SPORT</b>           | <b>MALE</b>    | <b>FEMALE</b>  |
|------------------------|----------------|----------------|
| <b>Football</b>        | V, JV, FR, 7/8 |                |
| <b>Soccer</b>          | V, JV, 7/8     | V, JV, 7/8     |
| <b>Volleyball</b>      | V              | V, JV, 7/8     |
| <b>Cross Country</b>   | V              | V              |
| <b>Swim and Dive</b>   | V, 7/8         | V, 7/8         |
| <b>Basketball</b>      | V, JV, FR, 7/8 | V, JV, FR, 7/8 |
| <b>Bowling</b>         | V              | V              |
| <b>Track and Field</b> | V, 7/8         | V, 7/8         |
| <b>Baseball</b>        | V, JV, 7/8     |                |
| <b>Softball</b>        |                | V, JV, 7/8     |
| <b>Golf</b>            | V              |                |
| <b>Tennis</b>          |                | V              |
| <b>Wrestling</b>       | V              |                |
| <b>Cheerleading</b>    |                | V, JV, 7/8     |
| <b>Fitness</b>         | V              | V              |

**V = VARSITY****JV = JUNIOR  
VAR.****FR =  
FRESHMEN**

**Initiatives in Chronological Order by Deadlines (Subject to Change)**

|     | <b>START DATE</b> | <b>DEADLINES</b> | <b>INITIATIVE</b> | <b>TOPIC</b>                | <b>STATUS</b> |
|-----|-------------------|------------------|-------------------|-----------------------------|---------------|
| 1.  | April 1, 2019     | May 31, 2019     | CON 1             | Garbage Contract            |               |
| 2.  | April 1, 2019     | May 31, 2019     | CON 2             | Insurance Broker            |               |
| 3.  | March 1, 2019     | June 30, 2019    | OPE 1             | Supplies                    |               |
| 4.  | March 1, 2019     | June 30, 2019    | ACA 12            | Supplementals               |               |
| 5.  | March 1, 2019     | June 30, 2019    | ACA 13            | Athletics                   |               |
| 6.  | May 1, 2019       | June 30, 2019    | REV 1             | Real Estate Taxes           |               |
| 7.  | May 1, 2019       | June 30, 2019    | REV 12            | Transitional Loan           |               |
| 8.  | March 1, 2019     | July 31, 2019    | OPE 9             | Time Mgt. System            |               |
| 9.  | May 2019          | July 31, 2019    | HR 1              | Resume Assistance           |               |
| 10. | June 1, 2019      | July 31, 2019    | OPE 8             | Direct Deposit              |               |
| 11. | July 1, 2019      | August 31, 2019  | ACA 7 (Pt. 1)     | Middle School Model         |               |
| 12. | July 1, 2019      | Sept. 30, 2019   | ACA 10            | District Program Plans      |               |
| 13. | July 1, 2019      | Sept. 30, 2019   | OPE 10            | Auditor General Report      |               |
| 14. | July 1, 2019      | Sept. 30, 2019   | CON 4             | Solicitor Contract          |               |
| 15. | August 1, 2019    | Oct. 1, 2019     | ACA 2             | Kindergarten Sections       |               |
| 16. | March 1, 2019     | Oct. 31, 2019    | OPE 11            | Health Care Programs        |               |
| 17. | Sept. 1, 2019     | Nov. 30, 2019    | OPSY 1            | Buildings and Grounds Audit |               |
| 18. | Sept. 1, 2019     | Nov. 30, 2019    | OPSY 2            | Transportation Audit        |               |
| 19. | Oct. 1, 2019      | Nov. 30, 2019    | CON 6             | Transportation Contract     |               |
| 20. | July 1, 2019      | Dec. 31, 2019    | CBA 8             | Early Retirement Incentive  |               |
| 21. | Sept. 1, 2019     | Dec. 31, 2019    | OPE 3             | Administrative Manuals      |               |
| 22. | Sept. 1, 2019     | Dec. 31, 2019    | OPE 12            | Fund Balance Policy         |               |
| 23. | Oct. 1, 2019      | Dec. 31, 2019    | OPSY 3            | Cafeteria Audit             |               |
| 24. | Oct. 1, 2019      | Dec. 31, 2019    | OPSY 4            | Special Education Audit     |               |
| 25. | Dec. 1, 2019      | January 2020     | CON 5             | Cafeteria Contract          |               |
| 26. | March 1, 2019     | Feb. 29, 2020    | ACA 9             | Forbes Road CTC             |               |
| 27. | Sept. 1, 2019     | Feb. 29, 2020    | ACA 7 (Pt. 2)     | Middle School Climate       |               |
| 28. | January 2020      | February 2020    | CBA 2             | Meet & Discuss              |               |
| 29. | January 2020      | February 2020    | OPE 2             | Close Middle School Pool    |               |
| 30. | Nov. 1, 2019      | March 2020       | OPE 7             | Close Middle School         |               |
| 31. | January 1, 2020   | March 31, 2020   | OPSY 5            | Security Audit              |               |
| 32. | January 1, 2020   | March 31, 2020   | OPSY 6            | Technology Audit            |               |
| 33. | January 2020      | March 2020       | CBA 1             | Outsource Options           |               |
| 34. | March 2020        | April 2020       | CON 3             | Security Contract           |               |
| 35. | March 2020        | April 2020       | CON 7             | Technology Contracts        |               |
| 36. | March 1, 2020     | May 31, 2020     | OPSY 7            | Insurance Audit             |               |
| 37. | March 2020        | May 2020         | CBA 3             | Teachers Contract           |               |
| 38. | March 2020        | May 2020         | CBA 4             | Support Contract            |               |
| 39. | March 2020        | May 2020         | CBA 5             | Custodians Contract         |               |
| 40. | March 2020        | May 2020         | CBA 6             | Cafeteria Contract          |               |
| 41. | March 2020        | May 2020         | CBA 7             | Administrators Contract     |               |
| 42. | April 2020        | May 2020         | CON 8             | Vendors Contracts           |               |
| 43. | May 1, 2019       | June 30, 2020    | ACA 1             | Teacher Furloughs           |               |
| 44. | May 1, 2019       | June 30, 2020    | ACA 4             | Paraprofessional Furloughs  |               |
| 45. | May 1, 2019       | June 2020        | ACA 11            | Administration Furloughs    |               |

**Initiatives in Chronological Order by Deadlines (Subject to Change)**

|     |                |               |        |                            |  |
|-----|----------------|---------------|--------|----------------------------|--|
| 46. | May 1, 2019    | June 30, 2020 | PL 1   | Custodians Furloughs       |  |
| 47. | May 1, 2019    | June 30, 2020 | SEC 1  | Secretaries Furloughs      |  |
| 48. | July 1, 2019   | June 30, 2020 | FS 1   | Cafeteria Furloughs        |  |
| 49. | July 1, 2019   | June 30, 2020 | ACA 8  | Staff Absenteeism          |  |
| 50. | July 1, 2019   | June 30, 2020 | OPE 4  | Consortium Options         |  |
| 51. | July 1, 2019   | June 30, 2020 | OPE 5  | Shared Services            |  |
| 52. | July 1, 2019   | June 30, 2020 | REV 2  | Delinquent Taxes           |  |
| 53. | July 1, 2019   | June 30, 2020 | REV 3  | Earned Income Tax          |  |
| 54. | July 1, 2019   | June 30, 2020 | REV 4  | ACCESS Reimbursement       |  |
| 55. | July 1, 2019   | June 30, 2020 | REV 5  | Bussing Reimbursement      |  |
| 56. | July 1, 2019   | June 30, 2020 | REV 6  | Cafeteria Revenue          |  |
| 57. | July 1, 2019   | June 30, 2020 | REV 7  | Event Rates                |  |
| 58. | July 1, 2019   | June 30, 2020 | REV 8  | Chiefs Academy             |  |
| 59. | July 1, 2019   | June 30, 2020 | REV 9  | Special Education Programs |  |
| 60. | July 1, 2019   | June 30, 2020 | REV 10 | Grant Writing              |  |
| 61. | July 1, 2019   | June 30, 2020 | REV 11 | Public Relations           |  |
| 62. | July 1, 2019   | June 30, 2020 | REV 13 | Subsidy Increase           |  |
| 63. | July 1, 2019   | June 30, 2020 | REV 14 | Charter School Tuition     |  |
| 64. | July 1, 2019   | June 30, 2020 | REV 15 | Legislation Topics         |  |
| 65. | July 1, 2019   | June 30, 2020 | REV 16 | KOZ Zones                  |  |
| 66. | July 1, 2019   | June 30, 2020 | REV 17 | Education Foundation       |  |
| 67. | July 1, 2019   | June 30, 2020 | REV 18 | Non-Profit Ideas           |  |
| 68. | July 1, 2019   | June 30, 2020 | REV 19 | Leasing Opportunities      |  |
| 69. | August 1, 2019 | June 30, 2020 | ACA 3  | Academic Coaches           |  |
| 70. | August 1, 2019 | June 30, 2020 | ACA 5  | Achievement Ideas          |  |
| 71. | Sept. 1, 2019  | June 30, 2020 | ACA 6  | Testing Options            |  |
| 72. | Sept. 1, 2019  | June 30, 2020 | FIN 1  | Debt Service               |  |
| 73. | January 2020   | June 2020     | OPE 6  | Board Training             |  |
|     |                |               |        |                            |  |
|     |                |               |        |                            |  |

## **APPENDIX E**

### **PROPOSED FORM OF BOND COUNSEL OPINION**

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## APPENDIX E

The proposed form of the legal opinions of the Law Offices of Wayne D. Gerhold, Bond Counsel, is set forth below. The actual opinions will be delivered on the date of delivery of the bonds referred to therein and may vary from the form to reflect circumstances both factual and legal at the time of delivery.

\$101,780,000  
PENN HILLS SCHOOL DISTRICT  
(Allegheny County, Pennsylvania)  
GENERAL OBLIGATION BONDS, SERIES OF 2020  
Dated February 13, 2020 - Final Maturity October 1, 2042

### OPINION OF BOND COUNSEL

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

February 13, 2020

I have served as Bond Counsel to the Penn Hills School District (Allegheny County, Pennsylvania) (the "Local Government Unit") and do hereby undertake to advise you in connection with the issuance, sale and delivery of its sale and delivery of its \$101,780,000, aggregate principal amount, General Obligation Bonds, Series of 2020 (the "Bonds"), issued in fully registered form, denominated in \$5,000.00 or any integral multiple thereof, dated and bearing interest from February 13, 2020. The Bonds will mature on various annual dates ending October 1, 2042. The Bonds stated to mature on or after October 1, 2030 are subject to optional redemption on October 1, 2029 or on any date thereafter.

In that capacity, I have examined the Constitution of the Commonwealth of Pennsylvania; the Public School Code of 1949, Act of March 10, 1949, P.L. 30, No. 14, as amended (the "School Code"); the Local Government Unit Debt Act, as codified by the Act of December 19, 1996, P.L. 1158, No. 177 (the "Debt Act"); the formal actions of the Governing Body of the Local Government Unit authorizing the incurrence of nonelectoral debt evidenced by the Bonds (the "Debt Ordinance"); the corresponding Certificate of Approval of the Department of Community and Economic Development; the Internal Revenue Code of 1986, as amended (the "Tax Code"); the Federal Income Tax Certificate of an authorized officer of the Local Government Unit; and such other certificates, proceedings and law as I deemed necessary in order to render this opinion. Unless separately noted, I have not independently verified factual certifications either contained in the official statement, prospectus or other similar document used in connection with the sale of the Bonds or made to me by the Local Government Unit, its officers and agents during the course of my engagement.

Both principal of and interest on the Bonds are payable at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as Paying Agent for the Local Government Unit; said bank has additionally been appointed Registrar and Sinking Fund Depository for the Bonds.

These proceedings demonstrate that, in the absence of any meritoriously-based action in a governmental or judicial forum affecting the validity of the Bonds, the same have been delivered upon full payment.

Based on the foregoing, I am of the opinion on this date as follows:

1. The Bonds are valid and binding general obligations of the Local Government Unit.

- (a) The Bonds are issued for a valid purpose under the School Code.
- (b) The Bonds, and all other outstanding debt of the Local Government Unit, are within constitutional and statutory limitations.
- (c) The Debt Ordinance authorizing the Bonds was duly and properly enacted and is in full force and effect.
- (d) The Bonds conform, in all substantial respects, to the form provided in the Debt Ordinance.

2. The Bonds are secured by a pledge of the full faith, credit and taxing power of the Local Government Unit. The Local Government Unit has effectively covenanted in the Debt Ordinance to include the amount of debt service on this issue, in each fiscal year for which such sums are due, in its budget for that year; to appropriate such amount to the payment of such debt service; and to pay or cause to be paid, from time to time as and when due, the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds. Additionally, the Bonds are secured by the "Commonwealth of Pennsylvania aid intercept" provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

3. Presently included among the general revenues of the Local Government Unit available for the payment of the Bonds are ad valorem taxes which may be levied, to the extent permitted by law, as to rate or amount, upon all taxable real property situate within the corporate limits of the Local Government Unit.

4. The Bonds are payable and enforceable according to their own terms, those of the Debt Ordinance and all provisions of the Debt Act; however, any such payment and enforcement could be restrained by a court of proper jurisdiction operating under the authority of bankruptcy, receivership and other similar laws of accommodation and adjustment of creditors' rights, as then applicable.

5. The Bonds, having all the qualities and incidents of securities under Article 8 of the Uniform Commercial Code, are negotiable instruments.

6. The Bonds are authorized investments, under the Probate, Estates and Fiduciaries Code, as amended, for fiduciaries and personal representatives (as such terms are therein defined) within the Commonwealth of Pennsylvania.

7. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds (including, Bonds sold at an original issue discount, the differences between the initial offering price and par) is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, I have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. I express no opinion as to any other Federal income tax consequence arising from ownership of the Bonds.

9. The Bonds, and interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

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## **APPENDIX F**

### **PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## **CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of February \_\_, 2020 is executed and delivered by the Penn Hills School District, Allegheny County, Pennsylvania (the "City") in connection with the issuance of its General Obligations Bonds, Series of 2019 (the "Bonds").

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the School District for the benefit of the Holders (as defined herein) and Beneficial Owners (as defined herein) of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined herein).

**SECTION 2. Definitions.** The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the School District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean, initially, Digital Assurance Certification, L.L.C ("DAC"), or any successor Dissemination Agent designated in writing by the School District and which has filed with the School District a written acceptance of such designation.

"Holder" shall mean a registered owner of a Bond.

"Listed Events" shall mean any of the events listed in Section 6(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" means the Official Statement dated February \_\_, 2020, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. General Provisions Regarding MSRB Filings.**

All filings with the MSRB pursuant to this Disclosure Agreement: (a) shall be made in an electronic format as prescribed by the MSRB; and (b) shall be accompanied by identifying information as prescribed by the MSRB.

### **SECTION 4. Provision of Annual Reports.**

(a) Commencing with the report for the fiscal year ending June 30, 2019, the School District shall, or shall cause the Dissemination Agent to, provide to the MSRB, through the MSRB's Electronic Municipal Markets Access System ("EMMA"), an Annual Report, which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report is required to be provided not later than March 30 following the end of each Fiscal Year ending the previous June 30. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the School District's fiscal year changes, it shall give notice of such change by filing a notice with the MSRB through EMMA.

(b) Not later than ten (10) days prior to the applicable date described in Section 4(a) above, the School District shall provide the Annual Report to the Dissemination Agent (if other than the School

District). If the School District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the School District shall send a notice to that effect to the MSRB.

(c) The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the current electronic format of the MSRB for such filing; and

(2) if the Dissemination Agent is other than the School District, file a report with the School District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, and stating the date it was provided.

**SECTION 5. Content of Annual Reports.** The School District's Annual Report shall contain or include by reference the following:

(a) The audited financial statements or Comprehensive Annual Financial Report (which must include audited financial statements of the School District) of the School District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the School District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) The additional items listed in Exhibit A hereto.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the School District or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The School District shall clearly identify each such other document so included by reference.

**SECTION 6. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 6, the School District shall file, or shall cause the Dissemination Agent to file, in a timely manner not in excess of ten (10) business days after the occurrence of such event, with the MSRB, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of the credit or liquidity providers or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of Holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;

- (12) bankruptcy, insolvency, receivership or similar event of the School District;
- (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

(b) The School District shall file, or shall cause the Dissemination Agent to file, in a timely manner with the MSRB and accompanied by such identifying information as prescribed by the MSRB, notice of a failure to provide the required annual financial information specified above, on or before the date specified above.

(c) For the purposes of the Listed Event identified in clause (a)(12) of this Section, the event is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District.

**SECTION 7. Termination of Reporting Obligation.** The School District's obligations under this Disclosure Agreement shall terminate (i) upon the legal defeasance, prior redemption or payment in full of all of the Bonds or (ii) if the School District is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule. If such termination occurs prior to the final maturity of the Bonds, the School District shall give notice of such termination by filing a notice with the MSRB through EMMA.

**SECTION 8. Dissemination Agent.** The School District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the School District pursuant to this Disclosure Agreement.

**SECTION 9. Amendment, Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the School District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 4(a), 5, or 6(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waivers would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the School District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the School District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given by filing a notice with the MSRB through EMMA, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Notwithstanding any other provisions of this Disclosure Agreement, any filing required by this Disclosure Agreement may be made with such repositories and using such electronic filing systems as may be approved by the Securities and Exchange Commission and/or the MSRB.

**SECTION 10. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the School District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the School District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 11. Default.** In the event of a failure of the School District to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the School District to comply with this Disclosure Agreement shall be an action to compel performance upon failure of the School District to provide requested information after 10 days written notice.

**SECTION 12. Duties of Dissemination Agent.** The Dissemination Agent shall have only such duties under this Disclosure Agreement as are specifically set forth in this Disclosure Agreement. The obligations of the School District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the School District, the Dissemination Agent, the Participating Underwriters, Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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IN WITNESS WHEREOF, the undersigned have hereunto set their hands and affixed the seal of the Penn Hills School District, Allegheny County, Pennsylvania, as of the date first above written.

**PENN HILLS SCHOOL DISTRICT,  
PENNSYLVANIA,  
as Issuer**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT A

### **Additional Items for Annual Report**

The information to be included in the Annual Report is the following:

- (i) the School District's annual audited financial statements, which shall be prepared in conformity with generally accepted accounting principles consistently applied as applicable to school districts of the Commonwealth;
- (ii) a summary of the budget for the School District for the new fiscal year (the "Summary of Budget"), when available;
- (iii) certain annual operating data as follows (the "Annual Operating Data"):
  - (a) the assessed value and aggregate market value of all taxable real estate for the current fiscal year;
  - (b) the taxes and millage rates imposed for the current fiscal year;
  - (c) the real property tax collection results for the most recent fiscal year, including (1) the real estate tax levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount); and
  - (d) pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible).

## **APPENDIX G**

### **FORM OF INTERCEPT AGREEMENT**

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## **STATE APPROPRIATION INTERCEPT AGREEMENT**

**(Re: Penn Hills School District  
General Obligation Bonds, Series of 2020)**

This Agreement (the “Agreement”) is executed and delivered as of the 13th day of February, 2020, by and between the **PENN HILLS SCHOOL DISTRICT, ALLEGHENY COUNTY, PENNSYLVANIA** (the “School District”), the **PENNSYLVANIA DEPARTMENT OF EDUCATION** (the “Department”), the **TREASURER OF THE COMMONWEALTH OF PENNSYLVANIA** (the “State Treasurer”) and **THE BANK OF NEW YORK MELLON**, in its capacity as paying agent (the “Paying Agent”) for the School District’s General Obligation Bonds, Series of 2020, (the “Obligations”).

### **WITNESSETH:**

**WHEREAS**, the School District is a School District organized and existing under the Pennsylvania Public School Code of 1949, as amended and supplemented, 24 P.S. §1-101, *et seq.* (the “School Code”); and

**WHEREAS**, the School District has determined to issue its \$101,780,000, General Obligation Bonds, Series of 2020 for the purpose of the payment of the costs associated with: (a) the current refunding, in order to achieve debt service savings, of all or a portion of the General Obligation Bonds, Series B of 2009 (Federally Taxable Direct Payment Build America Bonds), over the life of the series, (b) the current refunding, in order to achieve debt service savings over the life of the series, of all or a portion of the General Obligation Notes, Series of 2013, and (c) the payment of all costs and expenses incurred by the School District in connection with the issuance and sale of the General Obligation Bonds to be issued by the School District; and

**WHEREAS**, the School District by Resolution adopted on November 25, 2019 (the “Resolution”), appointed The Bank of New York Mellon as Paying Agent, Registrar and Sinking Fund Depository with respect to the Obligations and has covenanted to deposit in a sinking fund (the “Sinking Fund”) amounts sufficient to pay no later than fifteen days prior to the principal on the Obligations and the interest thereon (payable on April 1 and October 1 of each year, beginning April 1, 2020) when due (each, a “Debt Service Payment Date”); and

**WHEREAS**, to ensure timely payment of the scheduled principal of and interest on the Obligations to the owners thereof, the Obligations will be insured by Build America Mutual Assurance Company (the "Insurer"); and

**WHEREAS**, certain appropriations from the Commonwealth of Pennsylvania (the "Commonwealth") are due and payable to the School District on certain specified dates in each fiscal year of the School District (the "Appropriation Payment Dates"); and

**WHEREAS**, in order to enhance the marketability of the Obligations so as to reduce interest costs with respect to the Obligations, the School District desires to request, instruct and authorize the Department and the State Treasurer to withhold a portion of the Commonwealth appropriations due to the School District on Appropriation Payment Dates falling on the last Thursday of two calendar months preceding a Debt Service Payment Date so long as the Obligations are outstanding, commencing with the Commonwealth appropriation due to the School District on the last Thursday of February, 2020, and to pay such withheld amounts directly to the Paying Agent in order to better fulfill the School District's covenant in the Resolution to make deposits to the Sinking Fund as aforesaid, and the School District's obligation in the Sinking Fund Deposit Agreement dated February 13, 2020 (the "Deposit Agreement"), between the School District and the Paying Agent, to make deposits to the Sinking Fund (commencing with the Sinking Fund installment due under the Deposit Agreement on March 15, 2020); and

**WHEREAS**, the State Treasurer, relying upon the accuracy and completeness of the cash flow statements and financial representations made by the School District to the State Treasurer and the Department, has agreed to enter into this State Appropriation Intercept Agreement; and

**WHEREAS**, by this Agreement, the School District, the Department, the State Treasurer and the Paying Agent will agree that, in the event of a Commonwealth budget impasse as described in Article XVIIIE-4 of the Fiscal Code, added by Act No. 85 of 2016 (P.L. 664, No. 85) ("Fiscal Code"), that the

Department will promptly submit the justification required by Section 1703.E-4(a) of the Fiscal Code (if such justification has not already been submitted) in sufficient time to permit the deposits to the Sinking Fund to be made in sufficient time for the Paying Agent to make the debt service payments due on the Bonds in full on each Bond Payment Date.

**NOW, THEREFORE**, for and in consideration of the premises and mutual covenants hereinafter contained and intending to be legally bound hereby, the parties hereto mutually agree as follows:

**SECTION 1.** The School District hereby notifies the Department of its intention to enter into this Agreement and requests the Department to provide notice to the State Treasurer that the State Treasurer shall withhold from the Commonwealth appropriations due to the School District on the last Thursday of the months of February and August of each fiscal year, commencing on the last Thursday of February, 2020, the amounts due on April 1 and October 1 of each year set forth on Exhibit "A", annexed hereto and made a part hereof (as may be amended from time to time as hereinafter provided in this Section 1, the "Scheduled Amounts") and to make payments of the Scheduled Amounts directly to the Paying Agent to provide for the payment of debt service on the Obligations. To the extent that the deposit of a Scheduled Amount in the Sinking Fund would cause the amount in the Sinking Fund to exceed the principal and interest due on the Obligations on the next Debt Service Payment Date, the Paying Agent may, and at the request of the School District the Paying Agent shall, notify the Department and the State Treasurer of a revised Scheduled Amount (which amount shall be equal to the applicable Scheduled Amount shown on Exhibit "A" minus funds available in the Sinking Fund to pay debt service on the Obligations), and, notwithstanding the requirements of Section 9 hereof, the related Scheduled Amount shown on Exhibit "A" shall be amended per such notice of the Paying Agent, without any further action or consent by the parties hereto or otherwise. It is the intention of the parties hereto that this Agreement shall constitute notice by the School District to the Department and from the Department to the State Treasurer to make such

withholdings and payments in accordance with a voucher request from the Department to the State Treasurer directing payment to the Paying Agent.

**SECTION 2.** To the extent that the State Treasurer receives from the Department the appropriate voucher transmittal on or prior to the last Thursday of February and/or August of each fiscal year, the State Treasurer agrees to pay the Scheduled Amounts from Commonwealth appropriations with appropriate vouchers from the Department, directly to the Paying Agent on or before the dates set forth on Exhibit "A." After any arrearages on the Scheduled Amounts are paid to the Paying Agent, amounts representing Commonwealth appropriations due to the School District in excess of the current Scheduled Amount shall be paid by the State Treasurer directly to the School District, to the extent that the State Treasurer receives the appropriate voucher transmittal from the Department. In the event that the appropriation due to the School District on the last Thursday of the months of February or August of any year is less than the Scheduled Amounts due to the Paying Agent as set forth on Exhibit "A", the Department shall voucher any such deficiency from any appropriations due to the School District prior to the Debt Service Payment Date to make up such deficiency and shall deliver a voucher transmittal for such amount directly to the State Treasurer prior to the Debt Service Payment Date so that any deficiency is cured and the State Treasurer shall pay the Scheduled Amounts directly to the Paying Agent as set forth on Exhibit "A".

**SECTION 3.** The School District hereby directs the Paying Agent to credit such payments made by the State Treasurer pursuant to Section 2 above to the Sinking Fund payments required to be made by the School District under the Resolution and the Deposit Agreement and to use the same to pay the debt service due on the Obligations, in accordance with the terms and provisions of the Resolution in the amounts and on the dates set forth on Exhibit "A." Such amounts to be paid by the State Treasurer directly to the Paying Agent, as Sinking Fund Depository, will be applied to the debt service payments required to be paid by the School District under the Resolution and the Deposit Agreement in any such fiscal year.

**SECTION 4.** In the event that a budget impasse, as described in Section 1703.E-4(a) of the Fiscal Code, has occurred and is continuing as of a February or August Appropriation Payment Date preceding a Bond Payment Date as scheduled and shown on Exhibit "A" hereto, the Department agrees that it will immediately submit to the chairs and minority chairs of the Appropriation Committees of the Senate and the House of the Pennsylvania General Assembly, respectively, the justification required by Section 1703.E-4(a) of the Fiscal Code, so that moneys from the Commonwealth's general fund are made available in sufficient time to enable the State Treasurer to make the required payment in full to the Paying Agent for deposit to the Sinking Fund so that the Paying Agent timely pays debt service due on the Bonds.

**SECTION 5.** Any notice, request, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by first-class mail, postage prepaid, or sent by telecopier or overnight delivery service addressed to the parties as follows:

The Department

The Pennsylvania Department of Education  
333 Market Street  
10th Floor  
Harrisburg, PA 17126-0333  
Fax: (717) 787-7222  
Attention: Secretary of Education

The School District

Penn Hills School District  
260 Astar Street  
Pittsburgh, PA 15235-2059  
Phone 412/793.7000  
Attention: Business Manager

The State Treasurer

Commonwealth of Pennsylvania, Treasury  
Finance Building, Room 127  
Harrisburg, PA 17120  
Fax: (717) 772-0970  
Attention: Chief Counsel

The Paying Agent

The Bank of New York Mellon  
385 Rifle Camp Rd - 3rd Floor  
Attn: Corporate Trust Administration  
Woodland Park, NJ 07424  
Phone: 973/357-7827

Wire Information:  
BNY Mellon  
ABA# 021-000-018  
A/C#: \_\_\_\_\_  
Ref: Penn Hills SD GO Series 2020 SF Acct  
Attn: Vanessa Mesa (973) 357-7827

**SECTION 6.** If, due to a refunding or an early redemption of all or any portion of the Obligations, there is a change required to be made to the amounts to be withheld by the State Treasurer, the School District will provide a written notice to the Department, the State Treasurer and the Paying Agent, and will cause an amendment to this Agreement to be prepared in accordance with the terms and provisions of Section 9 hereof.

**SECTION 7.** In case any provision of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, this Agreement shall be construed as if such provision had never been contained herein.

**SECTION 8.** This Agreement and all matters arising under this Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

**SECTION 9.** This Agreement may not be amended except by an instrument in writing executed by the parties hereto. Any amendment to this Agreement shall be subject to the prior written consent of the Insurer.

**SECTION 10.** This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

**SECTION 11.** In the administration of this Agreement, the Paying Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with

counsel to be selected and retained by it and shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel. Further, in the administration of this Agreement, the Paying Agent shall be entitled to the protections and indemnities provided to it in the Resolution and the Deposit Agreement. The Paying Agent shall not be liable to the School District or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Paying Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, floods, earthquakes, epidemics or other similar occurrences.

**SECTION 12.** The Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and, so long as the terms of the bond insurance policy are being fully met and satisfied, may enforce any such right, remedy or claim conferred, given or granted hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

**TREASURER OF THE  
COMMONWEALTH OF PENNSYLVANIA**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**THE PENNSYLVANIA DEPARTMENT  
OF EDUCATION**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**PENN HILLS SCHOOL DISTRICT,  
ALLEGHENY COUNTY, PENNSYLVANIA**

By: \_\_\_\_\_  
President, Board of School Directors

Attest: \_\_\_\_\_  
Board Secretary  
**THE BANK OF NEW YORK MELLON**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Approval as to form and legality:

**OFFICE OF GENERAL COUNSEL**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

**OFFICE OF ATTORNEY GENERAL**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

Approval as to form and legality (continued):

**TREASURER OF THE  
COMMONWEALTH OF PENNSYLVANIA**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

EXHIBIT "A"

Penn Hills School District  
General Obligation Bonds, Series of 2020

Debt Service Schedule

| <u>Date</u> | <u>Principal</u> | <u>Coupon</u> | <u>Yield</u> | <u>Interest</u> | <u>Semi-Annual Debt Service</u> | <u>Fiscal Year Debt Service</u> |
|-------------|------------------|---------------|--------------|-----------------|---------------------------------|---------------------------------|
| 4/1/2020    |                  |               |              | 478,486.67      | 478,486.67                      | 478,486.67                      |
| 10/1/2020   | 5,000            | 2.000         | 1.130        | 1,794,325.00    | 1,799,325.00                    |                                 |
| 4/1/2021    |                  |               |              | 1,794,275.00    | 1,794,275.00                    | 3,593,600.00                    |
| 10/1/2021   | 5,000            | 2.000         | 1.140        | 1,794,275.00    | 1,799,275.00                    |                                 |
| 4/1/2022    |                  |               |              | 1,794,225.00    | 1,794,225.00                    | 3,593,500.00                    |
| 10/1/2022   | 1,725,000        | 3.000         | 1.150        | 1,794,225.00    | 3,519,225.00                    |                                 |
| 4/1/2023    |                  |               |              | 1,768,350.00    | 1,768,350.00                    | 5,287,575.00                    |
| 10/1/2023   | 1,790,000        | 4.000         | 1.180        | 1,768,350.00    | 3,558,350.00                    |                                 |
| 4/1/2024    |                  |               |              | 1,732,550.00    | 1,732,550.00                    | 5,290,900.00                    |
| 10/1/2024   | 1,855,000        | 4.000         | 1.230        | 1,732,550.00    | 3,587,550.00                    |                                 |
| 4/1/2025    |                  |               |              | 1,695,450.00    | 1,695,450.00                    | 5,283,000.00                    |
| 10/1/2025   | 4,615,000        | 5.000         | 1.280        | 1,695,450.00    | 6,310,450.00                    |                                 |
| 4/1/2026    |                  |               |              | 1,580,075.00    | 1,580,075.00                    | 7,890,525.00                    |
| 10/1/2026   | 4,845,000        | 5.000         | 1.380        | 1,580,075.00    | 6,425,075.00                    |                                 |
| 4/1/2027    |                  |               |              | 1,458,950.00    | 1,458,950.00                    | 7,884,025.00                    |
| 10/1/2027   | 5,085,000        | 5.000         | 1.470        | 1,458,950.00    | 6,543,950.00                    |                                 |
| 4/1/2028    |                  |               |              | 1,331,825.00    | 1,331,825.00                    | 7,875,775.00                    |
| 10/1/2028   | 5,085,000        | 5.000         | 1.550        | 1,331,825.00    | 6,416,825.00                    |                                 |
| 4/1/2029    |                  |               |              | 1,204,700.00    | 1,204,700.00                    | 7,621,525.00                    |
| *           | 10/1/2029        | 5,315,000     | 5.000        | 1.650           | 1,204,700.00                    | 6,519,700.00                    |
| 4/1/2030    |                  |               |              | 1,071,825.00    | 1,071,825.00                    | 7,591,525.00                    |
| 10/1/2030   | 5,530,000        | 3.000         | 2.130 **     | 1,071,825.00    | 6,601,825.00                    |                                 |
| 4/1/2031    |                  |               |              | 988,875.00      | 988,875.00                      | 7,590,700.00                    |
| 10/1/2031   | 5,680,000        | 3.000         | 2.230 **     | 988,875.00      | 6,668,875.00                    |                                 |
| 4/1/2032    |                  |               |              | 903,675.00      | 903,675.00                      | 7,572,550.00                    |
| 10/1/2032   | 5,845,000        | 3.000         | 2.330 **     | 903,675.00      | 6,748,675.00                    |                                 |
| 4/1/2033    |                  |               |              | 816,000.00      | 816,000.00                      | 7,564,675.00                    |
| 10/1/2033   | 6,015,000        | 3.000         | 2.380 **     | 816,000.00      | 6,831,000.00                    |                                 |
| 4/1/2034    |                  |               |              | 725,775.00      | 725,775.00                      | 7,556,775.00                    |
| 10/1/2034   | 6,190,000        | 3.000         | 2.450 **     | 725,775.00      | 6,915,775.00                    |                                 |
| 4/1/2035    |                  |               |              | 632,925.00      | 632,925.00                      | 7,548,700.00                    |
| 10/1/2035   | 6,365,000        | 3.000         | 2.540 **     | 632,925.00      | 6,997,925.00                    |                                 |
| 4/1/2036    |                  |               |              | 537,450.00      | 537,450.00                      | 7,535,375.00                    |
| 10/1/2036   | 6,550,000        | 3.000         | 2.630 **     | 537,450.00      | 7,087,450.00                    |                                 |
| 4/1/2037    |                  |               |              | 439,200.00      | 439,200.00                      | 7,526,650.00                    |
| 10/1/2037   | 6,735,000        | 3.000         | 2.630 **     | 439,200.00      | 7,174,200.00                    |                                 |
| 4/1/2038    |                  |               |              | 338,175.00      | 338,175.00                      | 7,512,375.00                    |
| 10/1/2038   | 6,930,000        | 3.000         | 2.780 **     | 338,175.00      | 7,268,175.00                    |                                 |
| 4/1/2039    |                  |               |              | 234,225.00      | 234,225.00                      | 7,502,400.00                    |
| 10/1/2039   | 5,940,000        | 3.000         | 2.780 **     | 234,225.00      | 6,174,225.00                    |                                 |
| 4/1/2040    |                  |               |              | 145,125.00      | 145,125.00                      | 6,319,350.00                    |
| 10/1/2040   | 1,610,000        | 3.000         | 2.780 **     | 145,125.00      | 1,755,125.00                    |                                 |
| 4/1/2041    |                  |               |              | 120,975.00      | 120,975.00                      | 1,876,100.00                    |

|               |                    |       |          |                      |                       |                       |
|---------------|--------------------|-------|----------|----------------------|-----------------------|-----------------------|
| 10/1/2041     | 1,660,000          | 3.000 | 2.860 ** | 120,975.00           | 1,780,975.00          |                       |
| 4/1/2042      |                    |       |          | 96,075.00            | 96,075.00             | 1,877,050.00          |
| 10/1/2042     | 6,405,000          | 3.000 | 2.860 ** | 96,075.00            | 6,501,075.00          |                       |
| 4/1/2043      |                    |       |          |                      |                       | 6,501,075.00          |
| <b>TOTALS</b> | <b>101,780,000</b> |       |          | <b>45,094,211.67</b> | <b>146,874,211.67</b> | <b>146,874,211.67</b> |

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**APPENDIX H**

**SPECIMEN BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_

Authorized Officer

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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